

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

This financial report includes the consolidated financial statements and notes of Credit Corp Group Limited and controlled entities (consolidated group) and the separate financial statements and notes of Credit Corp Group Limited as an individual entity (parent entity).

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical cost modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### A. PRINCIPLES OF CONSOLIDATION

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

A list of controlled entities is contained in Note 22 to the financial statements.

As at reporting 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.

All intra-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies are consistent within the consolidated group.

### B. BUSINESS COMBINATIONS

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

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the consolidated group's incremental borrowing rate.

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. Goodwill is allocated to cash-generating units and is not amortised but is tested semi-annually for impairment. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in the income statement.

### C. INCOME TAX

The income tax expense for the year comprises current income tax expense and deferred tax expense.

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

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

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

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

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

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

Prior to 1 July 2007, the consolidated group adopted a practice of claiming deductions relating to its PDLs in accordance with the impairment expense disclosed in its financial statements for these assets. Commencing 1 July 2007, the consolidated group has applied the emerging profits basis for claiming PDL deductions in accordance with statements issued by the Australian Taxation Office.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. INCOME TAX (CONTINUED)

At 30 June 2008, this resulted in the recognition of a significant deferred tax liability as well as a significant current receivable for refunds of income tax previously paid. All applicable income tax refunds as a result of the change in methodology for claiming PDL deductions were received by the consolidated group during the year.

### TAX CONSOLIDATION

Credit Corp Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the consolidated group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. The tax consolidated group has entered a tax funding arrangement whereby each company in the consolidated group contributes to the income tax payable by the consolidated group in proportion to their contribution to the consolidated group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

### D. 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.

#### PROPERTY

Freehold land is currently measured at directors' valuation. 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. The carrying value of freehold land is not materially different from its fair value at balance date.

#### PLANT AND EQUIPMENT

Plant and equipment are measured at cost.

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.

### DEPRECIATION

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	YEARS
Leasehold improvements	period of the lease
Plant and equipment	2 to 13 years
Computer software	2.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### E. LEASES

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### F. FINANCIAL INSTRUMENTS

#### RECOGNITION AND INITIAL MEASUREMENT

Financial instruments are initially measured at fair value, which includes transaction costs, when the consolidated group becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition these instruments are measured as set out below.

#### CLASSIFICATION AND SUBSEQUENT MEASUREMENT

##### Available-for-sale financial assets

Available-for-sale financial assets are brought to account at fair value, with any resultant increase in fair value being recognised directly in equity. Impairment losses are expensed to the income statement. PDLs held by the consolidated group are classified as available-for-sale financial assets. All amounts collected on PDLs are taken directly to the income statement as revenue. The adjustment required to state the combined portfolio of PDLs held by the consolidated group at fair value at the reporting date results in a loss. This loss is taken to the income statement as an impairment loss.

##### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising the original debt less principal payments and amortisation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. FINANCIAL INSTRUMENTS (CONTINUED)

#### Derivative financial instruments

The consolidated group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

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.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of hedged items, are also documented.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge 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 transferred to the income statement in the periods when the hedged item will affect profit or loss.

#### Fair value

The fair value of derivative financial instruments is the estimated amount that the consolidated group would pay or receive to terminate the derivative financial instruments at the reporting date, taking into account current interest rates.

The fair value of PDLs held by the consolidated group are estimated using a valuation technique because these financial assets are not quoted in an active market. Discounted cash flow analysis is commonly used by PDL market participants in pricing decisions and, accordingly, that technique has been applied to estimate the fair value of the PDLs of the consolidated group at each reporting date.

The discounted cash flow analysis used to estimate the fair value of PDLs incorporates assumptions for the following key inputs:

- Useful life or term over which collections will be yielded;
- Cash costs of collection;
- Discount rate; and
- Forecast collections over the remaining term.

The inputs to the discounted cash flow analysis are set so as to reasonably represent market expectations and measures of the risk-return factors applicable to PDLs held by the consolidated group. The degree of variation in the character of individual PDLs and the absence of a secondary market for the sale of PDLs held by the consolidated group means that it is not possible to wholly base the assumptions on observable current market transactions and data.

The difference between the fair value of a PDL at initial recognition (this will be the transaction price, being the fair value of the consideration given) and the amount that is determined at reporting

date using discounted cash flow analysis is brought to account in the income statement as part of the impairment loss on the consolidated group's total portfolio of PDLs.

At each reporting date, the consolidated group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### G. IMPAIRMENT OF ASSETS (EXCLUDING FINANCIAL ASSETS)

At each reporting date, the consolidated group reviews the carrying values of its tangible and intangible assets 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.

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

### H. INTANGIBLES

#### 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 on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested semi-annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### I. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

#### FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of each of the consolidated group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### TRANSACTION AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### I. FOREIGN CURRENCY TRANSACTIONS AND BALANCES (CONTINUED)

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.

### J. EMPLOYEE BENEFITS

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

### EQUITY-SETTLED COMPENSATION

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

The employee share plan provides 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 three-year period. The fair value of the options is measured using the Hull-White pricing model, taking into account the terms and conditions upon which the options were granted. Measurement inputs include the share price on grant date, exercise price of the option, expected volatility, expected dividends and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value. The amount recognised as an expense is adjusted to reflect the actual number of share options which satisfy the vesting conditions.

### K. PROVISIONS

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### L. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash-on-hand, deposits held at call with banks, other short-term highly-liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

### M. REVENUE

#### LEDGER REVENUE

Revenue from PDLs equates to total cash collected less the component designated as interest income through the application of the available-for-sale classification under *AASB 139: Financial Instruments: Recognition and Measurement*.

#### INTEREST REVENUE

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### SERVICES REVENUE

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

### N. 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.

### O. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

### P. COMPARATIVE FIGURES

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

### Q. ROUNDING OF AMOUNTS

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars.

### R. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial report 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

##### Impairment of goodwill

The company performs an impairment test at least semi-annually in accordance with accounting policies (G) and (H). 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### Available-for-sale financial assets

On the date of acquisition, PDLs are recorded at fair value (this will be the transaction price, being the fair value of the consideration given). At each reporting date, the fair value of PDLs are re-estimated using the discounted cash flow valuation technique. More detail on this accounting analysis is provided in accounting policy (F) and Note 11 to the financial statements.

### S. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The consolidated group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the consolidated group follows:

- a. *AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and *AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [AASBs 1, 118, 121, 127 & 136] (applicable for annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the consolidated group cannot be determined. The following changes to accounting requirements are included:
- Acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - Contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - A gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - There shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the consolidated group's policy);
  - Dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - Impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and

- Where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.
- b. *AASB 8: Operating Segments* and *AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8* [AASBs 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038] (applicable for annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the consolidated group's Board for the purposes of decision-making. While the impact of this standard cannot be assessed at this stage, it is unlikely more segments will be identified. As a result, the fact that cash generating units cannot be bigger than operating segments is unlikely to impact goodwill impairment calculations.
- c. *AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101* (all applicable to annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the consolidated group however it will impact the presentation of the consolidated financial statements.
- d. *AASB 123: Borrowing Costs* and *AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123* [AASBs 1, 101, 107, 111, 116 & 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no effect on the consolidated group as borrowing costs are not incurred in respect of qualifying assets by the consolidated group.
- e. *AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party. The consolidated group has not yet determined the potential effect of the amendment.
- f. *AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation* [AASBs 7, 101, 132, 139 and Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009; 1 July 2009 for the consolidated group). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### S. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation. These amendments will not impact the consolidated group.

- g. *AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)* (AASB 2008-5) and *AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)* (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the consolidated group.
- h. *AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]* (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the consolidated group.

The consolidated group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the consolidated group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 2: REVENUE

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Operating activities</b>				
Interest from purchased debt ledgers	82,769	82,264	65,083	57,474
Ledger revenue	70,181	59,634	54,659	50,579
Other interest received	723	160	722	163
Services revenue	2,127	1,826	202	165
<b>Total revenue</b>	<b>155,800</b>	<b>143,884</b>	<b>120,666</b>	<b>108,381</b>

### NOTE 3: PROFIT FOR THE YEAR

Arrived at after deducting expenses including:

<b>Finance costs</b>				
Interest expense	10,052	10,776	10,051	10,689
Other finance charges	675	1,242	673	1,322
<b>Total finance costs</b>	<b>10,727</b>	<b>12,018</b>	<b>10,724</b>	<b>12,011</b>
<b>Depreciation and amortisation expenses</b>				
Property, plant and equipment	419	499	392	338
Computer software	271	177	270	176
Leasehold improvements	792	1,420	760	936
<b>Total depreciation and amortisation expenses</b>	<b>1,482</b>	<b>2,096</b>	<b>1,422</b>	<b>1,450</b>
Impairment of goodwill	–	2,256	–	–
<b>Bad and doubtful debts</b>				
Trade receivables	38	7	6	7
<b>Rental expense on operating leases</b>				
Minimum lease payments	4,054	4,057	4,054	3,842

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 4: INCOME TAX EXPENSE

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) The components of income tax expense comprise:				
Current tax	5,548	1,073	2,604	(3,457)
Deferred tax	(731)	2,671	(800)	2,708
Under/(over) provision in respect of prior years	23	(34)	-	-
Losses in subsidiaries not tax affected	(15)	(138)	-	-
Losses transferred (from)/to subsidiaries	-	-	(30)	749
	<b>4,825</b>	<b>3,572</b>	<b>1,774</b>	<b>-</b>
(b) Prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:				
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2008: 30%)	4,706	2,808	1,706	(869)
Add/(Less):				
Tax effect of:				
Non-allowable share-based payment expense	50	271	44	89
Non-allowable goodwill amortisation	-	609	-	-
Other non-allowable items	61	56	54	31
Under/(over) provision for income tax in prior year	23	(34)	-	-
Losses transferred to subsidiaries within discontinued operations	(15)	(138)	-	-
Losses transferred (from)/to subsidiaries	-	-	(30)	749
<b>Income tax expense attributable to the continuing operations of the consolidated group</b>	<b>4,825</b>	<b>3,572</b>	<b>1,774</b>	<b>-</b>
<b>The applicable weighted average effective tax rates are as follows:</b>	<b>31%</b>	<b>38%</b>	<b>31%</b>	<b>0%</b>

### NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial report	132	149	132	149
Taxation services	14	14	14	14
Other services	13	28	13	28
	<b>159</b>	<b>191</b>	<b>159</b>	<b>191</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 6: DISCONTINUED OPERATIONS

In August 2008 the Malaysian mercantile collections business (Pioneer Credit Management Services Malaysia Sdn Bhd) was sold to an unrelated third party.

In February 2009 the Sydney process serving business, known as Wise McGrath, was sold to a party associated with the then management of that business. The consolidated group has entered into a two-year supply agreement with the purchaser of the Wise McGrath business for the provision of process serving and field call services.

In March 2009 the Perth mercantile collections business (Pioneer Credit Management Pty Limited) was sold to a party associated with the ownership of that business when acquired by the consolidated group in July 2006.

Financial information relating to the discontinued operations to the date of disposal is set out below and at Note 23 Segment Reporting.

The financial performance of the discontinued operations to the date of sale which is included in profit/(loss) from discontinued operations per the income statement is as follows:

	MERCANTILE COLLECTIONS	PROCESS SERVING	TOTAL	MERCANTILE COLLECTIONS	PROCESS SERVING	TOTAL
	2009 \$'000	2009 \$'000	\$'000	2008 \$'000	2008 \$'000	\$'000
Revenue	893	2,079	2,972	2,452	3,531	5,983
Expenses	(1,166)	(1,692)	(2,858)	(3,640)	(2,504)	(6,144)
Profit/(loss) before income tax	(273)	387	114	(1,188)	1,027	(161)
Income tax expense	(22)	(73)	(95)	(21)	(245)	(266)
Profit/(loss) attributable to members of the parent entity	(295)	314	19	(1,209)	782	(427)
Profit/(loss) on sale before income tax	(206)	722	516	-	-	-
Income tax expense	-	-	-	-	-	-
Profit/(loss) on sale after income tax	(206)	722	516	-	-	-
<b>Total profit/(loss) after tax attributable to the discontinued operation</b>	<b>(501)</b>	<b>1,036</b>	<b>535</b>	<b>(1,209)</b>	<b>782</b>	<b>(427)</b>
The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:						
Net cash (outflow) from operating activities	(572)	(1,072)	(1,644)	(164)	(148)	(312)
Net cash inflow/(outflow) from investing activities	45	1,030	1,075	(124)	45	(79)
Net cash inflow/(outflow) from financing activities	-	-	-	-	-	-
<b>Net (decrease) in cash generated by the discontinued operations</b>	<b>(527)</b>	<b>(42)</b>	<b>(569)</b>	<b>(288)</b>	<b>(103)</b>	<b>(391)</b>

Profit/(loss) on disposal of the discontinued operations is included in the profit/(loss) from discontinued operations per the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 7: DIVIDENDS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Distributions paid</b>				
Final fully-franked ordinary dividend of 2.00 cents per share paid October 2008 (2008: 12.75 cents)	<b>889</b>	5,546	<b>889</b>	5,546
Interim fully-franked ordinary dividend of 2.00 cents per share paid April 2009 (2008: 2.00 cents)	<b>880</b>	875	<b>880</b>	875
	<b>1,769</b>	6,421	<b>1,769</b>	6,421
(a) Proposed final fully-franked ordinary dividend of 2.00 cents per share payable on 9 October 2009 (2008: 2.00 cents)	<b>885</b>	875	<b>885</b>	875
(b) 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 proposed dividends	<b>14,654</b>	14,613	<b>14,654</b>	14,613
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	<b>(379)</b>	(375)	<b>(379)</b>	(375)
	<b>14,275</b>	14,238	<b>14,275</b>	14,238

### NOTE 8: EARNINGS PER SHARE (EPS)

(a) Reconciliation of earnings to profit				
Profit	<b>11,397</b>	5,361	–	–
Earnings used to calculate basic EPS	<b>11,397</b>	5,361	–	–
Earnings used in the calculation of dilutive EPS	<b>11,397</b>	5,361	–	–
(b) Reconciliation of earnings to profit from continuing operations				
Profit from continuing operations	<b>10,862</b>	5,788	–	–
Earnings used to calculate basic EPS from continuing operations	<b>10,862</b>	5,788	–	–
Earnings used in the calculation of dilutive EPS from continuing operations	<b>10,862</b>	5,788	–	–
(c) Reconciliation of earnings to profit/(loss) from discontinued operations				
Profit/(loss) from discontinued operations	<b>535</b>	(427)	–	–
Earnings used to calculate basic EPS from discontinued operations	<b>535</b>	(427)	–	–
Earnings used in the calculation of dilutive EPS from discontinued operations	<b>535</b>	(427)	–	–

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 8: EARNINGS PER SHARE (EPS) (CONTINUED)

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 SHARES '000	2008 SHARES '000	2009 SHARES '000	2008 SHARES '000
(d) Weighted average number of ordinary shares				
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<b>44,004</b>	43,637	–	–
Weighted average number of options outstanding	<b>1,912</b>	1,568	–	–
Weighted average number of shares that would have been issued above the average market price	<b>(1,774)</b>	(1,394)	–	–
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>44,142</b>	43,811	–	–

(e) There were 1,911,500 share options remaining unconverted at year end which are included in the determination of dilutive EPS.

### NOTE 9: CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and on-hand	<b>651</b>	2,441	<b>460</b>	1,502

Reconciliation of cash at the end of the financial year is shown in Note 24(B)

### NOTE 10: TRADE AND OTHER RECEIVABLES

#### CURRENT

Trade receivables	<b>1,736</b>	2,003	<b>1,225</b>	693
Less: Provision for impairment (a)	<b>(335)</b>	(297)	<b>(30)</b>	(24)
	<b>1,401</b>	1,706	<b>1,195</b>	669
Other receivables	<b>51</b>	20	<b>51</b>	–
Income tax refundable	–	4,936	–	4,615
	<b>1,452</b>	6,662	<b>1,246</b>	5,284

#### (a) Impairment of trade receivables

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 10: TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	OPENING BALANCE \$'000	CHARGE/(GAIN) FOR THE YEAR \$'000	AMOUNTS WRITTEN OFF \$'000	CLOSING BALANCE \$'000
<b>Year ended 30 June 2009</b>				
<b>CONSOLIDATED GROUP</b>				
Current trade receivables	297	51	(13)	335
	297	51	(13)	335
<b>PARENT ENTITY</b>				
Current trade receivables	24	6	–	30
	24	6	–	30
<b>Year ended 30 June 2008</b>				
<b>CONSOLIDATED GROUP</b>				
Current trade receivables	301	(2)	(2)	297
	301	(2)	(2)	297
<b>PARENT ENTITY</b>				
Current trade receivables	24	7	(7)	24
	24	7	(7)	24

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

Trade and other receivables that remain within initial trade terms are considered to be of high credit quality. At balance date, trade and other receivables of \$0.3 million (2008: \$0.5 million) were outside initial trade terms but not impaired. It is expected these past due amounts will be received.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 10: TRADE AND OTHER RECEIVABLES (CONTINUED)

	GROSS AMOUNT \$'000	PAST DUE AND IMPAIRED \$'000	PAST DUE BUT NOT IMPAIRED				WITHIN INITIAL TRADE TERMS \$'000
			< 30 \$'000	31-60 \$'000	61-90 \$'000	> 90 \$'000	
<b>CONSOLIDATED GROUP</b>							
<b>Year ended 30 June 2009</b>							
Trade and term receivables	1,736	335	-	8	25	310	1,058
Other receivables	51	-	-	-	-	-	51
<b>Total</b>	<b>1,787</b>	<b>335</b>	<b>-</b>	<b>8</b>	<b>25</b>	<b>310</b>	<b>1,109</b>
<b>Year ended 30 June 2008</b>							
Trade and term receivables	2,003	297	-	243	105	156	1,202
Other receivables	20	-	-	-	-	-	20
<b>Total</b>	<b>2,023</b>	<b>297</b>	<b>-</b>	<b>243</b>	<b>105</b>	<b>156</b>	<b>1,222</b>
<b>PARENT ENTITY</b>							
<b>Year ended 30 June 2009</b>							
Trade and term receivables	1,225	30	-	8	-	257	930
Other receivables	51	-	-	-	-	-	51
<b>Total</b>	<b>1,276</b>	<b>30</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>257</b>	<b>981</b>
<b>Year ended 30 June 2008</b>							
Trade and term receivables	693	24	-	57	-	-	612
Other receivables	-	-	-	-	-	-	-
<b>Total</b>	<b>693</b>	<b>24</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>612</b>

Neither the consolidated group nor parent entity holds any financial assets with terms that have been renegotiated but which would otherwise be past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 11: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Debt Ledgers</b>				
At cost	407,961	370,477	407,961	370,477
Less: Accumulated impairment	(237,796)	(167,374)	(237,796)	(167,374)
	<b>170,165</b>	203,103	<b>170,165</b>	203,103
<b>CURRENT</b>	<b>63,265</b>	61,935	<b>63,265</b>	61,935
<b>NON-CURRENT</b>	<b>106,900</b>	141,168	<b>106,900</b>	141,168
	<b>170,165</b>	203,103	<b>170,165</b>	203,103

#### A. FAIR VALUE METHOD AND ASSUMPTIONS

The entity uses a discounted cash flow analysis valuation technique to estimate the fair value of its PDLs. Aggregated assumptions used in the analysis are summarised in the following table:

INPUT	ASSUMPTION AND/OR BASIS FOR ASSUMPTION
Useful life or term over which collections will be yielded	Maximum of six years from the date of PDL acquisition. Based on the statutory collections barrier for unacknowledged debt together with an understanding of PDL market pricing practices.
Cash costs of collection	Based on observed agency collection servicing rates for equivalent portfolios of PDLs, together with an assessment of the entity's variable cost structure.
Pre-tax discount rate	Average of 15 per cent per annum, based on application of a margin to the entity's pre-tax Weighted Average Cost of Capital.
Forecast collections over the remaining term	Internally prepared forecasts taking into account observed collections to date on each PDL, the performance of older analogue PDLs and allowance for other known factors.

#### B. FAIR VALUE SENSITIVITY

Changing one or more of the assumptions for estimating the fair value of the entity's PDLs to reasonably possible alternative assumptions would have a significant impact on the entity's profit or loss. These sensitivities are summarised in the following table:

##### IMPACT ON PROFIT BEFORE INCOME TAX

	PERCENTAGE ADJUSTMENT TO FORECAST COLLECTIONS OVER THE REMAINING TERM		
	-5%	0%	+5%
PRE-TAX DISCOUNT RATE	\$'000	\$'000	\$'000
12%	(1,648)	7,425	16,498
15%	(8,694)	nil	8,694
18%	(15,255)	(6,914)	1,427

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 12: OTHER CURRENT ASSETS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Prepayments	416	123	416	116

### NOTE 13: PROPERTY, PLANT AND EQUIPMENT

#### LAND

##### Freehold land at:

Directors valuation 2009/2008	5	5	5	5
Total land	5	5	5	5

#### PLANT AND EQUIPMENT

##### Plant and equipment

At cost	3,159	2,906	2,757	2,228
Less: Accumulated depreciation	(2,179)	(1,894)	(1,807)	(1,422)
	980	1,012	950	806
<b>Computer software</b>				
At cost	1,077	821	1,029	763
Less: Accumulated depreciation	(911)	(646)	(863)	(593)
	166	175	166	170
<b>Leasehold improvements</b>				
At cost	3,842	3,760	3,559	3,475
Less: Accumulated amortisation	(2,755)	(1,964)	(2,526)	(1,766)
	1,087	1,796	1,033	1,709
Total plant and equipment	2,233	2,983	2,149	2,685
<b>Total property, plant and equipment</b>	<b>2,238</b>	<b>2,988</b>	<b>2,154</b>	<b>2,690</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### MOVEMENTS IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	FREEHOLD LAND \$'000	PLANT & EQUIPMENT \$'000	COMPUTER SOFTWARE \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL \$'000
<b>CONSOLIDATED GROUP</b>					
Balance at 1 July 2008	5	1,012	175	1,796	2,988
Additions	–	552	267	84	903
Disposals	–	(121)	–	(1)	(122)
Depreciation expense	–	(463)	(276)	(792)	(1,531)
<b>Balance at 30 June 2009</b>	<b>5</b>	<b>980</b>	<b>166</b>	<b>1,087</b>	<b>2,238</b>
Balance at 1 July 2007	5	1,235	257	1,800	3,297
Impairment charges	–	(16)	–	–	(16)
Foreign exchange translation	–	4	–	–	4
Additions	–	408	111	1,470	1,989
Disposals	–	(4)	–	–	(4)
Depreciation expense	–	(615)	(193)	(1,474)	(2,282)
<b>Balance at 30 June 2008</b>	<b>5</b>	<b>1,012</b>	<b>175</b>	<b>1,796</b>	<b>2,988</b>
<b>PARENT ENTITY</b>					
Balance at 1 July 2008	5	806	170	1,709	2,690
Transfers	–	(10)	–	–	(10)
Additions	–	538	274	84	896
Disposals	–	–	–	–	–
Depreciation expense	–	(390)	(272)	(760)	(1,422)
<b>Balance at 30 June 2009</b>	<b>5</b>	<b>944</b>	<b>172</b>	<b>1,033</b>	<b>2,154</b>
Balance at 1 July 2007	5	870	235	1,607	2,717
Transfers	–	(130)	–	(459)	(589)
Additions	–	408	111	1,497	2,016
Disposals	–	(4)	–	–	(4)
Depreciation expense	–	(338)	(176)	(936)	(1,450)
<b>Balance at 30 June 2008</b>	<b>5</b>	<b>806</b>	<b>170</b>	<b>1,709</b>	<b>2,690</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 14: TAX

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>NON-CURRENT ASSETS</b>				
Deferred tax assets	<b>2,736</b>	1,442	<b>2,640</b>	1,132
<b>CURRENT LIABILITIES</b>				
Income tax	<b>727</b>	–	<b>727</b>	–
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	<b>7,626</b>	8,622	<b>7,626</b>	8,622
	<b>8,353</b>	8,622	<b>8,353</b>	8,622

Deferred tax assets and liabilities are attributed to the following:

#### DEFERRED TAX ASSETS

(a) The balance comprises temporary differences attributable to:

<b>Amounts recognised in profit or loss</b>				
Provisions	<b>599</b>	667	<b>508</b>	563
Accruals	<b>925</b>	678	<b>920</b>	468
Other	<b>119</b>	45	<b>119</b>	49
	<b>1,643</b>	1,390	<b>1,547</b>	1,080
<b>Amounts recognised in equity</b>				
Share issue transaction costs	<b>33</b>	52	<b>33</b>	52
Cash flow hedge change in fair value	<b>1,060</b>	–	<b>1,060</b>	–
	<b>2,736</b>	1,442	<b>2,640</b>	1,132

(b) Movements

Opening balance at 1 July	<b>1,442</b>	543	<b>1,132</b>	377
Credited to the income statement	<b>253</b>	925	<b>467</b>	781
Credited/(debited) to equity	<b>1,041</b>	(26)	<b>1,041</b>	(26)
<b>Closing balance at 30 June</b>	<b>2,736</b>	1,442	<b>2,640</b>	1,132

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 14: TAX (CONTINUED)

#### DEFERRED TAX LIABILITIES

(a) The balance comprises temporary differences attributable to:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Amounts recognised in profit or loss</b>				
Debt ledger amortisation	7,626	8,069	7,626	8,069
	<b>7,626</b>	8,069	<b>7,626</b>	8,069
<b>Amounts recognised in equity</b>				
Cash flow hedge change in fair value	–	553	–	553
	<b>7,626</b>	8,622	<b>7,626</b>	8,622

(b) Movements

Opening balance at 1 July	8,622	–	8,622	–
(Credited)/charged to the income statement	(443)	8,069	(443)	8,069
Credited/(debited) to equity	(553)	553	(553)	553
<b>Closing balance at 30 June</b>	<b>7,626</b>	8,622	<b>7,626</b>	8,622

Commencing 1 July 2007, the consolidated group has applied the emerging profits basis for claiming PDL deductions in accordance with statements issued by the Australian Taxation Office. At 30 June 2008 this resulted in the recognition of a significant deferred tax liability as well as a significant current receivable for refunds of income tax previously paid. All applicable income tax refunds as a result of the change in methodology for claiming PDL deductions were received by the consolidated group during the year.

### NOTE 15: INTANGIBLE ASSETS

#### GOODWILL

Cost	4,242	8,317	–	–
Accumulated impaired losses	(2,722)	(6,227)	–	–
<b>Net carrying value</b>	<b>1,520</b>	2,090	–	–
Balance at the beginning of year	2,090	4,653	–	–
Disposals	(570)	–	–	–
Impairment losses	–	(2,563)	–	–
<b>Net carrying value</b>	<b>1,520</b>	2,090	–	–

#### IMPAIRMENT DISCLOSURES

Goodwill is allocated to cash-generating units which are based on the consolidated group's reporting segments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 15: INTANGIBLE ASSETS (CONTINUED)

#### GOODWILL CARRYING VALUE

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Ledger acquisition segment	720	720	–	–
Mercantile collections segment	800	800	–	–
Process serving segment	–	570	–	–
	<b>1,520</b>	<b>2,090</b>	<b>–</b>	<b>–</b>

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

	GROWTH RATE	DISCOUNT RATE
Ledger acquisitions segment	nil	15%
Mercantile collections segment	nil	15%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates adjusted for the current economic environment to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

### NOTE 16: DERIVATIVES

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>NON-CURRENT ASSETS</b>				
Interest rate swaps	–	1,842	–	1,842
<b>CURRENT LIABILITIES</b>				
Interest rate swaps	<b>1,726</b>	–	<b>1,726</b>	–
<b>NON-CURRENT LIABILITIES</b>				
Interest rate swaps	<b>1,808</b>	–	<b>1,808</b>	–
	<b>3,534</b>	<b>–</b>	<b>3,534</b>	<b>–</b>

Gains and losses arising from changes in the fair value of interest rate swaps designated as derivatives are initially recognised in the hedge reserve in the equity section of the balance sheet to the extent that the hedge is effective and taken directly to the income statement when the interest expense of the underlying hedged item is recognised. The statement of changes in equity includes transfers to and from the hedge reserve.

Refer to Note 32(A) Financial Risk Management for further details of interest rate swap contracts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 17: TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CURRENT</b>				
Unsecured liabilities				
Trade payables	484	297	372	297
Sundry payables and accrued expenses	6,726	12,718	6,541	10,143
Amounts payable to wholly-owned subsidiaries	–	–	24,233	16,135
	<b>7,210</b>	13,015	<b>31,146</b>	26,575
Payables under contract of sale	1,103	1,064	1,103	1,064
	<b>8,313</b>	14,079	<b>32,249</b>	27,639
<b>NON-CURRENT</b>				
Sundry payables and accrued expenses	770	–	770	–
	<b>770</b>	–	<b>770</b>	–
	<b>9,083</b>	14,079	<b>33,019</b>	27,639

### NOTE 18: FINANCIAL LIABILITIES

#### Secured liabilities

##### CURRENT

Bank overdraft	52	176	27	120
Bank loan	–	7,200	–	7,200
	<b>52</b>	7,376	<b>27</b>	7,320

##### NON-CURRENT

Bank loan	81,830	120,000	81,830	120,000
	<b>81,830</b>	120,000	<b>81,830</b>	120,000
<b>Total financial liabilities</b>	<b>81,882</b>	127,376	<b>81,857</b>	127,320

The consolidated group announced on 30 June 2009 that it had successfully amended its bank loan facility. The amended bank loan has a total facility limit of \$120 million (2008: \$140 million) comprising two cash advance facilities and a multi option facility. The first cash advance facility of \$75 million (2008: \$120 million) expires on 30 June 2011 and the second cash advance facility of \$40 million (2008: nil) expires on 30 June 2012. The multi-option facility of \$5 million (2008: \$20 million) expires on 30 June 2012 (2008: 30 June 2009).

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

The facility requires compliance with various undertakings. These include compliance with minimum Asset Cover Ratio and minimum Tangible Net Worth (TNW) requirements. The Asset Cover Ratio is the sum of the carrying value of PDLs in the consolidated group's accounts plus current receivables divided by the amount outstanding under the loan. The relevant undertaking stipulates a minimum Asset Cover Ratio of 1.70:1 for the period to 31 December 2009 (2008: 1.50:1 for the period to 31 December 2008), which increases progressively to 2.00:1 over the period to 1 January 2011. The minimum TNW undertaking is set at the greater of \$62 million (2008: \$58 million) and 85 per cent of the TNW (2008: 85 per cent TNW) at the end of the preceding financial year.

The current interest rate margin applicable to the cash advance facility maturing on 30 June 2011 is 3.15 per cent per annum (2008: 3.35 per cent per annum) while the Asset Cover Ratio remains above 2.00:1, reducing progressively to 2.95 per cent per annum (2008: 2.95 per cent per annum) for an Asset Cover Ratio in excess of 2.50:1.

The current interest rate margin applicable to the cash advance facility and the multi option facility maturing on 30 June 2012 is 3.45 per cent per annum while the Asset Cover Ratio remains above 2.00:1 reducing progressively to 3.25 per cent per annum for an Asset Cover Ratio in excess of 2.50:1.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 19: PROVISIONS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CURRENT</b>				
Restructuring costs	403	987	403	987
Employee benefits	1,343	1,468	1,343	1,455
	<b>1,746</b>	<b>2,455</b>	<b>1,746</b>	<b>2,442</b>
<b>NON-CURRENT</b>				
Employee benefits	87	65	87	65
	<b>87</b>	<b>65</b>	<b>87</b>	<b>65</b>
	<b>1,833</b>	<b>2,520</b>	<b>1,833</b>	<b>2,507</b>
(a) Aggregate employee benefits liability	1,430	1,533	1,430	1,520
(b) Actual number of employees at year-end	505	582	505	445

Restructuring costs include provisions for contracted payments relating to equipment and facilities which are surplus to the consolidated group's requirements. The prior year provision also included amounts relating to employee terminations.

### MOVEMENTS IN PROVISIONS

	RESTRUCTURING COSTS \$'000	ANNUAL LEAVE \$'000	LONG SERVICE LEAVE \$'000	TOTAL \$'000
<b>CONSOLIDATED GROUP</b>				
Balance at the beginning of year	987	1,352	181	2,520
Additional provisions	–	2,075	39	2,114
Amounts used	(584)	(2,208)	(9)	(2,801)
<b>Balance at the end of year</b>	<b>403</b>	<b>1,219</b>	<b>211</b>	<b>1,833</b>
<b>PARENT ENTITY</b>				
Balance at the beginning of year	987	1,339	181	2,507
Additional provisions	–	1,704	39	1,743
Amounts used	(584)	(1,824)	(9)	(2,417)
<b>Balance at the end of year</b>	<b>403</b>	<b>1,219</b>	<b>211</b>	<b>1,833</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 20: ISSUED CAPITAL

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
44,258 (2008: 43,768) fully-paid ordinary shares	(a)	<b>39,485</b>	39,135	<b>39,485</b>	39,135
<b>A. ORDINARY SHARES</b>					
At the beginning of the reporting period		<b>39,135</b>	36,217	<b>39,135</b>	36,217
Shares issued during the year					
Employee options exercised	(i)	–	1,947	–	1,947
Dividend reinvestment plan		<b>354</b>	–	<b>354</b>	–
Employee share scheme issues/(adjustments)	(ii)	<b>(4)</b>	651	<b>(4)</b>	651
Other	(iii)	–	320	–	320
<b>At reporting date</b>		<b>39,485</b>	39,135	<b>39,485</b>	39,135

#### (i) Options

Refer to Note 30 Share-Based Payments for details of options issued, exercised and lapsed during the financial year and options outstanding at balance date.

#### (ii) Employee share scheme

Refer to Note 30 Share-Based Payments for details of shares issued under the scheme.

#### (iii) Other

This amount represents the proceeds from the sale of shares forfeited under the terms of an Executive Long Term Incentive Plan. The 400,000 shares were subsequently re-issued at \$0.8003 per share, for a total consideration of \$320,120.

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 NUMBER '000	2008 NUMBER '000	2009 NUMBER '000	2008 NUMBER '000
At the beginning of the reporting period		<b>43,768</b>	43,257	<b>43,768</b>	43,257
<b>Shares issued during the year</b>					
Employee options exercised	30(a)	–	489	–	489
Shares issued		<b>490</b>	–	<b>490</b>	–
Employee share scheme issues	30(b)	–	22	–	22
<b>At reporting date</b>		<b>44,258</b>	43,768	<b>44,258</b>	43,768

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 20: ISSUED CAPITAL (CONTINUED)

#### B. CAPITAL MANAGEMENT

Management controls the capital of the consolidated group in order to maintain an appropriate debt-to-equity ratio, provide the shareholders with adequate returns and ensure that the consolidated group can fund its operations and continue as a going concern.

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

The consolidated group's bank loan facility requires compliance with various undertakings. These are described in Note 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 consolidated group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated group since the prior year. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total borrowings	17, 18	<b>90,965</b>	141,455	<b>115,603</b>	154,959
Less cash and cash equivalents	9	<b>(651)</b>	(2,441)	<b>(460)</b>	(1,502)
Net debt		<b>90,314</b>	139,014	<b>115,143</b>	153,457
Total equity		<b>74,493</b>	68,094	<b>48,485</b>	49,581
<b>Total capital</b>		<b>164,807</b>	207,108	<b>163,628</b>	203,038
Gearing ratio		<b>55%</b>	67%	<b>70%</b>	76%

### NOTE 21: RESERVES

#### A. EQUITY COMPENSATION RESERVE

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

#### B. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Malaysian Mercantile Collections operation (sold during the year) where the functional currency is different to the presentation currency of the reporting entity.

#### C. HEDGE RESERVE

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 22: CONTROLLED ENTITIES

Interests in subsidiaries are set out as below:

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		2009	2008
<b>SUBSIDIARIES OF CREDIT CORP GROUP LIMITED</b>			
Alpha Credit Pty Limited	Australia	100	100
Alupka Holdings Pty Limited	Australia	100	100
Certus Partners Pty Limited	Australia	100	100
Credit Corp Australia Pty Limited	Australia	100	100
Credit Corp Collections Pty Limited	Australia	100	100
Credit Corp Facilities Pty Limited	Australia	100	100
Credit Corp Queensland Pty Limited	Australia	100	100
Credit Corp Services (NH) Pty Limited	Australia	100	100
Credit Corp Services Malaysia Pty Limited (sold in August 2008)	Australia	–	100
Credit Corp Services Pty Limited	Australia	100	100
Credit Corp Western Australia Pty Limited	Australia	100	100
Falay Pty Limited	Australia	100	100
Hifel Pty Limited	Australia	100	100
Korilly Pty Limited	Australia	100	100
Malthiest Pty Limited	Australia	100	100
Pioneer Credit Management Services Malaysia Sdn Bhd (sold in August 2008)	Malaysia	–	100
Pioneer Credit Management Services Pty Limited (sold in March 2009)	Australia	–	100
Striel Pty Limited	Australia	100	100
Torbige Pty Limited	Australia	100	100
Vonchiest Pty Limited	Australia	100	100
Wranga Pty Limited	Australia	100	100
Mortgage Balance Pty Limited*	Australia	–	100

\* (Previously named Credit Corp Financial Services Pty Limited and incorporated on 4 September 2007 with an issued capital of \$2.00. Subsequently sold for \$2.00 in July 2008)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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### NOTE 23: SEGMENT REPORTING

Segment information is presented in respect of the consolidated group's business and geographical segments. The primary format, business segments, is based on the consolidated group's management and internal reporting structure.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances for accumulated depreciation and impairment. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Inter-segment pricing is determined on an arm's length basis. These transfers are eliminated on consolidation.

#### A. PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The consolidated group has the following five business segments:

- **Debt ledger purchasing**

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

- **Legal practice**

Provides legal services predominately to the consolidated group's debt ledger purchasing business.

- **Mercantile collections**

The consolidated group reduced the extent of operations in this segment during the year. This segment operates through an agency or commission-based model for a specified period of time.

- **Process serving**

The consolidated group discontinued operations in this segment during the year. Prior to discontinuation this segment provided legal support and investigative services to clients of the consolidated group. This segment also provided services to the consolidated group's debt ledger purchasing business.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 23: SEGMENT REPORTING (CONTINUED)

#### A. PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (CONTINUED)

	LEDGER ACQUISITIONS	MERCANTILE COLLECTIONS	LEGAL PRACTICE	ELIMIN- ATIONS	CONSOLIDATED GROUP (CONTINUING OPERATIONS)	DISCONTINUED OPERATIONS MERCANTILE COLLECTIONS	DISCONTINUED OPERATIONS PROCESS SERVING	ELIMIN- ATIONS	TOTAL DISCONTINUED OPERATIONS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2009</b>									
External revenue	153,872	1,928	-	-	155,800	893	2,079	-	2,972
Other revenue	-	-	-	-	-	-	731	(731)	-
<b>Total revenue</b>	<b>153,872</b>	<b>1,928</b>	<b>-</b>	<b>-</b>	<b>155,800</b>	<b>893</b>	<b>2,810</b>	<b>(731)</b>	<b>2,972</b>
Segment result	25,704	754	(44)	-	26,414	(273)	406	-	133
Net finance costs					(10,727)				(19)
Income tax expense					(4,825)				(95)
Gain on sale of discontinued operations (net of income tax)					-				516
<b>Net profit after tax</b>					<b>10,862</b>				<b>535</b>
<b>ASSETS</b>									
Segment assets	174,610	311	1	-	174,922	-	-	-	-
Unallocated assets					4,256				-
Discontinued operations assets					-				-
<b>Total assets</b>					<b>179,178</b>				<b>-</b>
<b>LIABILITIES</b>									
Segment liabilities	96,129	209	(6)	-	96,332	-	-	-	-
Unallocated liabilities					8,353				-
Discontinued operations liabilities					-				-
<b>Total liabilities</b>					<b>104,685</b>				<b>-</b>
Acquisitions of non-current segment assets	38,380	-	-	-	38,380	8	-	-	8
Depreciation and amortisation	1,477	5	-	-	1,482	9	40	-	49
Impairment of goodwill	-	-	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 23: SEGMENT REPORTING (CONTINUED)

#### A. PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (CONTINUED)

	LEDGER ACQUISITIONS	MERCANTILE COLLECTIONS	LEGAL PRACTICE	ELIMIN- ATIONS	CONSOLIDATED GROUP (CONTINUING OPERATIONS)	DISCONTINUED OPERATIONS MERCANTILE COLLECTIONS	DISCONTINUED OPERATIONS PROCESS SERVING	ELIMIN- ATIONS	TOTAL DISCONTINUED OPERATIONS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2008</b>									
External revenue	141,770	1,550	115	–	143,435	2,485	3,947	–	6,432
Other revenue	–	–	149	300	449	283	795	(1,527)	(449)
<b>Total revenue</b>	<b>141,770</b>	<b>1,550</b>	<b>264</b>	<b>300</b>	<b>143,884</b>	<b>2,768</b>	<b>4,742</b>	<b>(1,527)</b>	<b>5,983</b>
Segment result	22,245	(442)	(198)	(227)	21,378	(1,174)	1,035	–	(139)
Net finance costs					(12,018)				(22)
Income tax expense					(3,572)				(266)
<b>Net profit/(loss) after tax</b>					<b>5,788</b>				<b>(427)</b>
<b>ASSETS</b>									
Segment assets	210,085	536	182	(291)	210,512	1,033	678	–	1,711
Unallocated assets					8,468				–
Discontinued operations assets					1,711				–
<b>Total assets</b>					<b>220,691</b>				<b>1,711</b>
<b>LIABILITIES</b>									
Segment liabilities	143,633	206	4	(291)	143,552	368	55	–	423
Unallocated liabilities					8,622				–
Discontinued operations liabilities					423				–
<b>Total liabilities</b>					<b>152,597</b>				<b>423</b>
Acquisitions of non-current segment assets	79,418	–	–	–	79,418	283	–	–	283
Depreciation and amortisation	804	1,292	–	–	2,096	157	29	–	186
Impairment of goodwill	1,375	881	–	–	2,256	307	–	–	307

#### SECONDARY REPORTING FORMAT – GEOGRAPHIC SEGMENTS

The consolidated group's business segments were located in Australia and Malaysia, until the sale of the Malaysian mercantile collections business in August 2008 to an unrelated third party. Refer to Note 6 to the financial statements for detail on the disposal of the Malaysian business. The assets, revenues and result of the Malaysian operations are less than 10 per cent of the assets, revenues and result of the consolidated group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 24: CASH FLOW INFORMATION

#### A. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit/(loss) from ordinary activities after income tax		<b>11,397</b>	5,361	<b>3,913</b>	(2,897)
Non-cash flows in profit/(loss)					
Impairment of available-for-sale financial assets		<b>70,181</b>	59,634	<b>54,659</b>	50,609
Foreign currency revaluation		<b>(55)</b>	164	<b>(55)</b>	164
Depreciation	13	<b>1,531</b>	2,282	<b>1,422</b>	1,450
Impairment of goodwill		–	2,563	–	–
Share options expensed		<b>169</b>	1,152	<b>147</b>	504
Loss on sale of property, plant and equipment		–	3	–	–
Gain on sale of subsidiaries	6	<b>(516)</b>	–	–	–
Income tax expense		<b>4,920</b>	3,838	<b>1,774</b>	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries					
Decrease/(Increase) in trade and term receivables		<b>409</b>	2,195	<b>(577)</b>	1,977
(Increase)/Decrease in prepayments		<b>(293)</b>	2,313	<b>(300)</b>	2,133
(Decrease)/Increase in trade payables and accruals		<b>(5,035)</b>	5,372	<b>12,787</b>	16,761
(Decrease)/Increase in provisions		<b>(687)</b>	1,522	<b>(674)</b>	1,806
		<b>82,021</b>	86,399	<b>73,096</b>	72,507
Income taxes refunded/(paid)		<b>65</b>	(4,909)	<b>2,677</b>	(607)
<b>Cash flows from operations</b>		<b>82,086</b>	81,490	<b>75,773</b>	71,900

#### B. RECONCILIATION OF CASH

Cash and cash equivalents	9	<b>651</b>	2,441	<b>460</b>	1,502
Bank overdraft		<b>(52)</b>	(176)	<b>(27)</b>	(120)
		<b>599</b>	2,265	<b>433</b>	1,382

#### C. CREDIT STANDBY ARRANGEMENTS WITH BANKS

Facility limit	18	<b>120,000</b>	140,000	<b>120,000</b>	140,000
Bank guarantees	25	<b>(945)</b>	(984)	<b>(945)</b>	(984)
Cash drawn down	18	<b>(81,830)</b>	(127,200)	<b>(81,830)</b>	(127,200)
<b>Unused loan facilities</b>		<b>37,225</b>	11,816	<b>37,225</b>	11,816

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 24: CASH FLOW INFORMATION (CONTINUED)

#### D. DISPOSAL OF BUSINESSES

During the year the processing serving, Malaysian mercantile collections and Perth mercantile collections businesses were sold. Aggregate details of these transactions are:

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net consideration received, satisfied in cash		1,075	–	–	–
Deferred consideration		400	–	–	–
<b>Total consideration</b>		<b>1,475</b>	<b>–</b>	<b>–</b>	<b>–</b>
Effect of disposal on the financial position of the consolidated group					
Other assets and liabilities		267	–	–	–
Plant and equipment	13	122	–	–	–
Intangible assets		570	–	–	–
		<b>959</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net gain on disposal	6	516	–	–	–
		<b>1,475</b>	<b>–</b>	<b>–</b>	<b>–</b>

### NOTE 25: CONTINGENT LIABILITIES

The consolidated group had contingent liabilities at 30 June 2009 in respect of:

Bank guarantees	945	984	945	984
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The guarantees may give rise to a liability in the event the parent entity or the subsidiaries do not meet their obligations under the terms of the obligations subject to the guarantee. No material losses are anticipated in respect of the above contingent liabilities.

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

The Statement contains allegations that from 7 November 2007 to 11 February 2008 the consolidated group engaged in misleading conduct by making certain express and implied representations for which it had no reasonable basis and breached its continuous disclosure obligations by failing to promptly disclose certain matters regarding its profitability. The Statement contains assertions that the consolidated group's alleged conduct constitutes breaches of certain provisions of the *Corporations Act*, the *Australian Securities and Investments Commission Act*, the *NSW Fair Trading Act* and Australian Securities Exchange Listing Rules.

The Application seeks an order for compensation for Clime and other parties represented by Clime who are part of a group which has entered into litigation funding agreements with IMF (Australia) Limited.

Neither the Application nor the Statement quantify the losses claimed by Clime and the group which it represents, nor do they identify the size of the group or the shareholders in it (other than Clime). The Statement appends a schedule detailing losses of approximately \$1.4 million on shares purchased by Clime from 8 November 2007 to 11 February 2008 and subsequently sold on 13 and 14 February 2008 but does not provide any detail relating to losses on shares purchased by members of the group other than Clime.

The consolidated group maintains insurance that addresses this type of claim. Notwithstanding the existence of this insurance, the consolidated group is not insulated from all costs and damages which may arise from this claim. The directors have recognised an appropriate accrual for litigation defence costs in the income statement for the current year. No provision has been recognised to cover any potential damages that may be awarded by the Court.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 26: LEASING COMMITMENTS

#### OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Payable</b>				
Less than one year	<b>3,481</b>	4,672	<b>1,377</b>	1,181
Between one and five years	<b>2,459</b>	5,590	<b>826</b>	1,149
More than five years	–	13	–	–
	<b>5,940</b>	10,275	<b>2,203</b>	2,330

These relate to non-cancellable operating leases including property, plant and equipment.

#### PROPERTY

- Lease for \$356,160 per annum expires September 2009. There is an option to extend the term of the lease to February 2011.
- Lease for \$53,553 per annum expires December 2009. The minimum lease payments are subjected to an annual CPI review. There is an option to extend the term of the lease by a further three years to December 2012.
- Lease for \$31,738 per annum expires February 2010. The minimum lease payments are subjected to an annual four per cent per annum review. There is an option to extend the lease by a further three years to February 2013.
- Lease for \$21,664 per annum expires September 2010. The minimum lease payments are subjected to an annual CPI review. There is an option to extend the lease by a further one and a half years to March 2012.
- Lease for \$75,915 per annum expires September 2010. The minimum lease payments are subjected to an annual CPI review. There is an option to extend the lease by a further one and a half years to March 2012.
- Lease for \$1,050,295 per annum expires February 2011. The minimum lease payments are subject to an annual four and a half per cent per annum review.
- Lease for \$125,183 per annum expires March 2011. The minimum lease payments are subject to an annual CPI review to a maximum of four per cent. There is an option to extend the lease by a further five years to March 2016.
- Lease for \$327,250 per annum expires August 2013. The minimum lease payments are subjected to an annual four per cent per annum review. There is an option to extend the lease by a further five years to August 2018.

All leases allow for sub-letting of all lease areas.

#### PLANT AND EQUIPMENT

Leases for plant and equipment range from \$236 to \$408,878 per annum and expire between November 2009 and June 2011.

### NOTE 27: CAPITAL COMMITMENTS

The consolidated group is committed, through existing arrangements, to acquire PDLs that will become available in coming months. The details of these arrangements are commercially confidential, however, the estimated investment is expected to be \$29.80 million (2008: \$23.20 million). These purchases will be funded by existing cash flows and bank facilities currently in place and will not require further capital raising.

Within one year	<b>29,800</b>	23,200	<b>29,800</b>	23,200
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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### NOTE 28: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No matters or circumstances have arisen since 30 June 2009 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:

##### NON-EXECUTIVE DIRECTORS

Mr D McLay (Chairman)

Mr S Calleia

Mr C Deane (resigned 10 November 2008)

Mr R Shaw

Mr R Thomas

Mr C Toda (resigned 18 December 2008)

##### OTHER KEY MANAGEMENT PERSONNEL

NAME	POSITION	EMPLOYER
Mr T Beregi	Chief Executive Officer (appointed 1 October 2008. Interim Chief Executive Officer from 5 March 2008 to 30 September 2008)	Credit Corp Group Limited
Mr M Angell	Chief Operating Officer	Credit Corp Group Limited
Mr R Shields	Head of Collections	Credit Corp Group Limited
Mr T Vogel	Chief Financial Officer (appointed 24 November 2008)	Credit Corp Group Limited
Ms K White	Head of Business Services	Credit Corp Group Limited

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

#### B. OPTIONS GRANTED AS COMPENSATION

No options were granted as compensation to key management personnel during the financial year.

#### C. SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No shares were issued during the year on the exercise of options previously granted as compensation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### D. OPTIONS HOLDINGS

The movement 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, is as follows:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
<b>Year ended 30 June 2009</b>						
<b>Directors</b>						
Mr C Toda (resigned 18 December 2008)	25,000	-	-	-	25,000	25,000
	25,000	-	-	-	25,000	25,000
<b>Key management personnel</b>						
Mr T Beregi	800,000	-	-	-	800,000	232,000
Mr M Angell	410,000	-	-	-	410,000	270,000
Mr R Shields	2,000	-	-	-	2,000	2,000
Ms K White	50,000	-	-	-	50,000	50,000
	1,262,000	-	-	-	1,262,000	554,000
	1,287,000	-	-	-	1,287,000	579,000

No options are vested and un-exercisable at balance date (2008: nil).

#### Year ended 30 June 2008

<b>Directors</b>						
Mr C Toda	25,000	-	-	-	25,000	25,000
	25,000	-	-	-	25,000	25,000
<b>Key management personnel</b>						
Mr T Beregi	-	800,000	-	-	800,000	-
Mr M Angell	550,000	-	(70,000)	(70,000)	410,000	70,000
Mr R Shields	2,000	-	-	-	2,000	800
Ms K White	50,000	-	-	-	50,000	25,000
	602,000	800,000	(70,000)	(70,000)	1,262,000	95,800
	627,000	800,000	(70,000)	(70,000)	1,287,000	120,800

The 70,000 options held by Mr M Angell were cancelled on 7 May 2008.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### E. SHARE HOLDINGS

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR <sup>(1)</sup>	BALANCE AT END OF THE YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
<b>Year ended 30 June 2009</b>					
<b>Directors</b>					
Mr D McLay (Chairman)	106,793	-	-	1,487,226	1,594,019
Mr S Calleia	18,500	-	-	2,492,195	2,510,695
Mr C Deane (resigned 10 November 2008)	275,000	-	-	-	275,000
Mr R Shaw	48,963	-	-	36,531	85,494
Mr R Thomas	9,984	-	-	-	9,984
Mr C Toda (resigned 18 December 2008)	90,000	-	-	5,069	95,069
	<b>549,240</b>	<b>-</b>	<b>-</b>	<b>4,021,021</b>	<b>4,570,261</b>
<b>Key management personnel</b>					
Mr T Beregi	-	-	-	50,000	50,000
Mr M Angell	-	-	-	30,000	30,000
Mr R Shields	79,196	-	-	103,205	182,401
Mr T Vogel	-	-	-	10,277	10,277
Ms K White	80	-	-	147	227
	<b>79,276</b>	<b>-</b>	<b>-</b>	<b>193,629</b>	<b>272,905</b>
	<b>628,516</b>	<b>-</b>	<b>-</b>	<b>4,214,650</b>	<b>4,843,166</b>
<b>Year ended 30 June 2008</b>					
<b>Directors</b>					
Mr D McLay (Chairman)	-	-	-	106,793	106,793
Mr S Calleia	-	-	-	18,500	18,500
Mr C Deane	270,000	-	-	5,000	275,000
Mr R Shaw	-	-	-	48,963	48,963
Mr R Thomas	9,984	-	-	-	9,984
Mr C Toda	90,000	-	-	-	90,000
	<b>369,984</b>	<b>-</b>	<b>-</b>	<b>179,256</b>	<b>549,240</b>
<b>Key management personnel</b>					
Mr M Angell	-	-	70,000	(70,000)	-
Mr R Shields	33,058	-	-	46,138	79,196
Ms K White	-	-	-	80	80
	<b>33,058</b>	<b>-</b>	<b>70,000</b>	<b>(23,782)</b>	<b>79,276</b>
	<b>403,042</b>	<b>-</b>	<b>70,000</b>	<b>155,474</b>	<b>628,516</b>

1. Other changes include shares purchased, sold or granted via participation in the Deferred Employee Share Plan and Dividend Reinvestment Plan and shares purchased or sold directly on the Australian Securities Exchange.

The 2,479,153 Credit Corp Group Limited shares held by Veduta Estates Pty Limited and Vahivi Pty Limited are deemed to be a relevant interest arising from a Power of Attorney held by Mr S Calleia and not because of a personal economic interest in the shares.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 30: SHARE-BASED PAYMENTS

#### A. EMPLOYEE SHARE OPTION ARRANGEMENT

The establishment of the EOP was approved by shareholders at the 2005 annual general meeting. Staff eligible to participate in the plan are directors and employees of Credit Corp Group Limited.

Options are granted under the plan for nil consideration. Generally, options granted vest over a 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 (VWAP) at which the company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

The total number and VWAP of share options are as follows:

	VWAP 2009	NUMBER OF OPTIONS 2009	VWAP 2008	NUMBER OF OPTIONS 2008
Outstanding at the start of the year	\$8.92	1,911,500	\$7.21	2,060,000
Restated during the year	–	–	\$9.94	300,000
Granted during the year	–	–	\$9.80	800,000
Exercised during the year	–	–	\$4.01	(489,000)
Forfeited during the year	–	–	\$7.51	(759,500)
<b>Outstanding at the end of the year</b>	<b>\$8.92</b>	<b>1,911,500</b>	<b>\$8.92</b>	<b>1,911,500</b>
<b>Exercisable at the end of the year</b>	<b>\$8.55</b>	<b>1,101,500</b>	<b>\$7.35</b>	<b>866,800</b>

No options expired during the year (2008: nil).

No options were exercised during the year (2008: 489,000). The weighted average share price at the dates options were exercised during the year ended 30 June 2008 was \$10.55.

No options were granted during the year (2008: 800,000). The weighted average fair value at grant date of options granted during the year ended 30 June 2008 was \$0.52 per option. The fair value at grant date is determined using the Hull-White option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The options outstanding at 30 June 2009 have an exercise price in the range of \$0.65 to \$10.40 and a weighted average remaining contractual life of 2.97 years (2008: 3.91 years).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 30: SHARE-BASED PAYMENTS (CONTINUED)

#### A. EMPLOYEE SHARE OPTION ARRANGEMENT (CONTINUED)

The model inputs for all options outstanding as at balance date included:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE PRICE AT GRANT DATE	EXPECTED PRICE VOLATILITY OF THE COMPANY'S SHARES	RISK-FREE INTEREST RATE
30 September 2004	30 September 2009	\$2.57	\$3.07	20.00%	5.47%
17 November 2004	17 November 2009	\$2.70	\$3.00	20.00%	5.49%
8 December 2004	8 December 2009	\$2.97	\$2.97	20.00%	5.18%
11 December 2004	11 December 2009	\$2.77	\$3.10	20.00%	5.20%
28 February 2006	28 February 2011	\$5.96	\$6.14	20.00%	5.29%
3 April 2006	3 April 2011	\$6.59	\$6.59	20.00%	5.41%
1 July 2006	1 July 2011	\$6.50	\$7.10	20.00%	5.75%
1 July 2006	1 July 2011	\$7.01	\$7.10	20.00%	5.75%
3 October 2006	3 October 2011	\$8.12	\$8.27	20.00%	5.49%
3 October 2006	3 October 2011	\$8.13	\$8.27	20.00%	5.49%
13 November 2006	13 November 2011	\$8.13	\$7.89	20.00%	5.57%
14 November 2006	14 November 2011	\$7.93	\$7.80	20.00%	5.60%
2 January 2007	2 January 2012	\$8.20	\$8.04	20.00%	5.90%
8 January 2007	8 January 2012	\$8.00	\$8.05	20.00%	5.85%
6 June 2007	1 January 2012	\$10.40	\$11.58	25.00%	6.11%
3 September 2007	3 September 2012	\$10.37	\$10.85	25.00%	6.24%
5 March 2008	5 March 2013	\$0.65	\$0.61	36.00%	6.16%

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

#### B. EMPLOYEE SHARE SCHEME

Shares under the Deferred Employee Share Plan (DESP) issued by the company to employees for nil cash consideration were approved by shareholders at the 2005 annual general meeting. The DESP is a non-transferable benefit provided by Credit Corp Group Limited to all employees of the consolidated group. No employees were invited to join the DESP during the current year. During the year ended 30 June 2008, employees who completed at least six months full-time equivalent service as at 16 August 2007 and are Australian residents for tax purposes were invited to join the DESP. Employees may elect not to participate in the DESP.

Under the scheme, eligible employees may be granted up to \$1,200 worth of fully-paid ordinary shares in Credit Corp Group Limited for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the balance sheet as share capital and as part of employee benefit costs in the period the shares are granted.

Offers under the scheme are at the discretion of the company. The decision to provide shares in the DESP in future years will be made by the Board based on performance.

Shares issued under the DESP may not be traded for 12 months and then only within the Credit Corp Group Limited Corporate Governance Restrictions. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

The number of shares issued to participants in the DESP is the offer amount divided by the VWAP at which the company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the date of the offer.

No shares were issued under the DESP during the year (2008: 22,386).

During the year ended 30 June 2008, each employee participant was issued with shares worth either \$600 or \$1,200 based on their length of service in the company with a VWAP of \$10.72.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 30: SHARE-BASED PAYMENTS (CONTINUED)

#### C. EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Options issued under employee option plan	173	501	172	283
Shares issued under employee share scheme	(4)	651	(25)	221
	169	1,152	147	504

The current year expense relates to shares and options issued in prior years.

### NOTE 31: RELATED PARTY TRANSACTIONS

#### A. PARENT ENTITY

The parent entity within the consolidated group is Credit Corp Group Limited. The parent entity is listed on the Australian Securities Exchange and is the ultimate parent entity.

#### B. OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- i. Fees regarding services to the consolidated group in relation to legal services, \$33,000 (2008:\$330), were paid to Carlos Toda and Co Lawyers. Mr C Toda, a Non-executive Director of Credit Corp Group Limited until 18 December 2008, is a partner of the legal firm. The value of the related party transactions encompass the whole financial year.
- ii. Fees in relation to supply of goods to the consolidated group, \$824 (2008: \$635), were paid to Dewdrop Water, a company owned by Mr C Deane, a Non-executive Director of Credit Corp Group Limited until 10 November 2008. The value of the related party transactions encompass the whole financial year.
- iii. Fees in relation to lease of Perth operating premises, \$45,356 (2008: \$67,938), were paid to AVY Nominees Pty Ltd ATF the John Family Primary Investment Trust and Teresa Anne Street ATF the MA & TA Street Family Trust. Mrs T Street is the wife of former General Manager of Pioneer Malaysia, Mr M Street who ceased employment with the consolidated group in October 2008. The value of the related party transactions encompass the whole financial year.

#### C. TRANSACTIONS WITH OTHER CONTROLLED ENTITIES

The following transactions occurred with other controlled entities:

Expenses				
Process serving fees charged by wholly-owned subsidiary	-	-	699	1,227

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 31: RELATED PARTY TRANSACTIONS (CONTINUED)

#### D. OUTSTANDING BALANCES ARISING FROM SALES OR PURCHASES OF GOODS AND SERVICES

The following balances are outstanding at the reporting date in relation to transactions with other controlled entities:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current assets</b>				
Wholly-owned tax consolidated entities	-	321	-	321
<b>Trade and other payables</b>				
Wholly-owned subsidiaries	-	-	24,233	16,135
<b>Current tax liabilities</b>				
Wholly-owned tax consolidated entities	727	-	727	-

### NOTE 32: FINANCIAL RISK MANAGEMENT

The consolidated group's financial assets and liabilities consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, available-for-sale financial assets and derivatives.

Derivatives are used by the consolidated group for hedging purposes. The company does not engage in the trading of derivative instruments.

The main risks the consolidated group is exposed to through its financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The consolidated group does not have exposure to any price risk at balance date.

#### A. 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. At balance date, approximately 92 per cent of the consolidated group's debt is fixed.

##### INTEREST RATE SWAPS

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. The consolidated group has variable interest rate debt and enters into swap contracts to receive interest at variable rates and to pay interest at fixed rates.

The consolidated group has undertaken two interest rate swap contracts, which provide an effective hedge of \$75 million of its projected floating interest rate exposure to 30 June 2011. The notional principal amount of the first swap contract is \$75 million fixed at a Reuters Page BBSY comparison of 6.455 per cent per annum and settled on a quarterly basis until 31 March 2010. The second swap contract commences on 31 March 2010 and is for a notional principal amount of \$75 million fixed at a Reuters Page BBSY comparison of 6.75 per cent per annum which is settled on a quarterly basis until 30 June 2011.

The settlement dates of the swap contracts closely align with interest payment dates of the borrowings which require settlement of net interest payable or receivable every 90 days. The net interest receivable or payable on the swap contracts is brought to account as an adjustment to finance costs in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

#### A. INTEREST RATE RISK (CONTINUED)

At balance date, the details of interest bearing and non-interest bearing financial assets and liabilities are as follows:

	NOTES	FIXED INTEREST RATE		FLOATING INTEREST RATE		NON-INTEREST BEARING		TOTAL	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial assets</b>									
Cash and cash equivalents	9	–	–	554	1,563	97	878	651	2,441
Trade and other receivables	10	–	–	–	–	1,452	6,662	1,452	6,662
Available-for-sale financial assets	11	–	–	–	–	170,165	203,103	170,165	203,103
<b>Total financial assets</b>		–	–	554	1,563	171,714	210,643	172,268	212,206
<b>Financial liabilities</b>									
Trade and other payables	17	–	–	–	–	7,980	13,015	7,980	13,015
Payables under contract of sale	17	–	–	–	–	1,103	1,064	1,103	1,064
Current tax liabilities	14	–	–	–	–	727	–	727	–
Bank loan	18	75,000	75,000	6,830	52,200	52	176	81,882	127,376
<b>Total financial liabilities</b>		75,000	75,000	6,830	52,200	9,862	14,255	91,692	141,455

#### SENSITIVITY ANALYSIS

The following table illustrates sensitivities to the consolidated group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in interest rates that management considers to be reasonably possible. These sensitivities assume all other variables remain constant.

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Change in net profit after tax</b>				
Increase in interest rate by 2 percentage points	(384)	(733)	(384)	(733)
Decrease in interest rate by 2 percentage points	384	733	384	733
<b>Change in equity</b>				
Increase in interest rate by 2 percentage points	1,186	918	1,186	918
Decrease in interest rate by 2 percentage points	(1,197)	(979)	(1,197)	(979)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

#### B. LIQUIDITY RISK

Liquidity risk arises from the possibility that the consolidated group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated group manages this risk through the following mechanisms:

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

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

#### FINANCIAL LIABILITY MATURITY ANALYSIS

	WITHIN 1 YEAR		1 TO 2 YEARS		OVER 2 YEARS		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CONSOLIDATED GROUP</b>								
<b>Financial liabilities due for payment</b>								
Bank overdrafts and loans	52	7,376	36,830	–	45,000	120,000	81,882	127,376
Interest rate swaps	1,726	–	1,808	–	–	–	3,534	–
Payables under contract of sale	1,103	1,064	–	–	–	–	1,103	1,064
Trade and other payables	7,210	12,560	193	166	578	289	7,981	13,015
Total contractual outflows	10,091	21,000	38,831	166	45,578	120,289	94,500	141,455
Less bank overdrafts	(52)	(176)	–	–	–	–	(52)	(176)
<b>Total expected outflows</b>	<b>10,039</b>	<b>20,824</b>	<b>38,831</b>	<b>166</b>	<b>45,578</b>	<b>120,289</b>	<b>94,448</b>	<b>141,279</b>
<b>PARENT ENTITY</b>								
<b>Financial liabilities due for payment</b>								
Bank overdrafts and loans	27	7,320	36,830	–	45,000	120,000	81,857	127,320
Interest rate swaps	1,726	–	1,808	–	–	–	3,534	–
Payables under contract of sale	1,103	1,064	–	–	–	–	1,103	1,064
Trade and other payables	31,145	26,120	193	166	578	289	31,916	26,575
Total contractual outflows	34,001	34,504	38,831	166	45,578	120,289	118,410	154,959
Less bank overdrafts	(27)	(120)	–	–	–	–	(27)	(120)
<b>Total expected outflows</b>	<b>33,974</b>	<b>34,384</b>	<b>38,831</b>	<b>166</b>	<b>45,578</b>	<b>120,289</b>	<b>118,383</b>	<b>154,839</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

#### B. LIQUIDITY RISK (CONTINUED)

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

	CARRYING AMOUNT		EXPECTED CASH FLOWS		WITHIN 1 YEAR		1 TO 2 YEARS	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets	-	1,842	-	2,020	-	1,178	-	842
Liabilities	<b>3,534</b>	-	<b>4,833</b>	-	<b>2,366</b>	-	<b>2,467</b>	-
	<b>3,534</b>	1,842	<b>4,833</b>	2,020	<b>2,366</b>	1,178	<b>2,467</b>	842

#### C. FOREIGN CURRENCY RISK

Exposure to foreign exchange risk may result in the fair value of financial assets or liabilities fluctuating due to movement in foreign exchange rates of currencies in which the consolidated group holds financial assets and liabilities which are denominated in other than the AUD functional currency of the consolidated group.

Fluctuations in the US dollar, NZ dollar and CAD dollar relatively to the AUD may impact on the consolidated group's financial results.

As at balance date, had the AUD weakened/strengthened by five 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.

#### D. CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Balance Sheet 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.

On a geographical basis, the consolidated group has credit risk exposure in Australia only as the consolidated group's Malaysian business was sold in August 2008. The consolidated group's exposure to credit risk for trade and other receivables in Australia and Malaysia and the credit risk for counterparties included in trade and other receivables at balance date is as follows:

	NOTES	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>AUD</b>					
Australia	10	<b>1,452</b>	6,520	<b>1,246</b>	5,284
Malaysia	10	-	142	-	-
		<b>1,452</b>	6,662	<b>1,246</b>	5,284
AA rated counterparties		-	4,936	-	4,615
Counterparties not rated		<b>1,452</b>	1,726	<b>1,246</b>	669
		<b>1,452</b>	6,662	<b>1,246</b>	5,284

#### E. FAIR VALUE VERSUS CARRYING AMOUNTS

The fair value of:

- Interest rate swaps is the present value of the future net interest cash flows. Refer to Note 16 Derivatives and section (a) of this note for further details of interest rate swaps.
- PDLs are determined using the discounted cash flow valuation technique. Refer to Note 11 Available-for-sale Financial Assets.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 33: CHANGE IN ACCOUNTING ESTIMATES

The consolidated group changed an accounting estimate relating to the effective portion of a cash flow hedge for the year ended 30 June 2008.

The consolidated group has undertaken two interest rate swap contracts which provide an effective hedge of \$75 million of its projected floating interest rate exposure to 30 June 2011. These interest rate swaps have been designated as the hedging instrument of a cash flow hedge. In accordance with *AASB 139: Financial Instruments: Recognition and Measurement*, the effective portion of changes in fair value of derivatives that are designated as cash flow hedges (hedges of highly probable forecast transactions) are recognised directly in a hedge reserve in the equity section of the balance sheet. The financial effect for the year ended 30 June 2008 is the recognition of a hedge reserve in equity of \$1,289,246 (increase), the recognition of a derivative in non-current assets of \$1,841,780 (increase) and an increase in deferred tax liability of \$552,534.

		PREVIOUSLY STATED	2008 ADJUSTMENTS	RESTATED
	NOTES	\$'000	\$'000	\$'000
<b>ECONOMIC ENTITY</b>				
<b>Balance sheet</b>				
Derivatives	16	–	1,842	1,842
Total non-current assets		147,688	1,842	149,530
Deferred tax liabilities	14	8,069	553	8,622
Total non-current liabilities		128,134	553	128,687
Reserves	21	1,135	1,289	2,424
Total equity		66,805	1,289	68,094
NTA per share		147.86	2.94	150.80
<b>PARENT ENTITY</b>				
<b>Balance sheet</b>				
Derivatives	16	–	1,842	1,842
Total non-current assets		144,990	1,842	146,832
Deferred tax liabilities	14	8,069	553	8,622
Total non-current liabilities		128,134	553	128,687
Reserves	21	1,146	1,289	2,435
Total equity		48,292	1,289	49,581

### NOTE 34: COMPANY DETAILS

The registered office of the company is:

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

The principal places of business are:

- Mezzanine, Levels 1 and 11, 10 Barrack Street, Sydney NSW 2000, Australia
- Suites 34-36, 20 Gibbs Street, Miranda NSW 2228, Australia
- Unit 7, 18 Gibbs Street, Miranda NSW 2228, Australia
- Levels 1 & 4, 31-39 Macquarie Street, Parramatta NSW 2150, Australia
- 9 & 10/2994 Logan Road, Underwood QLD 4119, Australia
- Level 1, 33 Park Road, Milton QLD 4064, Australia
- 118 Royal Street, East Perth WA 6004, Australia