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Collection House Limited
ASX Half Year information - 31 December 2019

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2019 Annual Report

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Collection House Limited
For the half-year ended 31 December 2019
(Previous corresponding period: Half-year ended 31 December 2018)

Results for announcement to the market
31 December 2019

		%		$'000
Revenue from continuing operations	Up	31.0%	to	86,485
Profit / (loss) from continuing activities after tax attributable to members *(Appendix 4D item 2.2)*	Down	656.9%	to	(47,333)
Net profit / (loss) for the period attributable to members *(Appendix 4D item 2.3)*	Down	656.9%	to	(47,333)

Dividends / distributions *(Appendix 4D item 2.4)*	Amount per security	Franked amount per security
Current period		
Final dividend (year ended 30 June 2019 - paid 25 October 2019)	4.1	4.1
Interim dividend (year ended 30 June 2020)	N/A	N/A
Previous corresponding period		
Final dividend (year ended 30 June 2018 - paid 26 October 2018)	3.9	3.9
Interim dividend (year ended 30 June 2019 - paid 28 March 2019)	4.1	4.1

Key Ratios	**2019**	2018
	December	December
Basic earnings/(Loss) per share (cents)	**(33.8)**	6.2
Diluted earnings/(Loss) per share (cents)	**(33.8)**	6.0
Net tangible assets per share (cents)	**118.14**	128.79
Return/ (Loss) on Equity (%)	**(27.2)**	4.0

Record date for determining entitlements to the interim dividend	N/A
Payment date for interim dividend	N/A

Explanation of results *(Appendix 4D item 2.6)*
Refer to Directors' Report - Review of operations and financial results.

Explanation of dividends *(Appendix 4D item 2.6)*
As at 9 April 2020, the Group entered into a standstill agreement (SA) with its lenders. As a condition of the SA, the Group will suspend any dividend or other distribution payments during the standstill period (2019 interim – 4.1 cents fully franked).

Dividend Reinvestment Plans *(Appendix 4D item 6)*
The dividend reinvestment plans will not operate during the standstill period.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collection House Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

The following persons were Directors of the Group during the whole of the financial period and up to the date of this report, unless stated otherwise:

Leigh Berkley	Chairman (Non-Executive)
Michael Knox	Director (Non-Executive)
Anthony Rivas	Managing Director/CEO (Executive) (Resigned: 24 November 2019)
Sandra Birkensleigh	Director (Non-Executive)
Catherine McDowell	Director (Non-Executive)

PRINCIPAL ACTIVITIES AND KEY CHANGES DURING THE SIX MONTH PERIOD

The principal activities of the Group during the period were the provision of debt collection services and receivables management throughout Australasia, and the management of a portfolio of purchased debt from a variety of lenders and corporates in Australia. There were no significant changes in the nature of the activities of the Group during the period.

The six-month period to 31 December 2019 and the further five months to the date of this report have been some of the most challenging in the Group's history. The change of Chief Executive in November 2019 created an opportunity for the Group, under new leadership, to re-evaluate a wide range of strategies and practices ("the Strategic Review") in order to position the Group for success moving forward.

The Group has now completed the Strategic Review, and is implementing a comprehensive change programme driven by a desire to respond to the changing operating environment, the outcomes of the Financial Services Royal Commission, and through listening to feedback from clients and external stakeholders. This has resulted in a more customer-focussed approach, and significantly reduced litigation action across the Group, particularly in respect of purchased debts. These changes have impacted many aspects of how we do business, and are already yielding positive outcomes in the areas of staff engagement, customer service and stakeholder feedback.

The Group has implemented the following strategies to reposition the business. These changes are also ensuring we are much better placed to assist our customers and clients through the challenges of COVID-19:

1. Empower our people	Promote an environment of trust and shared values across the entire business, which will lead to operational efficiencies and improved employee engagement.
2. Customer Centric Approach	Enhance our customer engagement approach, with a greater focus on understanding our customers' circumstances, supporting vulnerable customers, and significantly reducing legal action
3. Improved Stakeholder Engagement	Listen and respond proactively to feedback from all stakeholder groups, and act with humility from a place of genuine care
4. Sustainable Growth Strategy	Refocus our operating model on better service and customer outcomes to build a more sustainable business that is trusted by our customers, clients and wider stakeholders

In the context of these focus areas, a critical change we have made over the last six months is reduced use of legal action. We have instigated an extensive programme of change to improve customer contact, and to reduce levels of litigation and bankruptcy by implementing new minimum thresholds based on:

- face value of outstanding debt;
- the length of time the debt has been owned by CLH before commencing legal action; and
- a more comprehensive review of circumstances, in particular vulnerability triggers, which may complicate the customer's circumstances.

The Group has also implemented new review controls prior to an account moving to legal action and ceased bankruptcy proceedings on accounts unless exceptional circumstances exist and Board level sign-off is obtained. The Group is committed to legal action only as a last resort, when it has been proven through a comprehensive investigation process that a customer has the capacity to pay, but has been unwilling to engage with us to agree an appropriate repayment arrangement.

ADJUSTMENT TO THE CARRYING VALUE OF THE GROUP'S PDL ASSETS

Revising our collection strategies in the Purchase Debt Ledger ("PDL") business ("Lion Finance") has come at a cost. Adopting more customer-focussed collection strategies, in particular a lower reliance on legal activity, has a material impact on the quantum and timing of expected future cash flow from the PDL book. In accordance with the requirements of AASB 9, we have taken a $89.9 million write-down before tax to the accounting value of the PDL book to capture the net present value impact to the adjusted cash collection profile.

This lower value is more reflective of the future value of the existing PDL book and is supported by a sustainable collection strategy. Notwithstanding the write-down, the PDL book remains a highly valuable cash flow stream for the business.

The decision to write down the PDL book has impacted the Group's gross and net asset position and as a consequence requires us to restructure our existing borrowing arrangements. The Group's current lending arrangements require, among other things, that the Group maintains an agreed Loan to Valuation Ratio and a Rolling Leverage Ratio. The adjustment to the carrying value of the Group's PDL assets means that the Group cannot comply with those ratios as they are currently described, and the Group has agreed with its lenders a programme to recapitalise the Group over the coming six months, in order to restore those financial covenants to a sustainable level, and to provide debt purchase funding for the future.

Our senior lenders have been supportive of this process and have granted us a period of six months (April 2020 – September 2020) to complete this exercise under the terms of a formal standstill arrangement. Good progress has already been made in developing solutions to restructure existing borrowing arrangements and where necessary introduce new forms of capital into the business. During the standstill period, CLH continues to be supported by its lenders and professional advisers: Flagstaff Partners, Deloitte and Clayton Utz.

1H20 HIGHLIGHTS

- Loss before tax for the half year was $67.4 million (1H19: Profit before tax $12.3 million)
- Loss per share was -33.8 cents (1H19: Earnings per share 6.2 cents)
- Shareholders equity was $174.3 million (30 June 2019: $229.1 million)
- Impairment loss on PDL assets was $ 89.9 million, with an after tax impact of $ 62.9 million (30 June 2019: NIL)

REVIEW OF OPERATIONS AND UNDERLYING FINANCIAL RESULTS FOR THE SIX MONTHS

The consolidated Net Loss after Tax (NLAT) was $47.3 million for the six months to 31 December 2019 (31 December 2018: Net Profit after Tax of $8.5 million). After adjusting for the one-off impact of the PDL impairment adjustment, the Group reported a non-statutory net profit after tax of $15.6 million, a strong result against the previous corresponding period. The result contains a gain of $4.1 million after tax from a portfolio sale transaction of $10 million, as part of the Group's Performance Enhancement Program with Balbec ("PEP"). Revenue excluding profit from the PEP transaction was up approximately 20% period on period, which is consistent with strong growth in the PDL book period on period, and modest growth in the revenue contribution from Collection Services.

Cost growth was within expectations based on underlying growth in the size of the PDL portfolio period on period and the complexity of client requirements in the Collection Services business.

The Group reported a deficiency in net current assets of $202.7 million as at 31 December 2019, driven by the reclassification of the Group's total borrowings to current liability as a result of the Company being unable to comply with a number of its banking covenants after the impairment adjustment to its PDL assets as at 31 December 2019. As at 9 April 2020, the Group entered into a Standstill Agreement (SA) with its lenders. With the SA in place, that the Group's lenders will not take any action during the period to 30 September 2020 (the standstill period) in relation to any potential or existing defaults that occurred under the facilities prior to the commencement of the standstill period.

Key Financial Results - by Segment - Reviewed ($'000)

	Collection Services		Purchased Debt Ledgers		Consolidated	
	1H 2020 $ '000	1H 2019* $ '000	1H 2020 $ '000	1H 2019* $ '000	1H 2020 $ '000	1H 2019* $ '000
Revenue						
Sales	35,044	32,230	125	250	35,169	32,480
Interest and call option income	-	-	51,008	33,780	51,008	33,780
Total segment revenue	35,044	32,230	51,133	34,030	86,177	66,260
All other segment revenue					308	(254)
Consolidated revenue	35,044	32,230	51,133	34,030	86,485	66,006
Results						
Segment result	4,563	5,027	(61,837)	14,693	(57,274)	19,720
Interest expense and borrowing costs					(5,136)	(3,268)
All other segment expenses					(5,039)	(4,197)
Profit/(Loss) before income tax					(67,449)	12,255
Income tax expense					20,116	(3,756)
Profit/(Loss) for the half-year					(47,333)	8,499

***The Group has initially applied AASB 16 Leases at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)

Collection Services

Collection Services reported revenue growth (8.7%) due to the contribution the RML business that was acquired during FY19. While primarily a PDL acquisition, that business included a portfolio of contingent clients. There was also good growth in our Business Services division where we provide end to end collection services for non-banking and finance clients.

In response to requests from a number of clients for additional help during the COVID-19 pandemic, we have been able to provide additional support subsequent to 31 December 2019 which is expected to improve second half performance.

A number of clients have also adopted our newly developed Customer Portal and Business Services offerings, which will contribute to efficiencies moving forward.

Purchased Debt Ledgers (PDL)

Cash collections were up 17.9% to $64.7 million (31 December 2018: $54.9 million) due primarily to a portfolio sale transaction of $10 million, as part of the Group's Performance Enhancement Program with Balbec ("PEP").

Cash collections (excluding "PEP") were flat period on period. This is in part due to significant operational changes that the Group chose to make during the 6-month period, including initial changes in collection strategies arising from the Strategic Review that were introduced prior to period end.

Management continues to implement changes to improve the Group's approach to PDL purchasing and collections through better quality PDL portfolios being acquired, a more highly skilled collection team, the contribution made by our self-service online Portal and adopting more customer-focussed collection strategies.

PDL investments already completed and committed in the year to date were $41.9 million (31 December 2018: $65m prior to RML and ACM acquisition).

PDL segment results significantly decreased due to the one-off PDL impairment adjustment ($89.9 million).

Cost Structure

Directly attributable variable costs exhibited only a minor increase year on year, reflective of continually improving operating initiatives and system efficiencies. Employee costs were up 18.9% to $31.9 million, reflecting ongoing investment in account representatives, IT and business intelligence support functions. There was an element of employee cost growth in FY19 linked to the integration of the ACM and RML businesses acquired during the year which is non-recurring.

Total employee numbers (Full Time Equivalents - FTE) across Australia and New Zealand now stand at 828, compared to 672 in the previous corresponding period as at 31 December 2018. An additional 130 employees are based in the Philippines.

Corporate and administrative costs also increased, but similar to employee costs, there was some level of cost linked to the ACM and RML transactions which is non-recurring. Finance costs were up year on year as a result of debt drawn to fund PDL acquisitions, but these remain generally proportionate to revenue. The effective income tax rate will be close to 30% as no material permanent tax differences exist.

DIVIDENDS

As at 9 April 2020, the Group entered into a standstill agreement (SA) with its lenders. The SA requires that the Group suspend any dividend or other distribution payments during the standstill period. Thus, there will be no interim dividend recommended and no dividend reinvestment plans for the December 2019 half year (2019 interim – 4.1 cents fully franked).

EARNINGS PER SHARE

Basic Loss per share for the financial half year was -33.8 cents (2019 – 6.2 cents earnings per share), which is driven by the $89.9 million impairment loss on PDL Assets. The Basic Earnings per share before impairment was 11.1 cents per share.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Standstill Agreement with Senior Lenders

As at 9 April 2020, Collection House Limited entered into a Standstill Agreement (SA) with its lenders.

By entering into the SA, the lenders have agreed to support the progress of the Group's operational strategic review and recapitalisation process. Subject to compliance with its terms, the SA, among other things, modifies the financial covenants under the Group's lending facilities during the standstill period to 30 September 2020, and provides that the lenders will not take any action during the standstill period in relation to any potential or existing defaults that occurred under the facilities prior to the commencement of the standstill period. In addition, the maturity dates of its lending facilities have been adjusted to 30 April 2021 and the Group will suspend any dividend or other distribution payments during the standstill period.

During the standstill period, CLH is undertaking a recapitalisation process with the support and assistance of its lenders and professional advisers.

COVID-19

Subsequent to 31 December 2019, the Group's performance and operations have been impacted by both the societal and economic impact of the COVID-19 virus.

Execution of actions arising from the Strategic Review has become more challenging with the overlay of economic and operational disruption arising from the COVID-19 pandemic. The Group quickly and efficiently transitioned to remote working arrangements for all of its employees, in each of its operating jurisdictions, with negligible disruption to client service requirements or engagement with our customers. Our people have adjusted well to the new working environment and our information technology platform has enabled seamless execution of our work process away from our traditional office environments.

We are proud of our response plan to protect our people, our clients and our customers during these unprecedented times. Our people, systems and processes have allowed us to deliver our services within our usual governance and compliance framework. This includes our call centre personnel in Australia, New Zealand and the Philippines.

All customer contact channels have remained open, to enable customers to interact as usual with the Group during this challenging time. The Group had already put in place a range of assistance measures for customers affected by the bushfires, and those efforts have been increased to help any customers affected by COVID-19 and its economic consequences.

COVID-19 (Continued)

The Group has observed weaker cash collections on a year on year basis since March 2020. Those declines appear to have stabilised and the Group is now operating at a sustained level of weekly cash receipts. As it is unclear how long economic conditions in Australia and New Zealand will remain challenging, the Group remains focussed on maintaining high quality engagement with all of our customers, to establish and maintain sustainable payment arrangements which are tailored to the customers' individual circumstances. Protecting the employment arrangements of our people, while simultaneously reducing operating costs, will remain a key focus for the business as the longer term impact of COVID-19 is more fully understood.

Other impacts on the operations of the Group have been:

1. the successful transition in mid-March 2020 to remote working arrangements for the vast majority of employees unless otherwise required by clients;
2. an increase in moratoriums in March due to increased levels of customer hardship; and
3. Collection Services clients making interim changes in their approach to customers around collection practices (deferrals, waivers etc.) which have created opportunities for the Group to provide additional customer contact support.

The longer term impact of the COVID-19 pandemic on the Australian economy and the Group remains uncertain. The severity of its impact will depend on its duration, customer behaviour, the success of the Government stimulus initiatives, and the general Australian economic recovery. The valuation of the PDL portfolio is estimated from the Group's expectation of the future cash flows derived from the PDL portfolio over its life time discounted at its effective discount rate. Hence any potential sustained decline in cash collections might lead to an impairment of the PDL portfolio. At the date of this report, there is some uncertainty as to whether future cash flows estimated by the Group can be achieved. Given the limited timeframe of exposure to the economic impact of the COVID-19 pandemic to date, an estimate of the longer term financial effect of the COVID-19 pandemic on the valuation of the PDL portfolio cannot be made at present.

Other than the matters discussed above, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

OUTLOOK

Against the backdrop of COVID-19 and a softer global economic outlook in the short to medium term, delivering an efficient recapitalisation of the business will be challenging.

The Group withdrew its previously issued earnings guidance for FY20 on 9 April 2020 and expects underlying earnings in the second half of FY20 to be down on the previous corresponding period. Predicting second half earnings with accuracy is difficult, as it is dependent upon wider macroeconomic factors which impact underlying customer behaviour (in particular employment) and the Group's ability to access economic support measures.

Regardless, the Directors believe that the changes made to the business over recent months form a solid foundation for a more predictable and sustainable business moving forward. The Group has demonstrated that its people, processes and systems are flexible and effective in adapting to unprecedented change. Most importantly however, the Group has listened to feedback from its clients, customers and wider stakeholder groups and made important changes to its collection strategy focussed on delivering the right customer outcomes.

There are many challenges confronting the business today and moving forward, but the Directors are confident that the business fundamentals are sound, the leadership team is capable, and there is a well-considered plan to recapitalise the business over the coming months. The Directors and Management will continue to act in the long-term interests of its people, clients, customers and its shareholders.

PROCEEDINGS

On 15 March 2019, the Group was provided with a copy of a claim and statement of claim, which had been filed in the Supreme Court of Queensland on the same date. The claim for damages is for $2,800,000 and proceedings are still being defended by the Group.
No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

ROUNDING OF AMOUNTS

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

The auditors have provided the Board of directors with a signed Independence Declaration in accordance with section 307C of the *Corporations Act 2001*. This declaration is attached to the Directors' report.
This report is made in accordance with a resolution of directors.

COLLECTION HOUSE LIMITED

Leigh Berkley
Chairman
2 June 2020

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Collection House Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Collection House Limited for the half-year ended 31 December 2019 there have been:

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

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

KPMG

KPMG

Scott Guse

Scott Guse

Partner

Brisbane

2 June 2020

Collection House Limited
Income statement
For the half-year ended 31 December 2019

	Notes	Half-year Consolidated 31 December 2019 $'000	31 December 2018* $'000
Revenue	4	**86,485**	66,006
Revenue from continuing operations		**86,485**	66,006
Direct collection costs		**(13,192)**	(11,145)
Employee expenses		**(31,881)**	(26,813)
Impairment on PDL Assets		**(89,855)**	-
Depreciation and amortisation expense **		**(5,316)**	(2,146)
Operating lease rental expense		**(485)**	(3,950)
Restructuring expenses		**(63)**	(116)
Other expenses		**(8,006)**	(6,313)
Finance costs **		**(5,136)**	(3,268)
Profit/(Loss) before income tax		**(67,449)**	12,255
Income tax benefit/(expense)	5	**20,116**	(3,756)
Profit/(Loss) from continuing operations for the half-year		**(47,333)**	8,499
Profit/(Loss) is attributable to:			
Equity members of Collection House Limited		**(47,333)**	8,499
		(47,333)	8,499

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	13	**(33.8)**	6.2
Diluted earnings/(loss) per share	13	**(33.8)**	6.0

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

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)*

*** The Group has presented interest expense on lease liability separately from the depreciation charge for the right-of-use assets. Interest expense on the lease liability is a component of finance costs, which is separately presented in Group's income statement.*

	Half-year Consolidated	
	31 December 2019 $'000	31 December 2018* $'000
Profit/(Loss) for the half-year	**(47,333)**	8,499
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**828**	(223)
Other comprehensive income for the half-year, net of income tax	**828**	(223)
Total comprehensive income for the half-year	**(46,505)**	8,276
Total comprehensive income for the half-year is attributable to:		
Equity members of Collection House Limited	**(46,505)**	8,276
	(46,505)	8,276

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

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)*

Collection House Limited
Balance sheet
As at 31 December 2019

	Notes	Consolidated **31 December 2019 $'000**	 30 June 2019* $'000
ASSETS			
Current assets			
Cash and cash equivalents		**742**	1,596
Receivables		**11,305**	12,871
Purchased debt ledgers	6	**29,561**	52,466
Other current assets		**126**	167
Total current assets		**41,734**	67,100
Non-current assets			
Purchased debt ledgers	6	**308,022**	357,837
Equity investments	8	**8,500**	8,500
Property, plant and equipment**		**30,653**	2,710
Intangible assets	7	**33,874**	33,842
Deferred tax asset		**27,235**	-
Receivables		**872**	558
Total non-current assets		**409,156**	403,447
Total assets		**450,890**	470,547
LIABILITIES			
Current liabilities			
Bank overdraft		**11,229**	-
Payables		**10,671**	14,609
Borrowings		**208,219**	14,667
Current tax liabilities		**2,099**	3,782
Provisions		**3,441**	3,810
Other financial liabilities**		**8,774**	1,937
Total current liabilities		**244,433**	38,805
Non-current liabilities			
Borrowings		**-**	195,933
Deferred tax liabilities		**-**	1,505
Provisions		**141**	103
Other financial liabilities**		**31,985**	5,053
Total non-current liabilities		**32,126**	202,594
Total liabilities		**276,559**	241,399
Net assets		**174,331**	229,148
EQUITY			
Contributed equity	9	**119,199**	116,413
Reserves		**(343)**	365
Retained profits		**55,475**	112,370
Total equity		**174,331**	229,148

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

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.*

*** Following the adoption of AASB 16, the Group has presented right of use assets within property, plant and equipment and lease liabilities within other financial liabilities. See Note 1.*

Collection House Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Attributable to members of Collection House Limited			
	Contributed equity $'000	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2018	**113,727**	**157**	**92,693**	**206,577**
Profit for the half-year	-	-	30,690	30,690
Other comprehensive income	-	(642)	-	(642)
Total comprehensive income for the half-year	**-**	**(642)**	**30,690**	**30,048**
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	2,882	-	-	2,882
Acquisition of treasury shares	(300)	-	-	(300)
Withdrawal of treasury shares	104	-	-	104
Dividends provided for or paid	-	-	(11,013)	(11,013)
Employee share rights - value of employee services	-	850	-	850
	2,686	850	(11,013)	(7,477)
Balance at 30 June 2019	**116,413**	**365**	**112,370**	**229,148**
Balance at 1 July 2019*	**116,413**	**365**	**112,370**	**229,148**
Adjustment on application of AASB 16	-	-	(3,798)	(3,798)
Adjusted balance at 1 July 2019	**116,413**	**365**	**108,572**	**225,350**
Profit/(Loss) for the half-year	-	-	(47,333)	(47,333)
Other comprehensive income	-	828	-	828
Total comprehensive income for the half-year	**-**	**828**	**(47,333)**	**(46,505)**
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	1,576	-	-	1,576
Acquisition of deferred shares	(315)		-	(315)
Release of treasury shares	109	(109)	-	-
Release of Performance Rights Plan	1,416	(1,416)	-	-
Dividend provided for or paid	-	-	(5,764)	(5,764)
Employee share rights - value of employee services	-	(11)	-	(11)
	2,786	(1,536)	(5,764)	(4,514)
Balance at 31 December 2019	**119,199**	**(343)**	**55,475**	**174,331**

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

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)*

	Notes	Half-year Consolidated 31 December 2019 $'000	31 December 2018* $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**101,475**	93,460
Payments to suppliers and employees (inclusive of goods and services tax)		**(60,313)**	(55,149)
		41,162	38,311
Income taxes paid		**(8,680)**	(5,116)
Net cash inflow from operating activities		**32,482**	33,195
Cash flows from investing activities			
Payments for property, plant and equipment		**(381)**	(682)
Payments for purchased debt ledgers		**(28,836)**	(36,570)
Payments for intangible assets		**(1,626)**	(1,113)
Net cash (outflow) from investing activities		**(30,843)**	(38,365)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**1,261**	1,460
Purchase of treasury shares		**-**	(300)
Payment of lease liabilities **		**(2,686)**	-
Proceeds from borrowings		**6,000**	21,100
Repayment of borrowings		**(8,381)**	(411)
Borrowing costs		**(103)**	(852)
Interest paid		**(4,173)**	(2,533)
Dividends paid to Company's shareholders	10	**(5,764)**	(5,349)
Net cash (outflow) from financing activities		**(13,846)**	13,115
Net increase (decrease) in cash and cash equivalents		**(12,207)**	7,945
Cash and cash equivalents at the beginning of the half-year		**1,596**	(2,092)
Effects of exchange rate changes on cash and cash equivalents		**124**	26
Cash and cash equivalents at end of year		**(10,487)**	5,879
Cash at bank and on hand		**742**	5,879
Bank Overdraft		**(11,229)**	-
Cash and cash equivalent at end of year		**(10,487)**	5,879

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

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)*

*** The Group has classified:*

- *cash payments for the principal portion of lease payments as financing activities*
- *cash payments for the interest portion as operating activities*
- *short-term lease payments and payments for leases of low value assets are not included in the measurement of the lease liability within operating activities*

Collection House Limited is a public company incorporated and domiciled in Australia.

These financial statements are for the consolidated entity, consisting of Collection House Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019 (the Group).

These interim financial statements were authorised for issue on 2 June 2020 by the directors of the Company.

1 Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for year ended 30 June 2019.

This is the first set of Group's financial statements where AASB 16 Leases has been applied. Changes to significant accounting policies are described in Note 1b *Changes in accounting policies*.

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in these interim financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Except as described above and disclosed in the Note 1b, the accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

The changes in accounting policies disclosed in the Note 1b are also expected to be reflected in the Group's consolidated financial statement as at and for the year ending 30 June 2020.

a. Going Concern: Net current asset deficiency and future recapitalisation

Notwithstanding the Group recorded a deficiency in net current assets of $202.7 million as at 31 December 2019 the financial statements have been prepared on a going concern basis as the Directors believe the Group will be able to pay its debts as and when they fall due and payable.

The Directors note that the net current asset deficiency arises due to the reclassification of the Group's total Borrowings to a current liability as a result of the Company being unable to comply with a number of financial covenants after the impairment to its PDL assets as at 31 December 2019. As disclosed in Note 14, on 9 April 2020 the Group entered into a Standstill Agreement with its Senior Lenders. This Standstill Agreement confirms, subject to the Group's compliance with its terms and conditions including the revised financial ratios and covenants, that the Group's lenders will not take any action during the period to 30 September 2020 (the standstill period) in relation to any potential or existing defaults that occurred under the facilities prior to the commencement of the standstill period. As disclosed in Note 14, a key requirement under the Standstill agreement is for the Group to complete a recapitalisation process which is acceptable to the Senior Lenders, by 30 September 2020. The Group and its advisors are currently engaged with a range of counterparties.

The Directors, having consideration for the current state of the Group's operations, its cash flows, current progress with the recapitalisation process and its ability to comply with the Standstill Agreement, consider the Group will be able to pay its debts as and when they fall due for the period of at least 12 months from the date of signing the Group's half-year financial statements for the period ended 31 December 2019.

The Group's ability to continue as a going concern is critically dependent on meeting the conditions of the Standstill Agreement and the completion of the recapitalisation process prior to 30 September 2020 or in the event it is not completed, agreeing alternative actions with its lenders. These conditions and the macro-economic challenges from COVID-19 give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business and at the stated amounts in the financial statements.

b. Changes in accounting policies

The Group has adopted AASB 16 *Leases* from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The only exceptions are short-term and low-value leases.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated i.e. it is presented, as previously reported, under AASB 117 and related interpretations.

The details of the changes in accounting policies are disclosed below.

Definition of a lease

The Group assessed whether a contract is or contains a lease based on the definition of a lease. Under AASB 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

i) As a lessee

The Group leases many assets, including properties, vehicles and IT equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of the ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases i.e. these leases are on-balance sheet. The Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases and leases for which the underlying asset is a low value (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

The Group has undergone an assessment of the impact on its consolidated financial statements. The Group will recognise right-of-use assets in "property, plant and equipment" in the consolidated financial statement and lease liabilities for the operating lease agreements in other financial liabilities.

At transition, for leases classified as operating leases under AASB17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- Their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach for all property leases; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with low value and less than 12 months of lease terms.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

i) As a lessor

Significant accounting policies

The Group subleases some of its premises. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. However, the Group as an intermediate lessor classifies the sublease as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying assets.

Transition

The Group had subleased its premise in Sydney (Liverpool Street). Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, the head lease and sub-lease contracts remain as operating leases thus the right-of-use asset and lease liability are recognised in the balance sheet.

ii) Impacts on financial statements

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below

At 1 July 2019	Amount ($'000)
Right-of-use assets presented in Property, plant and equipment	32,201
Deferred Tax	1,628
Retained Earnings	3,798
Reversal of Rent Incentive Pre-AASB 16	5,620
Lease Liabilities presented in Other financial liabilities	(43,247)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.43%.

In thousands of dollars	1 July 2019
Operating lease commitment at 30 June 2019 as disclosed in the Groups' consolidated financial statements	40,169
Additional operating lease recognised	861
Extension options reasonably established	(1,602)
Foreign exchange rate impact at reporting date	(20)
Change in Rent Incentive Treatment in operating lease commitment notes	3,839
Lease liabilities recognised at 1 July 2019	43,247

iii) Impacts for the period

As a result of applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $32.2 million of right-of-use assets and $43.2 million of lease liabilities as at 31 December 2019.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised $2.8 million of depreciation charges and $1.0 million of interest costs from these leases presented in finance costs in Group's income statement.

2 Use of judgements and estimates

In preparing these interim financial statements management has made judgements, estimates, and assumptions that affect the application of accounting policies, and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2019, except for new significant judgments and key sources of estimation uncertainty related to the application of AASB 16 as outlined in the Note 1b and the Going Concern basis of preparation as outlined in Note 1a.

3 Segment information

(a) Description of segments

Individual business segments are identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are: Collection Services and Purchased Debt Ledgers. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources.

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Collection Services
The earning of commissions on the collection of debts for clients.

Purchased Debt Ledgers
The collection of debts from client ledgers acquired by the Group.

All other segments
All other segments includes unallocated revenue and expenses, intersegment eliminations, interest, borrowings and income tax expenses.

(b) Segment information provided to the Board of Directors

31 December 2019	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales to external customers	34,781	4	-	34,785
Other revenue	158	121	308	587
Intersegment sales	105	-		105
Total sales revenue	35,044	125	308	35,477
Interest and call option income	-	51,008	-	51,008
Total segment revenue	**35,044**	**51,133**	**308**	**86,485**
Segment result	**4,563**	**(61,837)**	**(5,039)**	**(62,313)**
Interest expense and borrowing costs				(5,136)
Profit before income tax				(67,449)
Income tax (expense)/benefit				20,116
Profit/(Loss) for the half-year				**(47,333)**
Segment assets	85,600	367,108	(1,818)	450,890
Segment liabilities	71,022	208,737	(3,200)	276,559

31 December 2018*	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales to external customers	31,857	250	-	32,107
Other revenue	1		30	31
Intersegment sales	372	-	(284)	88
Total sales revenue	32,230	250	(254)	32,226
Interest and call option income	-	33,780	-	33,780
Total segment revenue	**32,230**	**34,030**	**(254)**	**66,006**
Segment result				
Segment result	**5,027**	**14,693**	**(4,197)**	**15,523**
Interest expense and borrowing costs				(3,268)
Profit before income tax				12,255
Income tax (expense)/benefit				(3,756)
Profit for the half-year				**8,499**
Segment assets and liabilities				
Segment assets	202,904	339,655	(152,643)	389,916
Segment liabilities	28,794	150,865	(995)	178,664

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note (1)*

4 Revenue

	Half-year Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Interest income	**44,664**	33,283
Commission	**34,890**	32,059
Call option income	**6,344**	497
Other revenue	**587**	167
Revenue from continuing operations	**86,485**	66,006

5 Income tax expense

	Half-year Consolidated 31 December 2019 $'000	31 December 2018 $'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(67,449)**	12,255
	(67,449)	12,255
Tax at the Australian tax rate of 30% (2018 - 30%)	**(20,235)**	3,677
Tax effect of amounts which are assessable in calculating taxable income:		
Controlled foreign corporation (CFC) income	**-**	20
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**6**	-
Non-deductible expenses	**25**	16
	(20,204)	3,713
Adjustments for current tax of prior periods	**88**	43
Income tax expense/(income)	**(20,116)**	3,756

6 Purchased debt ledgers

Other financial assets subsequently measured at amortised cost

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Current	**29,561**	52,466
Non-current	**308,022**	357,837
Total other financial assets subsequently measured at amortised cost	**337,583**	410,303

Current and Non-current	**31 December 2019**	31 December 2018
At beginning of the period	**410,303**	313,406
Net additions	**28,219**	35,940
Gross PDL Collections	**(53,653)**	(54,894)
Interest income	**44,664**	33,282
Impairment Loss	**(89,855)**	-
Legal and Court Cost Capitalised	**2,694**	3,473
Disposal of PDLs	**(4,789)**	-
At end of the period	**337,583**	331,207

PDLs are considered as purchased or originated credit impaired ("POCI") assets and are measured at amortised cost using the effective interest rate method in accordance with AASB 9: *Financial Instruments*.

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

Where the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original Effective Interest Rate ("EIR"), the Group recognises an impairment loss.

During the period and subsequent to reporting date, the Group undertook a comprehensive review of its operating model and collection strategies. The Group's revised collection strategy enhances the level of care and customer focus applied to negotiate repayment solutions which appropriately matched the customers' unique circumstances. The Group is committed on refocusing the establishment of payment arrangements which match our customers' circumstances and simultaneously create a long term income stream for the Group. The economic effects of this decision are:

1. total expected future recoveries from the portfolio may decrease due to the lower proportion of customers who will be subject to legal action; and

2. the timing of cash flows received from customers will be elongated, to be more reflective of a traditional payment arrangement than a settlement arising from legal action

The PDL balance at 31 December 2019 has been subject to an impairment adjustment of $89.9M before tax ($62.9M after tax) determined by calculating the NPV of the expected future cash flow adjusted for the change in the Group's legal strategy described above.

7 Intangible assets

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Goodwill	**19,728**	19,726
Computer software	**10,766**	11,965
Customer contracts	**497**	611
Work-in-progress	**2,883**	1,540
Total intangible assets	**33,874**	33,842

8 Equity investments

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Investment in Volt Corporation Ltd	**8,500**	8,500
Total Equity investments	**8,500**	8,500

The Group designated the investment in Volt Corporation Ltd as equity securities at fair value through other comprehensive income (FVOCI) because these equity securities represents investments that the Group intends to hold for the long term for strategic purposes.

On 11 September 2019, there was the Share Split of Volt's shares (inclusive of all classes) on the basis of 10 post-share split shares for every 1 pre-split share held. The Group still holds the same proportion of Volt's share capital after the Share Split and existing rights remain unchanged.

The investment in Volt Corporation Ltd represents the total of shares of 10,818,380 units at the share price of $0.7857 (Pre-share split: 1,081,838 units at the subscription price of $7.857).

9 Contributed equity

	31 December 2019 Shares	30 June 2019 Shares	**31 December 2019 $'000**	30 June 2019 $'000
Ordinary shares - Fully paid	**141,948,162**	139,279,060	**120,265**	117,077
Deferred shares	**(244,789)**	-	**(315)**	-
Treasury shares	**(555,820)**	(467,482)	**(751)**	(664)
Total contributed equity	**141,147,553**	138,811,578	**119,199**	116,413

(a) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$'000**
1 July 2018	Opening balance	137,152,058	114,195
26 October 2018	Dividend reinvestment plan issues	1,018,199	1,468
	Less: Transaction costs arising on share issues		(8)
28 March 2019	Dividend reinvestment plan issues	1,108,803	1,429
	Less: Transaction costs arising on share issues	-	(7)
30 June 2019	Closing Balance	139,279,060	117,077
1 July 2019	Opening balance	139,279,060	117,077
12 September 2019	Performance Rights Plan	1,141,738	1,416
30 September 2019	Share Issuance: Exempt Employee Share Plan	154,795	197
25 October 2019	Dividend reinvestment plan issues	1,372,569	1,584
	Less: Transaction costs arising on share issues	-	(9)
31 December 2019	Closing Balance	141,948,162	120,265

(b) Treasury shares:

When share capital recognised as equity is repurchased or held by employee share plans and subject to vesting conditions, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

(c) Deferred shares:

Under the FY17-19 Group's short-term incentive (STI) scheme, the CEO was entitled to receive 60% of his annual STI achieved in cash, and 40% in the form of rights to deferred shares of Collection House Limited, issuable at the end of his contract period, subject to him being employed by the Group at the end of the contract period. The CEO will not receive dividends, or be entitled to vote in relation to the deferred shares prior to the vesting date of 1 July 2019. The number of rights granted was determined based on the amount of the STI awarded divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange over the five trading days preceding the date of issue. The FY17-19 CEO short-term incentive (STI) scheme has been fully vested (244,789 shares).

In FY20, the new CEO short-term incentive (STI) scheme will not involve the issuance of deferred shares and contains only the cash component.

10 Dividends

	Half-year Parent entity	
	31 December 2019 $'000	31 December 2018 $'000

(a) Ordinary shares

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half years ending 31 December 2019 and 31 December 2018 were as follows:		
Paid in cash	**4,180**	3,881
Satisfied under the Dividend Reinvestment Plan	**1,584**	1,468
	5,764	5,349

(b) Dividends not recognised at the end of the half-year

The interim FY20 Dividends will not be paid out during the standstill period as part of the conditions of the standstill agreement that the Group has entered with its Lenders as at 9 April 2020.	**-**	5,665
	-	5,665

(c) Franked dividends

There is no impact to franking credits as there will be no interim dividend recommended during the standstill period.

11 Contingencies

(a) Contingent liabilities

There are no material changes in contingent liabilities subsequent to the contingent liabilities disclosed in the last annual report for the year ended 30 June 2019.

- Bank Guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to $6,732,284 (30 June 2019: $6,732,334).

- On 15 March 2019, the Group was provided with a copy of a claim and statement of claim, which had been filed in the Supreme Court of Queensland on the same date. The claim for damages is for $2,800,000 and proceedings are still being defended by the Group.

12 Commitments

Capital expenditure contracted in relation to purchased debt commitments at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Within one year	**17,536**	38,387
Later than one year, not later than five years	**134**	4,616
	17,670	43,003

13 Earnings per share

	Half-year Consolidated 31 December 2019 Cents	Half-year Consolidated 31 December 2018 Cents
(a) Basic earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(33.8)**	6.2
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	**(33.8)**	6.2
(b) Diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(33.8)**	6.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(33.8)**	6.0

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

	Half-year Consolidated 31 December 2019 $'000	Half-year Consolidated 31 December 2018 $'000
Basic earnings/(loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(47,333)**	8,499
	(47,333)	8,499
Diluted earnings/(loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(47,333)**	8,499
	(47,333)	8,499

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

	Half-year Consolidated 31 December 2019 Number	Half-year Consolidated 31 December 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**139,867,547**	137,061,925
Adjustments for calculation of diluted earnings per share:		
Performance rights	**1,035,805**	3,548,339
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**140,903,352**	140,610,264

14 Events occurring after the reporting period

Standstill Agreement with Senior Lenders

As at 9 April 2020, Collection House Limited entered into a Standstill Agreement (SA) with its lenders.

By entering into the SA, the lenders have agreed to support the progress of the Group's operational strategic review and recapitalisation process. Subject to compliance with its terms, the SA, among other things, modifies the financial covenants under the Group's lending facilities during the standstill period to 30 September 2020, and provides that the lenders will not take any action during the standstill period in relation to any potential or existing defaults that occurred under the facilities prior to the commencement of the standstill period. In addition, the maturity dates of its lending facilities have been adjusted to 30 April 2021 and the Group will suspend any dividend or other distribution payments during the standstill period.

During the standstill period, CLH is undertaking a recapitalisation process with the support and assistance of its lenders and professional advisers.

COVID-19

Subsequent to 31 December 2019, the Group has been impacted by both the societal and economic impact of the COVID-19 virus.

Execution of actions arising from the Strategic Review has become more challenging with the overlay of economic and operational disruption arising from the COVID-19 pandemic. However, all customer contact channels have remained open, to enable customers to interact as usual with the Group during this challenging time. The Group had already put in place a range of assistance measures for customers affected by the bushfires, and those efforts have been increased to help any customers affected by COVID-19 and its economic consequences.

The Group has observed weaker cash collections on a year on year basis since March 2020. Those declines appear to have stabilised and the Group is now operating at a sustained level of weekly cash receipts. As it is unclear how long economic conditions in Australia will remain challenging, the Group remains focussed on maintaining high quality engagement with all of our customers, focussed on establishing and maintaining sustainable payment arrangements which are tailored to the customers' individual circumstances.

The longer term impact of the COVID-19 pandemic on the Australian economy and the Group remains uncertain. The severity of its impact will depend on its duration, customer behaviour, the success of the Government stimulus initiatives, and the general Australian economic recovery. The valuation of the PDL portfolio is estimated from the Group's expectation of the future cash flows derived from the PDL portfolio over its life time discounted at its effective discount rate. Hence any potential sustained decline in cash collections might lead to an impairment of the PDL portfolio. At the date of this report, there is some uncertainty as to whether future cash flows estimated by the Group can be achieved. Given the limited timeframe of exposure to the economic impact of the COVID-19 pandemic to date, an estimate of the longer term financial effect of the COVID-19 pandemic on the valuation of the PDL portfolio cannot be made at present.

No further matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 27 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Collection House Limited will be able to pay its debts as and when they become due and payable.

The directors have been given a declaration by the Chief Executive Officer.

This declaration is made in accordance with a resolution of the directors.

Brisbane, 2 June 2020

Leigh Berkley

Chairman

KPMG

Independent Auditor's Review Report

To the shareholders of Collection House Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Collection House Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Financial Report of Collection House Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated balance sheet as at 31 December 2019
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Collection House Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Material uncertainty related to going concern – Emphasis of Matter

We draw attention to Note 1a "Basis of preparation of half-year report – Going concern" in the Half-year Financial Report. The conditions disclosed in Note 1a and further detailed in Note 14, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Our conclusion is not modified with respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001; and*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Collection House Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

KPMG

Scott Guse

Partner

Brisbane

2 June 2020