Collection House Limited
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Collection House Limited ABN 74 010 230 716
ASX final report for the year ended 30 June 2020
Lodged with the ASX under listing Rule 4.3A

Contents

Results for Announcement to the Market
30 June 2020

Collection House Limited

Appendix 4E

		%		$'000
Revenue from continuing operations	Down	6	to	151,647
Profit / (loss) from continuing operations after tax attributable to members	Down	573	to	(145,070)
Net profit / (loss) for the period attributable to members *(Appendix 4E item 2.3)*	Down	573	to	(145,070)

Dividends / distributions *(Appendix 4E item 2.4)*	Amount per security	Franked amount per security
Current period		
Interim dividend (year ended 30 June 2020)	Nil	Nil
Previous corresponding period		
Final dividend (year ended 30 June 2019 - paid 25 October 2019)	4.1	4.1
Interim dividend (year ended 30 June 2019 – paid 28 March 2019)	4.1	4.1

Key Ratios	**2020**	2019
	June	June
Basic earnings per share (cents)	**(103.2)**	22.3
Net tangible assets per share (cents)	**(16.64)**	139.15

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

(Appendix 4E item 2.5)

Explanation of Results *(Appendix 4E item 2.6)*
Refer to Directors' Report - Review of operations.

Explanation of Dividends *(Appendix 4E item 2.6)*
Refer to Directors' Report - Dividends.

Dividend Reinvestment Plans *(Appendix 4E item 8)*
The dividend reinvestment plans will not operate during the standstill period.

Status of Audit *(Appendix 4E 15)*
The 30 June 2020 financial report and accompanying notes for Collection House Limited have been audited and are not subject to any disputes or qualifications.

Contact	Jonathon Idas Chief Legal Officer and Company Secretary Phone: 07 3292 1000 Email: Jonathon.idas@collectionhouse.com.au
Investor and Client Presentation available at:	www.collectionhouse.com.au
Place of business	Level 12, 100 Skyring Terrace Newstead QLD 4006 PO Box 2247 Fortitude Valley BC QLD 4006
Principal registered office in Australia	Level 12, 100 Skyring Terrace Newstead QLD 4006
Share register	Computershare Investor Services Pty Ltd GPO Box 2975 Melbourne VIC 3000 Telephone: 1300 850 505 Facsimile: +61 7 3237 2152 www.computershare.com.au
Auditor	KPMG 71 Eagle Street Brisbane QLD 4000
Stock exchange listings	Collection House Limited shares are listed on the Australian Securities Exchange (ASX). The home exchange is Sydney. ASX Code: CLH

Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as the Company or the Group) consisting of Collection House Limited and the entities it controlled for the financial year ended 30 June 2020.

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
- Michael Knox
- Sandra Birkensleigh
- Catherine McDowell
- Anthony Rivas (resigned 24 November 2019)

See pages 9 to 10 for profile information on the Directors.

Principal activities

The Company has two reportable segments: Purchased Debt Ledgers (PDLs), and Collection Services.

The principal activities of the Group were the provision of debt collection services and the purchase of consumer debt. There were no significant changes in the nature of the activities of the Group during the year.

Overview of Group operations and financial results

	30 June 2020	30 June 2019	Change
	$'000	$'000	%
Revenue	151,647	161,057	-6
Net Profit after tax for the year	(145,070)	30,690	-573
(Loss)/Earnings per share	(103.2)	22.3	-563

The Group's financial results were lower than the previous corresponding period and were adversely impacted by a change in strategy relating to collection methods and legal process, and the wider economic effects of COVID-19, which impacted service fee income and cash collections from the Group's PDL assets. These impacts as well as the subsequent sale in December 2020 of it's Australian PDL assets led to a material impairment being booked against the Group's PDL asset value. New debt purchasing opportunities were also limited during the twelve months, in line with a more conservative approach to debt sales applied by clients during the COVID-19 period. Although the Group's economic performance for the period was subdued, the Group has executed significant strategic change initiatives across the entire business, which will position the business for sustainable growth moving forward.

Key financial results - by segment - Audited ($'000)

	Collection Services		Purchased Debt Ledgers (PDLs)		Consolidated	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue						
Sales	65,113	67,604	-	-	65,113	67,604
Interest and other income	-	-	86,746	93,660	86,746	93,660
Total segment revenue	65,113	67,604	86,534	93,660	151,859	161,264
Intersegment elimination					(212)	(207)
Consolidated revenue	65,113	67,604	86,746	93,660	151,647	161,057

Results						
Segment result	4,824	9,264	41,318	52,090	46,142	61,354
Purchased Debt Ledgers: Impairment	-	-	(238,890)	-	(238,890)	-
Interest expense and borrowing costs					(9,751)	(7,658)
Unallocated revenue less unallocated expenses					(4,551)	(10,093)
Profit before tax					(207,050)	43,603
Taxation					61,980	(12,913)
Net Profit After Tax (NPAT)					(145,070)	30,690

Purchased Debt Ledger (PDL) Segment

The PDL business reported revenue of $86.7 million, down 7.4 percent on the previous corresponding period. While cash receipts from the Lion Finance customer base were adversely impacted by COVID-19, significant changes have been made to improve the effectiveness and sustainability of our operational collection strategy. In particular, this included a reduction in legal activity which was a critical action identified from the Strategic Review undertaken by the Company following the change in Chief Executive Officer in November 2019.

Changes in collection strategy and a conservative approach to the phasing of collections associated with the COVID impacts over the next 12 to 18 months have resulted in a change to the quantum and timing of future cash flow from the Company's PDL assets. This led to an impairment being booked against the Group's PDL asset value In accordance with the requirements of AASB 9, with the Company recognising a $127.4 million pre-tax adjustment to the value of its PDL assets to reflect the net present value impact of the above matters. In addition, the company has subsequently reached agreement in December 2020 to sell all of it's Australian PDL assets and as a result has recognised an additional pre-tax impairment to the value of its PDL assets of $111.5m. This reflects in total a $238.9m pre-tax impairment to it's PDL assets during the year.

The Company will continue to own and manage it's New Zealand PDL assets.

Collection Services Segment

Collection Services revenue was down 3.7 percent on prior year. This was due to a variety of factors including changes in the Company's client base and clients acting more conservatively around the outsourcing of receivables management subsequent to quarter three of the financial year. New service opportunities have arisen during Q4 however, particularly in respect of supporting clients around customers exhibiting signs of vulnerability and hardship. Notwithstanding the difficult economic conditions, the Company used the period to refine its client and customer service offerings and carefully re-evaluate its cost model. The Company is well positioned to support new and existing clients to manage their customers in what the Company expects will be a continually challenging operating environment.

Cost Structure

Direct collection costs exhibited a decrease year on year, reflective of the change in strategy. Employee costs were up on the prior year mainly linked to the addition of resources to support significant PDL investment in FY19. Maintaining a competitive cost to collect in both the Collection Services and Lion Finance business units remains of paramount strategic importance to the Company and a comprehensive cost review program has been commenced as a follow-on action arising from the Strategic Review.

Actions from the Strategic Review

The Strategic Review identified that in addition to implementing an appropriate financing solution to support future growth, the Company would benefit from:

- refining its value proposition by ensuring that delivering the right customer outcome was the guiding principle which underpinned all organisational activities;
- continuing to enhance its governance framework to provide the highest level of assurance around ethical behaviour and regulatory compliance to its clients and customers;
- simplifying its business activities to focus on being the first choice in receivables management services through superior insight, innovation and customer care

Key drivers of this revised strategy was wider financial services industry feedback arising from the Royal Commission, coupled with a strong desire to do the right thing for our customers going forward.

In the last six months, our client and customer engagement approach has fundamentally changed, particularly in the Lion Finance business, and feedback from customers and third party stakeholder groups has been extremely positive. The Company continues to re-evaluate all aspects of its business from the perspective of the customer and anticipates that this approach will create a deeper level of engagement with new and existing clients moving forward, particularly as the financial services sector comes to terms with the long term economic and social impacts of COVID-19.

Capital Management

The Group's total assets at 30 June 2020 were $338.6 million, down 28% on prior year. The decrease in total asset was mainly driven by the impairment to the Group's PDL assets. After the impairment adjustment to the Group's PDL assets in December 2019, the Group was unable to meet certain financial covenants that resulted in the reclassification of total Borrowings to current liability, which meant the Group is currently reporting a net current deficiency of $38.9 million as at 30 June 2020.

As disclosed in Note 18, on 9 April 2020, the Group entered into a Standstill Agreement with its Senior Lenders. This Standstill Agreement (with subsequent amendments and extensions) confirmed, subject to the Group's compliance with its terms and conditions including the revised financial ratios and covenants, that the Group's lenders would not take any action during the period to 23 December 2020 (the standstill period) in relation to any potential or existing defaults that occurred under the facilities prior to or during the standstill period. The Group has been actively engaged in a recapitalisation process since the Standstill Agreement was entered into with the Group's lenders. This was previously announced to the market and a number of updates have been provided since then.

As disclosed in Note 32, on 23 December 2020, the Group entered into a sale agreement with Credit Corp Group to acquire a significant portion of its Australian PDL assets at a value of $160m. The Group has also reached agreement with its lenders where it will apply the sale proceeds to the repayment of the majority of its existing facilities and they will then provide ongoing funding facilities for the remaining $62m. This will consist of:

- a $20m Term Loan Facility (Facility A) with a term of three years, cash interest, and fixed quarterly prepayments;
- an approximate $42m Term Loan Facility (Facility B) with a term of three years, capitalising interest, and cash sweep payments at times when the Group's month-end cash balance is above a level agreed with its lenders. The final amount will be determined as a part of the settlement process of the PDL Sales Transaction.
- a Bank Guarantee Facility of $8.6m.
- agreed covenant ratios.

The buyer is also providing a short-term loan of $15m with a maturity of two years, capitalising interest and two agreed repayment milestones.

The Group continues to generate strong operational cash flow in the FY21 year some of which has been applied to further debt reduction, and has reached an recapitalisation outcome that is both acceptable to its existing lenders while simultaneously providing a capital solution which will support the Company's revised strategy and future growth.

People and Culture

The Company is focused on running its business within a framework of values which commits us to make a contribution across a range of stakeholders, including shareholders, clients, customers, employees and the wider community. During

FY20, we formalised strategies for better supporting our employees and our customers, reducing our environmental impact and creating more meaningful engagement with wider community initiatives. The Company recognises that its social license to operate is dependent on continually displaying a culture of transparency and integrity which its clients, customers and the wider community can rely upon. The Group takes these obligations seriously and has comprehensive policies and procedures in place to ensure these high standards of behaviour are achieved.

Technology and Innovation

The Company reaffirms its strategy of becoming an industry leader in the development and implementation of technology solutions which improve employee, client and customer experience, but also generate operating efficiencies. The Group continues to invest each year in the improvement to C5, its proprietary collection and customer management platform. A number of clients have also adopted our newly developed Customer Portal and Business Services offerings, which will contribute to efficiencies moving forward.

Outlook

Following completion of the refinancing transaction, the Company has largely eliminated the financial risk associated with its historical purchased debt assets, substantially reduced its debt levels, and greatly simplified its business model. This simplification allows the Company to focus on providing the highest standard of collection services to our clients through a values aligned, customer centric collections approach.

The Company simultaneously retains the flexibility to retain growth in the purchased debt space through a new partnering model which will see a significantly lower level of the Company's balance sheet put at risk moving forward. The Company expects to finalise that new partnering arrangement in the near future.

The reshaped business is well positioned to respond to short term volatility in the credit sector while simultaneously affording it the flexibility to pursue growth strategies in the contingent collection and purchased debt areas where appropriate.

The Company retains its best in class capabilities of people, systems and processes, allowing it to provide end-to-end receivables management services to clients and customers under either contingent collections or purchased debt frameworks.

Key Risks

Our key risks are:

- Impacts of COVID-19 and related market issues on Company performance.
- Changes to regulations governing our activities or breaching of compliance obligations
- Failure to retain existing and acquire new agency clients
- Overpaying on PDL investments
- Failing to collect PDLs in accordance with our pricing models Availability of appropriately priced capital to support the Company's growth objectives
- Disruption to systems and operation due to cyber breach or privacy breaches
- Failure to maintain appropriate level of investment in information systems to improve customer experience

The Audit and Risk Management Committee provides Board oversight to the management of risk mitigation strategies that are implemented for the Group.

Dividends

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

Declared and paid during the year 2019	Cents per share	Total amount $'000	Date of payment
Final 2019 ordinary	4.1	5,764	25 October 2019
Interim 2020 ordinary	Nil	Nil	Nil

After balance date, no dividends were proposed by the Directors. As at 9 April 2020, the Group entered into a standstill agreement (SA) with its lenders. The Group's ability to declare and pay dividends remained restricted while the Standstill Agreement with its existing lenders was in place. The Group's ability to recommence an appropriate dividend payment policy is governed by the new arrangements with it's lenders and is primarily linked to it's ongoing financial performance and available cash after meeting it's loan obligations.

Declared after end of year	Cents per share	Total amount $'000	Date of payment
Final 2020 ordinary	Nil	Nil	Nil

Significant changes in the state of affairs

The change in collection strategy and change to the anticipated quantum and timing of future cash flow from the Company's PDL assets was a significant change leading to the impairment of it's PDL asset value as noted above

The company has concluded it's recapitalisation process in December 2020. This has resulted in the sale of it's Australian based PDL assets with the proceeds applied to pay down the majority of it's bank debt and the existing lenders providing a new loan facility for the difference. As a result of this, the company has chosen to recognise an additional impairment to the value of its PDL assets as noted above.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

To date, the effects of the COVID-19 crisis have been well managed, but the future impacts of the virus are still somewhat uncertain. This uncertainty weighs on consumer behaviour, and business and government actions, which has had and will continue to have economic consequences. While the expectations around duration and impact of the crisis is improving but still unclear, the Group is relatively well-positioned within the overall Australian economy with some return to normalcy being shown by clients, and assisted amongst other things by the support from on-going government measures.

The Company has been activily engaged in a recapitalisation process since February 2020 when a Standstill agreement was entered into with the Company's lenders. This was previously announced to the market and a number of updates have been provided since then. Under the Standstill Agreement, the Company's existing lenders have agreed to a standstill in respect of the Company's existing facilities until 23 December 2020 (unless otherwise extended by agreement) while the Company undertakes the recapitalisation process. The Company has now reached agreement with Credit Corp Group to acquire a significant portion of it's PDL assets at a value of $160m and has in-principle approval from it's Lenders and the ASX to proceed. The company has also reached agreement with its lenders where it will apply the sale proceeds to the repayment of its existing facilities and they will then provide ongoing funding facilities of approximately $62m. The buyer is also providing a short term loan of $15m. The company does retain a portion of it's PDL assets and remains an active participant in the PDL asset acquisition market.

The sale of the PDL assets has been transacted at a value that is substantially different to the Company's book value. Given its material nature, the timing of the accounts finalisation and consideration of Accounting Standard requirements, the Company has decided to reflect the estimated impact into it's June 20 accounts which has lead to an additional impairment against it's PDL asset value of $111.5m ($78.1m after tax). Hence total impairment against PDL assets for the FY20 year will be $238.9m. The final impact of the sale will be reflected in the actual month of sale (December 2020) and therefore in the December 2020 half year results.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2020 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.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Information on directors

Leigh Berkley	**Independent, Chairman.**
Experience	Having qualified as a Chartered Accountant, Mr Berkley has more than 30 years' experience in the collections and debt purchase industry, is a past President of the Credit Services Association (CSA) in the UK and assisted the Australian Collectors & Debt Buyers Association (ACDBA) develop their Code of Practice. Having been granted Australian residency last year, Leigh stepped down from his role as Director of External Affairs and Development of Arrow Global Group Plc, one of the UK's largest consumer debt purchasers, in which he engaged with government and regulators, trade bodies and consumer advice organisations. Prior to this, he was the CEO and main shareholder of Tessera Credit Group, a debt purchaser and collection agency, which he led for over 16 years before successfully negotiating a sale of its assets to Arrow Global in December 2014. Leigh was Vice President of the European trade body FENCA where he led the development of a Code of Conduct for GDPR for the Collections industry across Europe, and has been a regular presenter and industry advocate at conferences and trade body forums around the world. Leigh was also the 2019 President of the International Collectors Group and a Trustee of the Fair Life Charity, and is an Ambassador and former Director of the Money Advice Liaison Group in the UK. Mr Berkley was appointed to the Board of Collection House Limited on 1 July 2016. Mr Berkley was appointed Chairman of Collection House Limited on 29 November 2017.
Special responsibilities	Chair of the PDL Investment Committee
Interest in shares	112,866 ordinary shares in CLH
Michael Knox	**Independent, Non-executive Director.**
Experience	Mr Knox was an Australian Trade Commissioner serving in Saudi Arabia and Indonesia. He joined Morgans (now Morgans Financial Limited) in Sydney in 1988. He was Chief Institutional Options Dealer until moving to Brisbane in 1990 as Economist and Strategist. He joined the Board of Morgan Stockbroking in 1996. He became Director of Strategy and Chief Economist in 1998. Michael remained on the Board of Morgans until 2012. Michael has served on many Queensland Government advisory committees. He was Chairman of the Queensland Food Industry Strategy Committee in 1992, a Member of the Consultative Committee of the Ipswich Development Board in 1993, a Member of the Queensland Tourism Strategy Committee in 1994 and a Member of the Ministerial Advisory Committee on Economic Development in 1997. From 2003 to 2012, he was Chairman of the Advisory Committee of School of Economics and Finance at the Queensland University of Technology. He has been a Governor of the American Chamber of Commerce from 1997 to 2007. In 2008, Michael joined the Board of The City of Brisbane Investment Corporation Pty Ltd. Michael remained on the Board until 2016. Michael was the President of the Economic Society of Australia (Qld) Inc from 2009 to 2013. Mr Knox was appointed to the Board of Collection House Limited on 24 March 2017.
Special responsibilities	Nil
Interest in shares	80,000 ordinary shares in CLH

Catherine McDowell	**Independent, Non-executive Director.**
Experience	Catherine McDowell has more than 30 years' experience in the international investment and financial services industry in senior executive and advisory roles, predominantly with Barclays Bank, and more recently with ANZ. She has more than 15 years of Board experience with not for profit, listed and non-listed companies. Her current roles include Independent Director for the Todd Family Office, New Zealand and Independent Director of the AMP Superannuation Board, and Chair of the Risk Committee Previously, as Managing Director of Barclays International she oversaw a substantial international wealth business before moving to New Zealand in 2005. Catherine was the Managing Director at ANZ and the National Bank Private Banking and Wealth business (New Zealand). She subsequently moved to Australia to build the Private Bank and Trust business while managing E-Trade. During her career Catherine spent 10 years in New York, 15 years in London and 8 years in New Zealand and Australia. Catherine has a Ba Hons, is a Fellow of the Institute of Company Directors, New Zealand, a Graduate of the Australian Institute of Company Directors, and an Affiliate of the Governance Institute of Australia. Catherine was appointed to the Board of Collection House on 17 September 2018
Special responsibilities	Chair of the Remuneration and Nomination Committee
Interest in shares	No ordinary shares in CLH.

Sandra Birkensleigh	**Independent, Non-executive Director.**
Experience	Sandra Birkensleigh is a Non-Executive Director of MLC Limited, Chair of the Audit Committee and a member of the Risk Committee and Disclosure Committee. Sandra is also a non-executive Director of Auswide Bank, Chair of their Audit Committee and member of the Risk and Remuneration committees. She is a Non-Executive Director of 7 Eleven, and Chair of their Audit and Risk committee, and a Non-executive Director of Horizon Oil Limited, Chair of their Audit Committee and a member of the Risk and Remuneration and Nomination Committees. Sandra is also an independent member of the Audit Committee for the Reserve Bank of Australia, a Council Member and Chair of the Audit and Risk Committee of the University of the Sunshine Coast and the Chair of the Financial Services Committee for the Institute of Internal Auditors Australia. She is also a Non-executive Director of the National Disability Insurance Agency and Chair of the Audit and Risk Committees and member of the People and Remuneration Committee. She is a member of the Investment Committee for the Public Trustee of Queensland. Sandra also sits on the boards of the Tasmanian Finance Corporation (Tascorp) and is Chair of the Audit Committee. She was recently appointed as Chair of the Financial Services Committee for the Institute of Internal Auditors of Australia. Previously, Sandra held the role of Senior Partner of PwC until February 2013 and was the Global Head of Governance Risk and Compliance Services for PwC for five years. Sandra has a Bachelor of Commerce from University of New South Wales, is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and a Certified Compliance Professional (Fellow) Sandra was appointed to the Board of Collection House on 17 September 2018
Special responsibilities	Chair of the Audit and Risk Management Committee
Interest in shares	No ordinary shares in CLH

Company Secretary

Jonathon Idas was appointed as Chief Legal Officer ("CLO") on 6 September 2017. On 10 November 2020, he was appointed as the Company Secretary.

Jonathon has more than 17 years' experience as a solicitor in Australian and the United Kingdom previously being the CLO for Australian Receivables Limited and Forbes Dowling Lawyers Limited.

As CLO of Australian Receivables Limited, Jonathon successfully acquired Turnbull Bowles Lawyers, strengthening firm's position and expanding legal services, client engagement and productivity.

As a solicitor in the United Kingdom his focus was helping clients navigate successfully through the global financial crisis, acting on large scale litigation and pursuing cross boarder insolvency matters.

Since joining the Company, he has had oversight of all legal matters, corporate governance, risk and compliance.

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

2020	Meetings of committees							
	Directors		Audit and Risk Management		PDL Investment		Remuneration and Nomination	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Leigh Berkley	10	10	5	5	5	5	4	4
Michael Knox	10	10	5	5	2	5	4	4
Anthony Rivas	2	10	2	5	-	5	1	4
Sandra Birkensleigh	10	10	5	5	2	5	4	4
Catherine McDowell	9	10	4	5	2	5	4	4

In addition, since the onset of Covid-19, the Board has met frequently as required by teleconference with the CEO and members of the Executive Leadership Team and external advisors.

Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY20 for Non-Executive Directors (NEDs), the Chief Executive Officer and other Key Management Personnel (KMP). It has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (the Act) and its regulations. The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the Act. The Remuneration Report contains the following sections:

A Directors and other Key Management Personnel disclosed in this report
B Remuneration governance
C Executive remuneration policy and framework
D Relationship between remuneration and the Group's performance
E Non-executive Director remuneration policy
F Details of remuneration of Directors and Key Management Personnel
G Service agreements
H Share-based compensation
I Equity instruments held by Key Management Personnel
J Additional information

<u>Director and Executive Remuneration</u>

A Directors and other Key Management Personnel disclosed in this report

The key management personnel include those who have the authority and responsibility, directly or indirectly, to plan, direct and control the major activities of the Group.

The Group's Directors and key management personnel for FY20	
Board of Directors	
Leigh Berkley	Chairman (Non-Executive)
Michael Knox	Director (Non-Executive)
Sandra Birkensleigh	Director (Non-Executive)
Catherine McDowell	Director (Non-Executive)
Anthony Rivas	Managing Director and Chief Executive Officer (CEO) (resigned 24 November 2019)
Executive Leadership Team (ELT)	
Anthony Rivas	Chief Executive Officer (CEO) (resigned 24 November 2019)
Doug McAlpine	Chief Executive Officer (CEO) (appointed 25 November 2019) Chief Financial Officer (appointed 1 July 2019 and resigned 1 January 2020) Company Secretary (appointed 1 July 2019 and resigned 10 November 2020)
Lynda Morris	Acting Chief Financial Officer (CFO) (appointed 1 January 2020)
Anand Adusumilli	Chief Data Scientist
Jonathon Idas	Chief Legal Officer Company Secretary (appointed 10 November 2020)
Denica Saunders	Chief Operating Officer (COO)
Stephen Parrish	Chief People Officer (appointed 1 January 2020)
Nathan Johnston	Chief Technology Officer (appointed 1 January 2020)

B Remuneration governance

Overall remuneration strategy, framework and practices adopted by the Group are governed by the Board and the Remuneration and Nomination Committee. These functions include consideration of the following:

- How the remuneration policies are applied to members of the ELT
- The basis of short and long-term performance-based incentive payments for members of the ELT
- The appropriate fees for NEDs.

Fundamental to all arrangements is that all KMP (Key Management Personnel) must contribute to the achievement of short and long-term objectives, enhance shareholder value, avoid unnecessary or excessive risk taking and discourage behaviour that is contrary to the Group's values.

Details of the short and long-term incentive schemes are set out below in the Section C: 'Executive Remuneration Policy and Framework' section of the Remuneration Report.

The objectives of the Group's remuneration policies are to ensure remuneration packages for KMP reflect their duties, responsibilities and level of performance – as well as to ensure all KMP are motivated to pursue the long-term growth and success of the Group.

In determining the remuneration of all KMP, the Board aims to ensure that the remuneration policies and framework:

- Are fair and competitive and align with the long-term interests of the Group
- Incentivise all KMP to pursue the short and long-term growth and success of the Group within an appropriate risk control framework
- Are competitive and reasonable, enabling the Group to attract and retain key talent, knowledge and experience
- Are aligned to the Group's strategic and business objectives and the creation of shareholder value
- Have a transparent reward structure with a risk proposition that is linked to the achievement of pre-determined performance targets.

<u>Use of external advisors</u>

In performing its role, the Remuneration and Nominations Committee may directly commission and receive information, advice and recommendations from independent, external advisers. This is done to ensure the Group's remuneration packages are appropriate, reflect industry standards and help achieve the objectives of the Group's remuneration strategy. During the period, the Group engaged a consultant, Mercer Consulting (Australia) Pty Ltd, for remuneration benchmarking purposes in relation to the Group's overall remuneration packages, inclusive of KMP's remuneration packages. The total fees for the period were $30,000, however, this was not a remuneration recommendation for the purposes of the Corporations Act 2001 (Cth).

<u>Securities Trading Policy</u>

The trading of shares issued to eligible employees under any of the Group's employee equity plans was subject to, and conditional upon, compliance with the Group's Securities Trading Policy. Members of the ELT are prohibited from entering into any hedging arrangements over unvested performance rights under the Group's Performance Rights Plan (PRP). The Group would consider a breach of this policy as misconduct, which may lead to disciplinary action and potentially dismissal.

C Executive remuneration policy and framework

The Group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders.

The Remuneration and Nomination Committee and the Board reviews the remuneration packages for members of the ELT annually by reference to individual performance against key individual and team objectives, the Group's consolidated results and market data. The performance review of the CEO is undertaken by the Chair of the Board who then makes a recommendation to the Board. The performance review of the other members of the ELT is undertaken by the CEO and approved by the Board.

The Group aims to reward members of the ELT with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

The ELT pay and reward framework has three components:

- Total fixed remuneration (TFR) including superannuation and benefits
- Short-term incentives (STIs), paid in cash or shares
- Long-term incentives (LTIs) through participation in the Performance Rights Plan (PRP), which has been approved by the Board.

The combination of these components amount to the total remuneration package or total employment cost for members of the ELT including the CEO.

Total fixed remuneration

Structured as a total employment cost package, the total fixed remuneration (TFR) may be delivered as a combination of cash and prescribed non-financial benefits at the discretion of the ELT member. Members of the ELT are offered a competitive TFR that comprises the cash salary, superannuation and non-monetary benefits. The TFR for ELT members is reviewed annually to ensure the pay is in line with the role, experience and performance and remains competitive with the market. Group and individual performance are considered during the annual remuneration review. The TFR is usually fixed for a 12-month period with any changes effective from 1 September each financial year. An ELT member's remuneration is also reviewed upon any change of duties.

Retirement benefits for ELT

There are no additional retirement benefits made available to members of the ELT, other than those required by statute or by law and under the shareholder approved performance rights plans.

Short-term incentives (STIs)

To ensure that remuneration for members of the ELT are aligned to the Group's performance, a portion of their remuneration, in line with their ability to influence results, is performance based and, therefore, 'at risk'.

ELT members have the opportunity to earn an annual STI if pre-defined targets are achieved. The CEO had a target STI opportunity of 60 percent of TFR, which is cash-based. Other ELT personnel each have a cash-based STI opportunity of up to 25 percent of TFR.

STIs for the ELT in FY20 were based on scorecard measures and weightings. The CEO key performance objective targets were set by the Board at the beginning of the financial year and aligned to the Group's strategic and business objectives, as outlined below.

Short-term incentives (STIs) - Continued

The STIs for other members of the ELT are recommended by the CEO to the Board based on the ELT meeting financial and non-financial target performance objectives set by the CEO. Management were cogniscent of the pressures on the Company during the year and recommended that the STI payments should be forfeited.

When normally applied, there is a high degree of alignment between the Company strategy and the ELT's STI performance objective targets. The financial performance objectives (EPS and Net Profit After Tax) are the same for all Senior Executives, providing a common objective for the ELT. The non-financial ELTs have a high degree of variability between technology projects, people and culture, and processes that reflect the individual roles, and include measures such as achieving strategic outcomes, developing people and culture, growth, business development, differentiation, innovation, digital development and other key initiatives during the financial year.

Each executive has a high degree of clarity on their individual performance objectives and priorities, as established by their scorecard. They also have an understanding of the inter-relationship of their individual performance objectives to the objectives of the other members of the ELT.

CEO STI targets for FY20 and FY19

Payment of the STI is discretionary and subject to the requirement to achieve a minimum of 5% growth in EPS in a financial year, as well as the achievement of the individual personal objectives outlined below:

Performance category	Metrics	Weighting (%)
Financial	• Earnings per share (EPS)	40
Non-Financial	• Leadership	20
	• Innovative Solutions implemented	10
	• Improvement of Corporate Culture	30

A summary of the actual STI Financial outcomes achieved is included in Section D.

Deferred Shares – CEO short-term incentive scheme

In FY20, the new CEO short-term incentive (STI) scheme excluded the issuance of deferred shares and contains only the cash component.

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 FY17-19 CEO short-term incentive (STI) scheme was fully vested (244,789 shares) in FY20. The deferred shares awarded were ultimately sold during FY20.

Cessation of employment

For resignation or termination for cause, any STI is forfeited, unless otherwise determined by the Board.

For any other reason, the Board may award STI on a pro-rata basis taking into account time and the current level of performance against performance hurdles.

Long-term incentives (LTIs)

LTIs are awarded to the Group's ELT by way of performance rights via the Performance Rights Plan (PRP). The LTI program has the objective of delivering long-term shareholder value by incentivising members of the ELT to achieve sustained financial performance over a three-year period (with no opportunity to retest).

Annual grants of performance rights are proposed to be made to the Group's ELT under the PRP. The number of performance rights granted is calculated based on the weighted average share price over the five trading days before the grant date. Sections H and I provide details of performance rights granted, vested, exercised and lapsed during the year.

Performance rights were awarded to various eligible employees pursuant to the PRP, at a nil exercise price and subject to a three-year tenure hurdle. This is contingent on the achievement of certain financial performance hurdles, which are approved by the Board each financial period.

The performance rights will not vest unless the Group's financial performance meet these hurdles. The Board set these hurdles to ensure that the ELT and eligible employees were focused on the delivery of increased shareholder value through the achievement of the short and long-term goals of the Group. Participants in the PRP do not receive distributions or dividends on unvested LTI grants.

FY20 Performance Rights Awarded

In recognition of the COVID-19 and recapitalisation issues the Board did not grant any unlisted FY20 performance rights during the current year under the PRP to the ELT and other eligible employees.

FY19 Performance Rights Awarded

For the FY19 performance rights the Board chose Earnings Per Share (EPS) as the key financial measurement as EPS growth will ensure that long-term shareholder value is achieved. The hurdles and the proportion of performance rights that will vest as a percentage if the target is achieved, are outlined below:

Performance Hurdles – Compound EPS Growth	% of Pool
0% - 5.00%	Nil
5.01% - 7.50%	33.33%
7.51% - 10.00%	66.66%
More than 10.01%	100%

For the period, 383,333 unlisted performance rights over ordinary shares in the Company under the PRP to the ELT and other eligible employees were forfeited. The performance rights will not vest (and therefore be incapable of being exercised) based on certain vesting conditions and performance hurdles as at 30 June 2021 as highlighted above.

The FY19 performance rights were issued in FY20 as these performance rights were approved by the board in FY20.

A summary of the actual LTI Financial outcomes achieved is included in Section D.

Cessation of employment

For 'uncontrollable events' (including death, serious injury and disability and forced early retirement, retrenchment or redundancy), any LTI that is capable of becoming exercisable if performance hurdles are met at the next test date will become vested performance rights. The Board, at its discretion, may determine the extent to which any other unvested performance rights, that have not lapsed, will become vested performance rights.

For any other reason, all unvested LTI awards will lapse immediately, unless otherwise determined by the Board.

Change of control

Where a proposal is publicly announced in relation to the Group which the Board reasonably believes may lead to a change in control event, all unvested LTI awards that have not lapsed, will vest and become exercisable.

Clawback

The Group will reduce, cancel or clawback any performance-based remuneration in the event of serious misconduct or a material misstatement of the Group's financial statements.

Discretion

The Board has absolute discretion in relation to payments under both the STI and LTI schemes.

D Relationship between remuneration and the Group's performance

Group performance and its link to LTI

The overall level of reward for members of the ELT takes into account the performance of the Group over a number of years, with greater emphasis given to the current and previous year. Details of the relationship between the remuneration policy and Group's performance over the last five years is detailed below.

	2016	2017	2018	2019	2020
Net profit after tax ($m)	$18.6	$17.4	$26.1	**$30.7**	**$(145.1)**
Dividends declared (franked)	7.8 cents	7.8 cents	7.8 cents	**8.2 cents**	**Nil**
Share price commenced	$2.23	$1.10	$1.16	**$1.49**	**$1.21**
Share price ended	$1.10	$1.16	$1.49	**$1.21**	**$1.08**
Basic Earnings/(Loss) Per Share	14.0 cents	12.8 cents	19.2 cents	**22.3 cents**	**(103.2) cents**

Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 26 to 27 the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. Other than the deferred payment shares, no part of the STI is payable in future years. No performance rights will vest unless the vesting conditions are met, hence the minimum value of the performance rights yet to vest is nil. The maximum value of the performance rights in the options reserve has been determined as the fair value of the performance rights at grant date.

	Cash bonus		Deferred Payment Shares		Performance rights					
	Awarded %	Forfeited %	Awarded %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed %	Financial years in which performance rights may be vested (subject to certain qualifying hurdles)	Maximum total value of performance rights in options reserve
Anthony Rivas* (resigned 25 November 2019)	**-**	**100%**	**-**	**-**	**2020**	**-**	**-**	**-**	**-**	**-**
	75%	25%	75%	25%	2019	-	-	-	-	-
	80%	20%	80%	20%	2018	-	-	-	-	-
	80%	20%	80%	20%	2017	34%	66%**	-	2020	-
Doug McAlpine (appointed 1 July 2019)	**-**	**100%**	**-**	**-**	**2020***	**-**	**-**	**-**	**2022**	**-**
Lynda Morris (appointed 1 January 2020)	**-**	**100%**	**-**	**-**	**2020***	**-**	**100%**	**-**	**2022**	**-**
Anand Adusumilli	**-**	**100%**	**-**	**-**	**2020***	**-**	**100%**	**-**	**2022**	**-**
	75%	25%	-	-	2019	-	-	-	-	-
	80%	20%	-	-	2018	-	100%***	-	2021	-
Jonathon Idas	**-**	**100%**	**-**	**-**	**2020***	**-**	**100%**	**-**	**2022**	**-**
	80%	20%	-	-	2019	-	-	-	-	-
	80%	20%	-	-	2018	-	100%***	-	2021	-
Denica Saunders	**-**	**100%**	**-**	**-**	**2020***	**-**	**100%**	**-**	**2022**	**-**
	90%	10%	-	-	2019	-	-	-	-	-

*FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20.

** The forfeiture occurred in FY19 and disclosed in FY19 annual report

***The performance rights will not vest (and therefore be incapable of being exercised) based on certain vesting conditions and performance hurdles

Details of remuneration: cash bonuses and performance rights (continued)

	Cash bonus		Deferred Payment Shares		Performance rights					
	Awarded %	Forfeited %	Awarded %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed %	Financial years in which performance rights may be vested (subject to certain qualifying hurdles)	Maximum total value of performance rights in options reserve
Stephen Parrish (appointed 1 January 2020)	-	100%	-	-	2020*	-	100%	-	2022	-
Nathan Johnston (appointed 1 January 2020)	-	100%	-	-	2020*	-	100%	-	2022	-

*FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20.

E Non-Executive Director remuneration policy

Non-Executive Director's ("NEDs") fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. NEDs do not receive share options or performance rights. The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external advisors when undertaking the annual review process.

The maximum annual aggregate NED fee pool limit is $900,000 per annum, as approved by shareholders at the Group's Annual General Meeting as at 25 October 2013. The FY20 aggregate total NED fees distribution is $673,500 (including superannuation).

Payments are allowed for additional responsibilities for the Chair of each Board Committee. Fees and payments to NED reflect the demands that are made on, and the responsibilities of, the Directors.

The table below summarises the NED fees for FY20 (exclusive of superannuation):

FEES	FY20	FY19*
Base fees		
Chair	$175,000	$175,000
Other Non-Executive Directors	$95,000	$95,000
Additional fees		
Audit and Risk Management Committee Chair	$25,000	$25,000
Audit and Risk Management Committee Member	$Nil	$Nil
Remuneration and Nomination Committee Chair	$25,000	$25,000
Remuneration and Nomination Committee Member	$Nil	$Nil
PDL Investment Committee Chair	$25,000	$25,000
PDL Investment Committee Member	$Nil	$Nil

* Change in Directors' remuneration was effective as at 1/1/2019.

For further information in relation to Directors' remuneration, including fees paid in accordance with statutory rules and applicable accounting standards, refer to Section F below.

Note that the changes in the NED fee structure do not require an increase in the Directors' fee pool limit.

Retirement allowances for Directors

There are no retirement allowances paid to Non-Executive Directors.

F Details of remuneration of Directors and Key Management Personnel

<u>Amounts of remuneration</u>

Details of the remuneration of Directors and all other key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out below.

In Dollars		Short-term				Post-employment	Other long term		Share-based payments		
		Salary and fees	STI Cash bonus	Non-monetary benefits	Total	Superannuation benefits	Annual and long service leave	Termination benefits	Rights	Total	Proportion of remuneration performance related
Non-Executive Directors											
Leigh Berkley **Chairman**	**2020**	**284,151***	**-**	**136**	**284,287**	**19,561**	**-**	**-**	**-**	**303,848**	
	2019	194,098	-	12,569	206,667	7,213	-	-	-	213,880	
Michael Knox **Non-Executive Director**	**2020**	**95,731**	**-**	**-**	**95,731**	**9,095**				**104,826**	
	2019	92,500	-	-	92,500	8,788				101,288	
Sandra Birkensleigh **Non-Executive Director**	**2020**	**120,923**	**-**	**-**	**120,923**	**11,488**				**132,411**	
	2019	90,288	-	-	90,288	8,577				98,865	
Catherine McDowell **Non-Executive Director**	**2020**	**120,923**	**-**	**-**	**120,923**	**11,488**				**132,411**	
	2019	90,288	-	-	90,288	8,577				98,865	

*within Salary and fees, Mr Berkley received $90,000 for his contribution to the project to improve the effectiveness and sustainability of the PDL operational collection strategy.

In Dollars		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments		Total	Proportion of remuneration performance related
						Superannuation benefits	Annual and long service leave		Rights *	Deferred Shares		
		Salary and fees	STI Cash bonus	Non-monetary benefits	Total							
Executive Director and other Key Management Personnel												
Anthony Rivas **Managing Director/Chief Executive Officer** (resigned 25 November 2019)	**2020**	**198,728**	**-**	**3,615**	**202,343**	**18,879**	**-**	**117,619**	**-**	**-**	**338,841**	**-**
	2019	484,921	173,870	33,569	692,360	46,067	26,067	-	431,490	115,913	1,311,897	55%
Doug McAlpine **Chief Executive Officer** (appointed 25 November 2019) **Company Secretary** (appointed 1 July 2019 and resigned 10 November 2020) **Chief Financial Officer** (appointed 1 July 2019 and resigned 1 January 2020)	**2020**	**471,154**	**-**	**4,882**	**476,036**	**44,760**	**35,653**	**-**	**-**	**-**	**556,449**	**-**
Denica Saunders **Chief Operating Officer**	**2020**	**318,904**	**-**	**4,882**	**323,786**	**30,296**	**2,795**	**-**	**-**	**-**	**356,877**	**-**
	2019	287,644	70,833	4,705	363,182	27,326	13,299	-	-	-	403,807	18%

In Dollars		Short-term				Post-employment	Other long term		Share-based payments			
		Salary and fees	**STI Cash bonus**	**Non-monetary benefits**	**Total**	**Superannuation benefits**	**Annual and long service leave**	**Termination benefits**	**Rights ***	**Deferred Shares**	**Total**	**Proportion of remuneration performance related**
Lynda Morris **Acting Chief Financial Officer** (appointed 1 January 2020)	**2020**	**111,692**	**-**	**2,441**	**114,133**	**10,611**	**9,713**	**-**	**-**	**-**	**134,457**	**-**
Anand Adusumilli **Chief Data Scientist**	**2020**	**296,058**	**-**	**7,858**	**303,916**	**28,126**	**7,780**	**-**	**-**	**-**	**339,822**	**-**
	2019	279,567	59,027	9,034	347,628	26,559	14,683	-	8,892	-	397,762	17%
Jonathon Idas **Chief Legal Officer Company Secretary** (appointed 10 November 2020)	**2020**	**302,187**	**-**	**9,998**	**312,185**	**28,708**	**9,395**	**-**	**-**	**-**	**350,288**	**-**
	2019	278,439	61,200	4,902	344,541	26,452	-	-	9,000	-	379,993	18%
Stephen Parrish **Chief People Officer** (appointed 1 January 2020)	**2020**	**121,846**	**-**	**2,441**	**124,287**	**11,575**	**-**	**-**	**-**	**-**	**135,862**	**-**
Nathan Johnston **Chief Technology Officer** (appointed 1 January 2020)	**2020**	**111,692**	**-**	**2,441**	**114,133**	**10,611**	**-**	**-**	**-**	**-**	**124,744**	**-**

-For recently appointed ELT, the remuneration information provided in the table relates to the period from the date of appointment as ELT to 30 June 2020, unless otherwise stated.

* FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20.

G Service agreements

Remuneration and other terms of employment for the CEO and other Key Management Personnel are also formalised in service agreements. Except for the CEO who has a six month notice period, all contracts with members of the ELT may be terminated early by either party with three months' notice. The Company, at its full discretion, may make a payment in lieu of the notice period, either partially or in full. Major provisions of the agreements relating to remuneration are set out below.

Doug McAlpine **CEO** (appointed 25 November 2019) **CFO** (appointed 1 July 2019 and resigned 1 January 2020) **Company Secretary** (appointed 1 July 2019 and resigned 10 November 2020)	Annual fixed remuneration Performance cash bonus Performance rights	$520,796 inclusive of superannuation and non-monetary benefits for FY20 The STI opportunity in relation to FY20 was forfeited. No at risk FY20 performance rights were granted in FY20
Lynda Morris **Acting CFO** (appointed 1 January 2020)	Annual fixed remuneration* Performance cash bonus Performance rights	$124,744 inclusive of superannuation and non-monetary benefits for FY20. The STI opportunity in relation to FY20 was forfeited. No at risk FY20 performance rights were granted in FY20
Anand Adusumilli **Chief Data Scientist**	Annual fixed remuneration Performance cash bonus Performance rights	$332,042 inclusive of superannuation and non-monetary benefits for FY20 The STI opportunity in relation to FY20 was forfeited, actual in relation to FY19 was $59,027 No at risk FY20 performance rights were granted in FY20 26,194 at risk FY19 performance rights, that were approved, granted and forfeited during FY20 17,599 at risk FY18 performance rights were forfeited during FY20
Jonathon Idas **Chief Legal Officer** **Company Secretary** (appointed 10 November 2020)	Annual fixed remuneration Performance cash bonus Performance rights	$340,893 inclusive of superannuation and non-monetary benefits for FY20 The STI opportunity in relation to FY20 was forfeited, actual in relation to FY19 was $61,200 No at risk FY20 performance rights were granted in FY20 26,194 at risk FY19 performance rights, that were approved, granted and forfeited during FY20 17,772 at risk FY18 performance rights were forfeited during FY20

Denica Saunders **Chief Operating Officer**	Annual fixed remuneration Performance cash bonus Performance rights	$354,082 inclusive of superannuation and non-monetary benefits for FY20 The STI opportunity in relation to FY20 was forfeited, actual in relation to FY19 was $56,666 No at risk FY20 performance rights were granted in FY20 39,291 at risk FY19 performance rights, that were approved, granted and forfeited during FY20 18,989 at risk FY18 performance rights were forfeited during FY20
Stephen Parrish **Chief People Officer** (appointed 1 January 2020)	Annual fixed remuneration* Performance cash bonus Performance rights	$135,862 inclusive of superannuation and non-monetary benefits for FY20. The STI opportunity in relation to FY20 was forfeited. No at risk FY20 performance rights were granted in FY20
Nathan Johnston **Chief Technology Officer** (appointed 1 January 2020)	Annual fixed remuneration* Performance cash bonus Performance rights	$124,744 inclusive of superannuation and non-monetary benefits for FY20. The STI opportunity in relation to FY20 was forfeited. No at risk FY20 performance rights were granted in FY20

* Amount has been pro-rated to show the remuneration package starting from the date of appointment.

H Share-based compensation

Performance rights

Performance rights have been granted to certain eligible employees under the Company's Performance Rights Plan (PRP).

Performance rights granted under the PRP carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share of Collection House Limited.

Performance rights (continued)

Details of performance rights over ordinary shares in the Group provided as remuneration to members of the ELT are set out below.

Name	Number of performance rights granted/issued during the year		Number of performance rights vested/ issuable during the year	
	2020*	2019	**2020**	2019
Anthony Rivas (resigned 25 November 2019)	-	-	**1,000,000****	**-**
Doug McAlpine (appointed 1 July 2019)	**-**	-	**-**	**-**
Lynda Morris (appointed 1 January 2020)	**-**	-	**-**	**-**
Anand Adusumilli	**26,194**	-	**-**	**-**
Jonathon Idas	**26,194**	-	**-**	**-**
Denica Saunders	**39,291**	-	**-**	**-**
Stephen Parrish (appointed 1 January 2020)	**-**	-	**-**	**-**
Nathan Johnston (appointed 1 January 2020)	**-**	-	**-**	**-**

* FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20.

** This is in relation to PR2017 Performance rights that were vested in FY20.

The assessed fair value at grant date of performance rights compensation granted to members of the ELT has been calculated using the five day volume weighted average price (VWAP) of one ordinary share over the five days preceding the grant. The expense is recognised over the vesting period. The expense for each relevant financial year will require an assessment at each reporting date of the probability that each performance hurdle will be achieved.

I Equity instruments held by key management personnel

Performance rights

Details of performance rights over ordinary shares in the Company provided as remuneration to each Director of Collection House Limited and other key management personnel of the Group, are set out below.

2020 Name	Balance at start of the year	Granted as compensation*	Vested	Lapsed/ Forfeited	Balance at end of the year	Vested and issuable	Un-vested
Anthony Rivas (resigned 25 November 2019)	1,000,000	-	(1,000,000)	-	-	-	-
Doug McAlpine (appointed 1 July 2019)	-	-	-	-	-	-	-
Lynda Morris (appointed 1 January 2020)	-	-	-	-	-	-	-
Anand Adusumilli	17,599	26,194	-	(43,793)	-	-	-
Jonathon Idas	17,722	26,194	-	(43,916)	-	-	-
Denica Saunders	-	39,291	-	(39,291)	-	-	-
Stephen Parrish (appointed 1 January 2020)	-	-	-	-	-	-	-
Nathan Johnston (appointed 1 January 2020)	-	-	-	-	-	-	-

* FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20

Share holdings

The number of shares in the Company held during the financial year by each Director of Collection House Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2020 Non-Executive Directors	Category	Balance at start of the year	Other changes during the year	Balance at the end of the year
Leigh Berkley	Ordinary Shares	71,200	41,666	112,866
Michael Knox	Ordinary Shares	60,000	20,000	80,000
Sandra Birkensleigh	Ordinary Shares	-	-	-
Catherine McDowell	Ordinary Shares	-	-	-

Share holdings (continued)

2020 Executive Director and other key management personnel	Category	Balance at start of the year	Other changes during the year	Balance at the end of the year
Anthony Rivas (resigned 25 November 2019)	Ordinary Shares	6,690	(6,690)	-
	Deferred payment shares	244,789	(244,789)	-
Doug McAlpine (appointed 1 July 2019)	Ordinary Shares	-	8,547	8,547
Lynda Morris (appointed 1 January 2020)	Ordinary Shares	-	23,482	23,482
Anand Adusumilli	Ordinary Shares	-	-	-
Jonathon Idas	Ordinary Shares	-	-	-
Denica Saunders	Ordinary Shares	-	24,003	24,003
Stephen Parrish (appointed 1 January 2020)	Ordinary Shares	-	-	-
Nathan Johnston (appointed 1 January 2020)	Ordinary Shares	-	-	-

J Additional information

Loans to Directors and Executives

There were no loans to Directors or members of the ELT during FY20.

Shares under performance rights

LTIs are provided to certain eligible employees via the PRP. Total un-issued ordinary shares of the Group under performance rights at the date of this report are detailed below.

Performance rights	Date rights effective	Number of rights granted/to be issued	Issue price of shares	No of unvested shares and vested but not yet issued shares under rights	Expiry date
PRP	1/7/17	341,071	Nil	Nil	30 September 2020
PRP*	1/7/19	398,068	Nil	Nil	30 September 2021
PRP**	Nil	Nil	Nil	Nil	Nil

* FY19 Performance rights (LTI) were not approved by the Board at the date of FY19 report. The FY19 Performance rights (LTI) were issued in FY20.

** No FY20 Performance rights were recommended.

*** PR2018 & PR2019 rights were forfeited.

Additional information – Unaudited

Insurance of officers

During the financial year the Group paid premiums in respect of Directors' and Officers' liability and legal expenses and insurance. This was for current and former Directors and Officers, including senior executives of the Group and Directors, Senior Executives and Secretaries of its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or Officers in their capacity as Directors or Officers of entities in the Group, and any other payments arising from liabilities incurred by the Directors or Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors or Officers or the improper use by the Directors or Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

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.*

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of financial statements.

The Board has considered the non-audit services provided during the year by the auditor, and the Audit and Risk Management Committee is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Processional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid and payable to Group's auditor, KPMG, are set out below.

Services other than audit and review of financial statements:	**2020**
Audit and review of financial statements	**$**
Other regulatory audit services	411,547
Trust account audits	68,520
Loan covenant compliance	3,200
Other services	
Taxation compliance services	267,760
Total paid or payable to KPMG	751,027

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

Rounding of amounts

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) 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.

This report is made in accordance with a resolution of Directors.

Collection House Limited

Leigh Berkley
Chairman

Brisbane
23 December 2020

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 audit of Collection House Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

KPMG

Scott Guse
Partner
Brisbane

23 December 2020

Collection House Limited
Income statement
For the year ended 30 June 2020

	Notes	Consolidated **30 June 2020** **$'000**	 30 June 2019* $'000
Interest Income		79,261	75,419
Commission		63,938	67,232
Other revenue	5	8,448	18,406
Revenue from continuing operations		**151,647**	161,057
Direct collection costs		**(22,739)**	(25,968)
Employee expenses	6	**(57,426)**	(57,100)
Impairment – Purchase Debt Ledgers	10	**(238,890)**	-
Depreciation and amortisation expense	6	**(10,409)**	(4,624)
Rental and Lease expenses	6	**(983)**	(8,189)
Restructuring expenses		**(63)**	(775)
Other expenses		**(18,436)**	(13,140)
Finance costs	6	**(9,751)**	(7,658)
Profit/(Loss) before income tax		**(207,050)**	43,603
Income tax benefit/(expense)	7	**61,980**	(12,913)
Profit/(Loss) from continuing operations		**(145,070)**	30,690
Profit/(Loss) for the year attributable to equity holders of Collection House Limited		**(145,070)**	30,690
		Cents	Cents
Earnings/(Loss) per share for profit attributable to the equity holders of the Company:			
Basic earnings/(loss) per share	29	**(103.2)**	**22.3**
Diluted earnings/(loss) per share	29	**(103.2)**	**22.0**

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)*

	Notes	Consolidated 30 June 2020 $'000	30 June 2019* $'000
Profit/(Loss) for the year		**(145,070)**	30,690
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair Value adjustment – Equity instrument	12	**(2,542)**	-
Exchange differences on translation of foreign operations	21(a)	**-**	(642)
Other comprehensive income for the year, net of income tax		**(147,612)**	(642)
Total comprehensive income for the year attributable to equity holders of Collection House Limited		**(147,612)**	30,048

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 30 June 2020

	Notes	Consolidated 30 June 2020 $'000	30 June 2019* $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**9,656**	1,596
Receivables	9	**13,311**	12,871
Purchased debt ledgers	10	**172,541**	52,466
Other assets	11	**222**	167
Total current assets		**195,730**	67,100
Non-current assets			
Purchased debt ledgers	10	**12,187**	357,837
Equity investments	12	**4,868**	8,500
Property, plant and equipment	13	**28,297**	2,710
Intangible assets	14	**33,011**	33,842
Deferred Tax Assets	19	**63,732**	-
Receivables	9	**740**	558
Total non-current assets		**142,835**	403,447
Total assets		**338,565**	470,547
LIABILITIES			
Current liabilities			
Payables	15	**13,212**	14,609
Borrowings	18	**214,857**	14,667
Current tax liabilities		**(5,383)**	3,782
Provisions	16	**4,419**	3,810
Other financial liabilities	17	**7,525**	1,937
Total current liabilities		**234,630**	38,805
Non-current liabilities			
Borrowings	18	**-**	195,933
Deferred tax liabilities	19	**-**	1,505
Provisions	16	**142**	103
Other financial liabilities	17	**30,674**	5,053
Total non-current liabilities		**30,816**	202,594
Total liabilities		**265,446**	241,399
Net assets		**73,119**	229,148
EQUITY			
Contributed equity	20	**119,567**	116,413
Reserves	21(a)	**(4,179)**	365
Retained profits	21(b)	**(42,269)**	112,370
Total equity		**73,119**	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.*

		Attributable to owners of Collection House Limited			
Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2018		**113,727**	**157**	**92,693**	**206,577**
Profit for the year		-	-	30,690	30,690
Other comprehensive income		-	(642)	-	(642)
Total comprehensive income for the year		-	(642)	30,690	30,048
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	20	2,882	-	-	2,882
Acquisition of treasury shares		(300)	-	-	(300)
Withdrawal of treasury shares		104	-	-	104
Employee share rights - value of employee services	21	-	850	-	850
Dividends provided for or paid	22	-	-	(11,013)	(11,013)
		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		-	-	(3,805)	(3,805)
Adjusted balance at 1 July 2019		**116,413**	**365**	**108,565**	**225,343**
Loss for the year		-	-	(145,070)	(145,070)
Other comprehensive income		-	(2,542)	-	(2,542)
Total comprehensive income for the year		**-**	**(2,542)**	**(145,070)**	**(147,612)**
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	20	1,571	-	-	1,571
Share Issuance of treasury shares		197			197
Withdrawal of treasury shares	21	167	(167)	-	-
Acquisition of deferred shares		(315)	-	-	(315)
Employee Share Plan – FY20	21	(197)	197	-	-
Release of deferred shares	21	315	(315)	-	-
Release of Performance Rights Plan	21	1,416	(1,416)	-	-
Employee share rights - value of employee services	21	-	(301)	-	(301)
Dividends provided for or paid	22	-	-	(5,764)	(5,764)
		3,154	(2,002)	**(5,764)**	(4,612)
Balance at 30 June 2020		119,567	**(4,179)**	**(42,269)**	73,119

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	Consolidated 30 June 2020 $'000	30 June 2019* $'000
Cash flows from operating activities			
Receipts from customers and debtors (inclusive of goods and services tax)		**182,660**	213,402
Payments to suppliers and employees (inclusive of goods and services tax)		**(107,606)**	(115,625)
		75,054	97,777
Income taxes paid		**(9,705)**	(10,956)
Net cash inflow (outflow) from operating activities	31	**65,349**	86,821
Cash flows from investing activities			
Payments for property, plant and equipment		**(762)**	(1,086)
Payment for leasehold improvements		**(188)**	(714)
Payments for purchased debt ledgers		**(40,049)**	(132,633)
Receipts from sale of investment		**492**	-
Payment for equity instrument		**-**	(8,500)
Payments for intangible assets		**(2,032)**	(2,901)
Net cash (outflow) inflow from investing activities		**(42,539)**	(145,834)
Cash flows from financing activities			
Proceeds from borrowings		**16,546**	78,702
Repayment of borrowings		**(12,292)**	(837)
Payment of lease liabilities **		**(5,707)**	-
Borrowing costs		**(1,351)**	(1,591)
Interest paid		**(7,559)**	(5,618)
Dividends paid to Company's shareholders	22	**(5,764)**	(11,013)
Proceeds from issues of shares and other equity securities		**1,253**	2,882
Purchase of treasury shares		**-**	(300)
Net cash (outflow) inflow from financing activities		**(14,874)**	62,225
Net increase (decrease) in cash and cash equivalents		**7,936**	3,212
Cash and cash equivalents at the beginning of the financial year		**1,596**	(2,092)
Effects of exchange rate changes on cash and cash equivalents		**124**	476
Cash and cash equivalents at end of year	8	**9,656**	1,596
Cash at bank and on hand		**9,656**	1,596
Cash and cash equivalent at end of year		**9,656**	1,596

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*

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are for the consolidated entity consisting of Collection House Limited (the Company) and its subsidiaries (the Group). Collection House Limited is a public company incorporated and domiciled in Australia.

The financial statements were authorised for issue on 23 December 2020 by the Directors of the Company.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Collection House Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS
The consolidated financial statements of the Collection House Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group
This is the first set of the Group's annual financial statements in which AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 1(aa).

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

(iv) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(v) Going Concern: Net current asset deficiency and future recapitalisation
Notwithstanding the Group recorded a deficiency in net current assets of $38.9 million as at 30 June 2020 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 mainly due to:

- the reclassification of the Group's total Borrowings to a current liability as a result of the Group being unable to comply with a number of financial covenants after the impairment to its PDL assets in December 2019: and
- the subsequent event recognition of the further impairment to it's PDL assets related to the PDL sale transaction which has reclassified a greater proportion of the remaining PDL value ($172.5m) as current.

As disclosed in Note 18, 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 would not take any action during the period to 23 December 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. The Group has been actively engaged in a recapitalisation process since the Standstill Agreement was entered into with the Group's lenders. This was previously announced to the market and a number of updates have been provided since then.

As disclosed in Note 32, on 23 December 2020, the Group entered into a sale agreement with Credit Corp Group to acquire a significant portion of the Group's Australian PDL assets at a value of $160m. The Group has also reached agreement with its lenders where it will apply the sale proceeds to the repayment of the majority of its existing facilities and they will then provide an ongoing funding facility for the remaining $62m. This will consist of:

- a $20m Term Loan Facility (Facility A) with a term of three years, cash interest, and fixed quarterly prepayments;
- an approximate $42m Term Loan Facility (Facility B) with a term of three years, capitalising interest, and cash sweep payments at times when the Group's month-end cash balance is above a level agreed with its lenders. The final amount will be determined as a part of the settlement process of the PDL Sales Transaction.
- a Bank Guarantee Facility of $8.6m.
- agreed covenant ratios.

The buyer is also providing a short-term loan of $15m with a maturity of two years, capitalising interest and two agreed repayment milestones, the first repayment due in period to 30 June 2021, and the final repayment payable on maturity.

The Group does retain a portion of it's PDL assets and remains an active participant in the PDL asset acquisition market.

Now that the recapitalisation process has reached an outcome, the Group's ability to continue as a going concern is critically dependent on implementing its strategic plan and meeting its targets. The Directors believe that the Group will be able to continue as a going concern based on cash flow forecasts which indicate the Group is able to pay its debts as and when they fall due under a range of risk adjusted scenarios. Key assumptions used in these cash flow forecasts and the assessment of the Group's ability to continue as a going concern include:

- enhancing the commission collections side of the Group's business and retention of key clients;
- reducing costs to a sustainable level;
- close management of its financial position and performance to ensure compliance with relevant financial covenants imposed by its lenders under the terms of its on-going funding facility;
- the performance of the PDL assets retained by the Group remaining in line with the Group's expectation of future expected cash collections;
- managing any ongoing impact from economic uncertainty as a result of COVID-19; and
- the progressive build-up of its PDL Asset book.

While the Directors are encouraged that the performance of the Group's continuing operations is improving from experience during the second six months of the 2020 year (and subsequent to year end), the improving but still existing macro-economic challenges and uncertainties from COVID-19 may impact on the Group's ability to execute its strategic plan and achieve the key assumptions outlined above. As a result, these conditions 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 at the stated amounts in the financial statements.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(aa)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

There are currently no non-controlling interests in the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates (‘the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Collection House Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenue is recognised based on the consideration specified in the contract at the time when control over the good or service is transferred to the customer i.e. when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

(i) Interest income – Purchased Debt Ledgers (PDL's)
Interest income is recognised using the application of the credit-adjusted effective interest rate ("EIR") to the amortised cost of the PDLs under AASB 9 *Financial Instruments*. Interest is shown net of any adjustments to the carrying amount of PDLs as a result of changes in estimated cash flows. The EIR is the rate that discounts estimated future cash receipts of the PDLs to the net carrying amount (i.e. the price paid to acquire the asset).

(ii) Call option income – reflects the revenue the company earns by selling the right to purchase future collections of an eligible portfolio of PDLs to a third party.
Revenue is recognised for accounting purposes when a call option contract is signed, as from the date the third party receives a substantial portion of the cash flows and the Group has no future rights or entitlement to the collections on that portfolio.

(iii) Rendering of services – commission revenue
Revenue from rendering services is recognised based on the below conditions:-

Category	Nature and timing of satisfaction of Performance Obligations	Revenue Recognition
Rendering of services: Commission Revenue	The Group receives commissions for the provision of debt collection services. Commission structures are based on contract terms and include; • Percentage based on the value of collections; • Fees for collection activities; • Fees for full time equivalents (FTE); and • Fees for other collection related services. The Group is also entitled to receive performance incentives, bonuses and rebates for various contracts. Where activities are performed by third parties, and are on-charged to the customer at cost or with a margin, the Group recognises revenue for these services as the Principal.	Income is recognised over time with the relevant measure of progress being the collections output at the end of each period. Re-estimation of variable consideration is completed at each reporting date.

(iv) Sale of non-current assets
The net gain or loss on disposal of non-current assets is included as either income or an expense at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Sale of PDL assets is considered to be infrequent, thus classified as other revenue. The Group's business model for PDL assets is to receive the contractual cash flows and not to sell.

(v) Dividends
Revenue from dividends and distributions from controlled entities is recognised by the Parent Entity when they are declared by the controlled entities.

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Collection House Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1 Summary of significant accounting policies (continued)

(g) Leases

(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.

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured 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 measured at amortised cost using the effective interest method i.e. 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.

(ii) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

The Group sub-leases some of its premises. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It classifies the sub-lease 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.

Refer to Note 1(aa) for further details.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If this amount is less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

The recent amendment in AASB 3 *Business Combinations* enables the acquirer to apply a concentration test, which evaluates whether the majority of the fair value of assets acquired is concentrated into a single identifiable asset or group of assets. If this test is satisfied, the acquirer can elect to treat the entire transaction as an asset acquisition and avoid the accounting and disclosure obligations applicable to a business acquisition.

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(j) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and where applicable bank overdrafts. Where applicable, bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

Expected losses for trade receivables are measured as life-time expected credit losses using the simplified method.

1 Summary of significant accounting policies (continued)

(l) Other financial assets

Classification
The Group classifies financial assets as subsequently measured at either amortised cost or fair value on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets subsequently measured at amortised cost - PDLs

Classification

PDLs have been included in this category of financial assets as the Group's business model for managing the PDLs and the characteristics of the contractual cash flows of the financial asset are consistent with this measurement approach.

PDLs are included as non-current assets, except for the amount of the ledger that is expected to be realised within 12 months of the balance sheet date, which is classified as a current asset.

Measurement

PDLs are initially recognised at cost, as cost reflects fair value plus any incidental costs of acquisition and thereafter measured at amortised cost using the credit-adjusted effective interest method, less any impairment losses.

Impairment

The carrying amount of the PDLs is continuously reviewed to ensure that the carrying amount is not impaired. Due to the characteristics of the Group's investment in PDLs, they are considered as purchased or originated credit impaired ("POCI") assets under AASB 9. Where the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's Credit Adjusted Effective Interest Rate ("CAEIR"), the Group recognises an impairment loss. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the favourable change is more than the amount previously recognised in profit or loss.

PDL is made up of different segments based on detailed customer level experience (historical performance), customer status, type of debt, payment arrangements and timing of cash flows received from customers. Different assumptions are applied based on the type of segment, resulting in different liquidation curves based on the type of debt, which will impact the overall PDL asset valuation. Once the total estimated future cash flows are determined based on the Group's strategy and macro-economic factors such as the COVID-19 impacts, the asset's Credit adjusted Effective Interest Rate ("CAEIR") will be applied to determine the present value at reporting date. In addition, an overlay will be applied to form the reflection of short to medium term economic impacts i.e. COVID-19 uncertainties, market volatility, unemployment, customer/Vendor market issues and any other risk factors based on the nature of the segment within the PDL asset.

(ii) Equity investments

At the initial recognition, the Group will measure a financial asset at fair value with the transaction costs that are directly attributable to the acquisition. The Group will make the designation whether the investments meet fair value through other comprehensive income (FVOCI) criteria based on the strategic purpose to hold the equity investment for long term rather than short term trading.

After subsequent recognition, any gains or losses on these instruments are recognised in other comprehensive income and not the profit and loss.

1 Summary of significant accounting policies (continued)

(m) Fair value estimation of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses estimated discounted cash flows to determine fair value.

The Group measures fair values using the following fair value hierarchy and valuation techniques, which reflect the significance of the inputs used in making the measurements:

- Level 1: This category includes assets and liabilities for which the valuation is determined from inputs based on un-adjusted quoted market prices in active markets for identical instruments;
- Level 2: This category includes assets and liabilities for which the valuation is determined from inputs other than quoted prices included within level 1, which are observable either directly or indirectly. This includes the use of discounted cash flow analysis, option pricing models and other market accepted valuation models; and
- Level 3: This category includes assets and liabilities for which the valuation includes inputs that are not based on observable market data. This includes equity instruments where there are no quoted market prices.

The fair value hierarchy classification of instruments:

- Purchased Debt Ledgers (PDL) – Level 2
- Borrowings – Level 2
- Equity instrument – Level 3

There is no movement between levels as compared to prior financial year.

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs are included in the assets 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 Group, and the cost of the item can be measured reliably.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if similar borrowings were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the Group, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in note 1(r).

Expenditure, including that on internally generated assets, is only recognised as an asset when the Group controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

All assets are depreciated using the straight-line method over their estimated useful lives taking into account estimated residual values, with the exception of leased assets, which are depreciated over the shorter of the lease term and their useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Plant and equipment	4-12 years
- Computer equipment	3-5 years
- Leased plant and equipment	Term of Lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. When changes are made, adjustments are reflected prospectively in current and future periods only.

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 (note 1(i)).

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

1 Summary of significant accounting policies (continued)

(o) Intangible assets

(i) Goodwill
Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation commences from the point at which the asset is ready for use, and is calculated on a straight-line basis over periods generally ranging from 2 to 10 years. Useful lives are reviewed at each reporting date and adjusted if appropriate.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(iii) Customer contracts
The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over periods ranging from 2 to 10 years.

(iv) Other intangible assets
Licences and intellectual property are considered to have a definite useful life and are carried at cost less accumulated amortisation. All costs associated with the maintenance and protection of these assets are expensed in the period consumed.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(q) Borrowings

All borrowings are recognised at their principal amounts subject to set off arrangements which represent the present value of future cash flows associated with servicing the debt. Where interest is payable in arrears the interest expense is accrued over the period it becomes due and it is recorded at the contracted rate as part of "Other payables".

Where interest is paid in advance, the interest expense is recorded as a part of "Prepayments" and released over the period to maturity.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1 Summary of significant accounting policies (continued)

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of any hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(s) Provisions

(i) Make good

The Group is required to restore the leased premises for a number of its premises to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(ii) Legal provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(iii) Recognition and measurement

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

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

(ii) Long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Superannuation Plans
The Company and other controlled entities make statutory contributions to several superannuation funds in accordance with the directions of its employees. Contributions are expensed in the period to which they relate.

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iv) Share-based payments
Share-based compensation benefits are provided via the Collection House Limited Performance Rights Plan. Further details are set out in note 30.

The fair value of the performance rights granted under the PRP was independently determined. The fair value at grant date has been calculated using the five day volume weighted average price (VWAP). The expense is recognised over the vesting period. The expense for each relevant financial year will require an assessment at each reporting date of the probability that each performance hurdle will be achieved. This probability factor will then be multiplied by the total number of rights apportioned to each performance hurdle to determine the number used in calculating the charge to profit and loss. Further details are set out in note 30.

(v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(u) Government grants – Grants related to income

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. The Group has received the Job Keeper payments to provide some relief from the COVID-19 effects. The Job Keeper grant is related to income, thus the payments are presented as part of profit or loss, which are deducted in reporting the related expense i.e. employment costs. Further details are set out in note 6.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group entity purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the equity holders of Collection House Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of Collection House Limited.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 29).

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1 Summary of significant accounting policies (continued)

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

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

(z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations

The Group’s assessment of the impact of new standards and interpretations is set out below.

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.

(i) AASB 16 *Leases*

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 ROU asset is measured by recalculating as if AASB 16 had always been applied and the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 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.

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.

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.

1 Summary of significant accounting policies (continued)

(i) AASB 16 *Leases* (continued)

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.

Subleases

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

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.

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	1,621
Retained Earnings	3,805
Reversal of Rent Incentive Pre-AASB 16	5,620
Lease Liabilities presented in Other financial liabilities	(43,247)

1 Summary of significant accounting policies (continued)

(ii) AASB 16 *Leases* (continued)

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

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 $25.5 million of right-of-use assets and $37.6 million of lease liabilities as at 30 June 2020.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the twelve months ended 30 June 2020, the Group recognised $5.5 million of depreciation charges and $1.9 million of interest costs from these leases presented in finance costs in Group's income statement.

1 Summary of significant accounting policies (continued)

(ab) Parent entity financial information

The financial information for the parent entity, Collection House Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Collection House Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
Collection House Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Collection House Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Collection House Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Collection House Limited for any current tax payable assumed and are compensated by Collection House Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Collection House Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group has been impacted by both the societal and economic impact of the COVID-19 virus. 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. Thus, COVID-19 requires focussed considerations and estimations, which has an impact on the valuation of the Group's assets and liabilities.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

Annually the Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) PDLs

PDLs are considered as purchased or originated credit impaired ("POCI") assets and are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, PDLs are measured at amortised cost using the credit-adjusted effective interest method, less/plus any impairment losses/gains. Management continue to monitor the performance and key estimates used in determining whether any objective evidence exists that a PDL may be impaired. This includes:

- re-forecasting expected future cash flows every six months. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate. Refer to note 10 for further details.
- assessment of the credit-adjusted effective interest rate, which 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.

(iii) Estimated impairment of non-financial assets and intangible assets other than goodwill

Annually the Group tests whether the non-financial assets or intangible assets of the Group (other than goodwill) have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

(iv) Performance rights

The Group determines the amount to be posted to the share based payments reserve based on management's best estimate of employees meeting their performance hurdles. The value of performance rights could change if the number of employees that meet their performance hurdles differs significantly from managements estimate.

(b) Critical judgements in applying the entity's accounting policies

(i) Employee benefits

Management judgment is applied in determining the key assumptions used in the calculation of long service leave at balance date, including future increases in wages and salaries, future on-cost rates, discount rates, and experience of employee departures and period of service.

(ii) Useful lives of property, plant and equipment, and intangible assets other than goodwill

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for property, plant and equipment at the time of acquisition. As described in note 1(n) useful lives are reviewed regularly throughout the year for appropriateness.

(iii) Lease terms used in AASB 16

Management uses judgement when determining the lease term if the contract contains options to extend or terminate the lease.

(b) Critical judgements in applying the entity's accounting policies (continued)

(iii) Going Concern

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 full-year financial statements for the period ended 30 June 2020. Refer to note 1(a) for more details.

3 Financial risk management

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

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, and aging analysis for credit risk.

Risk management is carried out by the Finance Team under policies approved by the Audit and Risk Management Committee of the Board. Under the authority of the Board of Directors the Audit and Risk Management Committee ensures that the total risk exposure of the Group is consistent with the Business Strategy and within the risk tolerance of the Group. Regular risk reports are tabled before the Audit and Risk Management Committee.

Within this framework, the Finance Team identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

(a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand (NZ) Dollar and the Philippine Peso. Fluctuations in either of these currencies may impact the Group's results.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Sensitivity

At 30 June 2020, had the Australian Dollar weakened/strengthened by 10% against the NZ Dollar or the Philippine Peso with all other variables held constant, the impact for the year would have been immaterial to both profit for the year and equity.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group borrowings at variable rates were denominated in Australian Dollars only.

All aspects of the financing arrangements, including interest rate structuring are reviewed as required during the life of the facility.

The Group analyses interest rate exposure in the context of current economic conditions. Management monitors the impact on profits of specific interest rate increases, and annual budgets and ongoing forecasts are framed based upon Group and market expectations of interest rate levels for the coming year.

(iii) Equity Risk

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. The fair value changes will impact other comprehensive income and reserve. Fair value is currently determined currently based on the valuation done by the Company as Volt Corporation Ltd's shares are not traded in the active market at reporting period. More details can be found in note 12.

3 Financial risk management (continued)

(a) Market risk (continued)

As at the reporting date, the Group had the following variable rate borrowings:

Consolidated	**30 June 2020**		30 June 2019	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Borrowings	**3.3%**	**214,857**	3.8%	210,600
Lease Liabilities	**4.4%**	**37,566**	-	-
Net exposure to cash flow interest rate risk		**252,423**		210,600

Sensitivity

At 30 June 2020, if interest rates had changed by +/- 25 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $442,000 lower/higher (2019 - change of 25 bps: $369,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been $442,000 lower/higher (2019 - $369,000 lower/higher) mainly as a result of an increase/decrease in cash not required for interest payments. Other financial assets and liabilities are not interest bearing and therefore are not subject to interest rate risk.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Consolidated 30 June 2020	Carrying amount $'000	Interest rate risk -25 bps Profit $'000	Interest rate risk -25 bps Equity $'000	Interest rate risk +25 bps Profit $'000	Interest rate risk +25 bps Equity $'000
Borrowings	214,857	376	376	(376)	(376)
Lease Liabilities	37,566	66	66	(66)	(66)
Total increase / (decrease) in financial liabilities		442	442	(442)	(442)

Consolidated 30 June 2019	Carrying amount $'000	Interest rate risk -25 bps Profit $'000	Interest rate risk -25 bps Equity $'000	Interest rate risk +25 bps Profit $'000	Interest rate risk +25 bps Equity $'000
Borrowings	210,600	369	369	(369)	(369)
Lease Liabilities	-	-	-	(-)	(-)
Total increase / (decrease) in financial liabilities		369	369	(369)	(369)

3 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, as well as credit exposures to clients, including outstanding receivables and committed transactions.

The carrying amount of financial assets represents the maximum credit exposure.

	30 June 2020 $'000	30 June 2019 $'000
Cash and cash equivalents	**9,656**	1,596
Receivables*	**13,311**	13,429
Purchased debt ledgers	**184,728**	410,303
Other assets	**222**	167
Total financial assets	**207,917**	425,495

The fair value of the above financial assets at the end of reporting period are:

	30 June 2020 $'000	30 June 2019 $'000
Cash and cash equivalents	**9,656**	1,596
Receivables*	**13,311**	13,429
Purchased debt ledgers	**184,728**	410,303
Other assets	**222**	167
Total financial assets	**207,917**	425,495

**The receivables include Job Keeper receivables of $2.8m*

Credit risk in relation to PDLs is managed via managements' approach in determining the initial purchase price to pay for a portfolio of debt. At acquisition, the PDL is initially recognised at fair value at a portfolio level, being the transaction price and thereafter at amortised cost, less any impairment losses. Most PDLs, by their nature are impaired on acquisition which is reflected in the fair value at acquisition. Amortised cost is measured as the present value of forecast future of cash flows using the effective interest rate method. The effective interest rate is calculated on initial recognition and reflects a constant periodic return on the carrying value of the loans.

Management continuously monitor cash flows and the carrying value of the PDLs. An impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the PDL is impaired. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate. Re-forecast of future cash flows can be caused by various factors including changes in customer expectations, changes in Management Collection strategy and approach, or market impacts. During the year ended 30 June 2020, an impairment charge of $238.9 million was recognised (30 June 2019: nil). All income from the recovery of PDLs has been recognised as interest. Ongoing credit risk is managed through the application of a valuation model, which forecasts recoverability based on the historical experience and future predictions of the company based on metrics such as recoverability, debt type, age, and customer status.

The Group has no significant concentrations of trade credit risk. The Group has policies in place to ensure that services are made to customers with an appropriate credit history.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to Note 9 for further details.

3 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Finance Team aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flow. Cash flows are forecast on a day-to-day basis across the Group to ensure that sufficient funds are available to meet requirements on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Additional liquidity risk is portrayed by the net current asset deficiency that was driven by the reclassification of the Group's Borrowing to a current liability and a significant portion of it's PDL asset to current assets. A standstill agreement with the Group's senior lenders was signed as at 9 April 2020. As a result, the Group's lenders will not take any action during the standstill period (to 23 December 2020) in relation to any potential or existing defaults. The recapitalisation process was completed on 23 December 2020 resulting in the repayment of a significant portion of the outstanding standstill related loan facilities, an agreed ongoing new facility for the unpaid portion from the existing lenders, and a shorter term loan from the buyer of the sold PDL assets. The Standstill agreement is now null and void having been replaced by the new borrowing agreement with the Lenders dated 23 December 2020.

Financing arrangements

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Term debt facility	-	**14,400**
Group set off	-	**12,500**

At 30 June 2020, there are no undrawn borrowing facilities, with no group set off and term debt option available at the end of reporting period.

The Group is required to keep the finance provider fully informed of relevant details of the Group as they arise.

Further details of the banking facility are set out in note 18.

3 Financial risk management (continued)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Contractual maturities of financial liabilities		**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**
At 30 June 2020		**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives	**Notes**				
Non-interest bearing	15	13,212	-	-	13,212
Fixed rate	17	7,525	30,341	333	38,199
Variable rate	18	214,857	-	-	214,857
Total non-derivatives		235,594	30,341	333	266,268
At 30 June 2019		Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows
Non-derivatives	**Notes**				
Non-interest bearing	15	14,609	-	-	14,609
Fixed rate	17	1,937	5,053	-	6,990
Variable rate	18	14,667	195,933	-	210,600
Total non-derivatives		31,213	200,986	-	232,199

4 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

2020	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales	65,113	-	-	65,113
Intersegment sales			(212)	(212)
Total sales revenue	65,113	-	(212)	64,901
Interest and other income	-	86,746	-	86,746
Total segment revenue	**65,113**	**86,746**	**(212)**	**151,647**
Segment result				
Segment result	**4,824**	**41,318**	**(4,551)**	**41,591**
Purchase Debt Ledger - Impairment	-	**(238,890)**	**-**	**(238,890)**
Interest expense and borrowing costs			**(9,751)**	**(9,751)**
Profit before income tax				**(207,050)**
Income tax expense				**61,981**
Profit for the year				**(145,070)**
Segment assets and liabilities				
Segment assets	85,427	250,539	2,599	338,565
Segment liabilities	53,636	218,080	(868)	265,446
Other segment information				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,606	39,059	-	42,665
Total acquisitions				
Depreciation and amortisation expense	4,358	3,080	2,971	10,409
Total depreciation and amortisation				
Other non-cash expenses	692	267,967	742	269,401

4 Segment information (continued)

(b) Segment information provided to the Board (continued)

2019*	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales	67,604	-	-	67,604
Intersegment sales			(207)	(207)
Total sales revenue	67,604	-	(207)	67,397
Interest and other income	-	93,660	-	93,660
Total segment revenue	**67,604**	**93,660**	**(207)**	**161,057**
Segment result				
Segment result	**9,264**	**52,090**	**(10,093)**	**51,261**
Interest expense and borrowing costs			(7,658)	(7,658)
Profit before income tax				43,603
Income tax expense				(12,913)
Profit for the year				30,690
Segment assets and liabilities				
Segment assets	56,423	416,862	(2,738)	470,547
Segment liabilities	30,598	211,720	(919)	241,399
Other segment information				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,627	139,033	-	143,660
Depreciation and amortisation expense	2,229	1,624	771	4,624
Other non-cash expenses	241	80	1,346	1,667

*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)

(c) Geographical information

The consolidated entity operates in two main geographical areas, Australia and New Zealand.

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	30 June 2020 $'000	30 June 2019 $'000	**30 June 2020 $'000**	30 June 2019 $'000	**30 June 2020 $'000**	30 June 2019 $'000
Australia	**136,054**	148,913	**325,238**	447,845	**34,248**	116,058
New Zealand	**14,880**	11,595	**9,546**	20,208	**8,347**	26,688
Philippines	**713**	549	**3,781**	2,494	**70**	914
	151,647	161,057	**338,565**	470,547	**42,665**	143,660

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

4 Segment information (continued)

(c) Geographical information (continued)

(i) Accounting policies
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 (c) and AASB 8 *Operating Segments.*

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other payables, employee benefits and interest bearing liabilities. Segment assets and liabilities do not include income taxes.

Unallocated items mainly comprise interest or dividend-earning assets and revenue, interest bearing loans, borrowing costs and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(d) Other segment information

Fees for services provided between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the chief operating decision maker is consistent with that in the income statement.

5 Revenue

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Gain on sale of PDLs	**6,367**	14,500
Call option income	**617**	3,409
Sublease income	**672**	237
Other	**792**	260
Other Revenue from continuing operations	**8,448**	18,406

6 Expenses

	Consolidated	
	30 June 2020 $'000	30 June 2019* $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	**6,454**	893
Total depreciation	**6,454**	893
Amortisation		
Computer software	**3,441**	3,138
Customer contracts	**158**	199
Stamp Duty	**356**	394
Total amortisation	**3,955**	3,731
Total depreciation and amortisation	**10,409**	4,624
Finance expenses		
Interest and finance charges paid/payable	**7,809**	7,658
Lease interest – AASB16	**1,942**	-
Finance costs expensed	**9,751**	7,658
Rental and Lease expenses		
Lease expenses	**25**	-
Rent and outgoings	**958**	8,189
Rental and Lease expenses	**983**	8,189
Employee Expenses		
Employee Expenses	**64,075**	57,100
Job Keeper Receipts**	**(6,649)**	-
Total expense relating to Employee Expenses	**57,426**	57,100

**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 payments received from the ATO for the Job Keeper scheme are to be accounted for as a Government Grant. Grant-related income is presented as part of profit or loss. The Job Keeper payments received are deducted in the reporting of the related expense, under employee expenses.*

7 Income tax expense

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
(a) Income tax expense		
Income tax expense – Profit/(Loss) from continuing operations	**(61,980)**	12,913
Income tax expense is attributable to:		
Current tax	**6**	11,999
Deferred tax	**(62,065)**	1,034
Under (over) provided in previous years	**79**	(120)
Aggregate income tax expense	**(61,980)**	12,913
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 19)	**(58,444)**	(456)
(Decrease) increase in deferred tax liabilities (note 19)	**(3,621)**	1,490
	(62,065)	1,034

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(Loss) from continuing operations before income tax expense	**(207,050)**	43,603
Tax at the Australian tax rate of 30% (2019 - 30%)	**(62,115)**	13,080
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**32**	21
Effect of tax rates in foreign jurisdictions	**24**	7
Tax exempt (income) / loss		
	(62,059)	13,108
Adjustments for current tax of prior periods	**79**	(195)
	79	(195)
Income tax expense	**(61,980)**	12,913

8 Cash and cash equivalents

(a) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Bank Overdraft	**-**	-
Cash at bank and on hand	**9,656**	1,596
Balances per statement of cash flows	**9,656**	1,596

(b) Bank overdraft right of set-off

With effect from 1 July 2004, the Company holds a contractual right of set-off between the current overdraft balance and the cash at bank balances. There is no Bank overdraft set-off during the standstill period due to the Standstill agreement conditions.

9 Trade and other receivables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current		
Net trade receivables		
Trade receivables	**4,854**	6,434
Provision for impairment of receivables (a)	**(238)**	(146)
	4,616	6,288
Accrued revenue	**2,724**	3,039
Other assets	**524**	938
Job Keeper receivable	**2,817**	-
Sublease receivable	**153**	-
Prepaid expenses	**2,477**	2,606
	13,311	12,871
Non-current		
Sublease receivables	**469**	-
Prepaid expenses	**271**	558
	740	558

(a) Impaired trade receivables

As at 30 June 2020 current trade receivables of the Group with a value of $651,000 (2019: $359,000) were assessed as potentially impaired. The amount of the provision was $238,000 (2019: $146,000). The individually impaired receivables mainly relate to debtors which have been outstanding for more than 90 days. It has been assessed that a portion of these receivables are expected to be recovered.

There is no significant impact from COVID-19 on the trade receivables' carrying value and the ageing of potential impaired debt has not materially increased when compared with the Group's total trade receivables' carrying value.

The ageing of these receivables is as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Over 3 months	**651**	359
	651	359

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
At 1 July	**146**	**163**
Provision for impairment recognised during the year	**483**	**318**
Receivables written off during the year as uncollectible	**(47)**	**(42)**
Unused amount reversed	**(344)**	**(293)**
	238	**146**

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

9 Trade and other receivables (Continued)

(b) Past due but not impaired

As at 30 June 2020, trade receivables of the Group of $2,477,000 (2019: $3,736,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Up to 3 months	**1,331**	2,912
Over 3 months	**1,146**	824
	2,477	3,736

10 Purchased debt ledgers

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current	**172,541**	**52,466**
Non-current	**12,187**	**357,837**
	184,728	**410,303**

At beginning of year	**410,303**	**313,407**
Net additions*	38,946	129,294
Impairment	(238,890)	-
Legal and court costs	3,140	7,721
Gross PDL Collections	(97,780)	(102,529)
Interest income	79,261	75,419
Disposal of PDLs	(10,252)	(13,009)
As end of year	**184,728**	**410,303**

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.

*Acquisition of ACM Group Limited and Receivables Management (NZ) Limited (RML) have met the AASB3 asset concentration test and treated as PDL acquisition in FY19.

10 Purchased debt ledgers (continued)

Impairment

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 reporting period, 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 Group also considered the impacts of COVID-19 on it's PDL asset value taking into account such factors as any further impact on legal processes and outcomes, recent CLH collection performance (which had stablised recently albeit at a lower level versus 12 months ago), the impact of unemployment levels (including jobkeeper) and other market factors upon existing and new arrangements, general impacts on the Australian economy, and comparable company reporting outcomes.

In addition, in determining the expected credit loss on the PDL portfolio, the cash flows expected to be derived from the sale of the portfolio (Refer Note 32) were estimated and discounted at the portfolio's original EIR as at 30 June 2020. This estimate took into account the market conditions, including economic factors and outlook as at 30 June 2020. Although the transaction was completed in December 2020, the market conditions impacting the expected cash flows have not changed significantly and therefore the expected cash flows have been adjusted to reflect the final transaction price as a subsequent event as it provides evidence of the amount of proceeds that could be expected from the sale of the portfolio at 30 June 2020. The PDL sale has led to the Group recognising an additional impairment to reflect the impact of the sale value versus the PDL book value ($111.5m before tax). The sale value is based on a 30 September 2020 closing balance and so an equivalent 30 June 2020 amount was derived taking into account additions and collections during the July to the expected completion date, derivation of interest income and timing of cashflows.

As a result of the above factors, the PDL balance at 30 June 2020 has been subject to an impairment adjustment of $238.9 million before tax ($167.2 million after tax) determined by calculating the Net Present Value (NPV) of the expected future cash flow adjusted for the change in the Group's collection strategy and the subsequent event PDL sale described above.

11 Other current assets

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Other deposits	**222**	167
Current	**222**	167

12 Equity investments

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Investment in Volt Corporation Ltd	**4,868**	8,500
	4,868	8,500
At beginning of year	**8,500**	**-**
Additions	-	8,500
Fair Value adjustment	**(3,633)**	-
	4,868	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 represent 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).

Based on Volt Corporation Ltd's latest capital raising, the share price of the equity raised was at $0.45. This resulted in a decrease in valuation. The changes in fair value are captured within the fair value reserve and other comprehensive income.

Fair value is based on level 3 inputs as Volt Corporation Ltd's shares are not traded in an active market at reporting period, thus fair value is based on the valuation done by the company, which is available in their latest Information Memorandum (IM).

13 Property, plant and equipment

	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Motor Vehicles $'000	Work-in-progress $'000	Total $'000
At 1 July 2018						
Cost or fair value	-	9,158	5,177	-	414	14,749
Accumulated depreciation	-	(8,210)	(4,455)	-	-	(12,665)
Net book amount	-	948	722	-	414	2,084
Year ended 30 June 2019						
Opening net book amount	-	948	722	-	414	2,084
Additions	-	717	737	9	57	1,520
Disposals	-	(0)	(0)	-	-	(0)
Depreciation charge	-	(543)	(351)	-	-	(894)
Transfers	-	171	-	-	(171)	-
Closing net book amount	-	1,293	1,108	9	300	2,710
At 30 June 2019						
Cost or fair value	-	10,046	5,914	9	300	16,269
Accumulated depreciation	-	(8,753)	(4,806)	-	-	(13,559)
Net book amount	-	1,293	1,108	9	300	2,710

	Buildings* $'000	Plant and equipment* $'000	Leasehold improvements $'000	Motor Vehicles* $'000	Work-in-progress $'000	Total $'000
Year ended 30 June 2020						
Opening net book amount	-	1,293	1,108	9	300	2,710
*AASB 16: Initial recognition	32,201	-	-	-	-	32,201
Additions	-	730	224	59	-	1,013
Disposals	(1,105)	-	-	-	-	(1,105)
Depreciation charge	(5,666)	(574)	(255)	(21)	-	(6,516)
Transfers	-	17	-	-	(23)	(6)
Closing net book amount	25,430	1,466	1,077	47	277	28,297
At 30 June 2020						
Cost or fair value	31,096	10,793	6,138	68	277	48,372
Accumulated depreciation	(5,666)	(9,327)	(5,061)	(21)	-	(20,075)
Net book amount	25,430	1,466	1,077	47	277	28,297

*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)

(a) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the Group.

14 Intangible assets

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress – cost * $'000	Total $'000
At 1 July 2018						
Cost	23,490	27,526	2,487	171	827	54,501
Accumulated amortisation and impairment	(3,768)	(14,720)	(1,677)	(171)	(124)	(20,460)
Net book amount	19,722	12,806	810	-	703	34,041
Year ended 30 June 2019						
Opening net book amount	19,722	12,806	810	-	703	34,041
Exchange differences	4	-	-	-	-	4
Additions - internal development	-	378	-	-	2,753	3,131
Amortisation charge	-	(3,100)	(199)	-	-	(3,299)
Impairment charge	-	-	-	-	-	-
Disposals	-	(10)	-	-	-	(10)
Transfers	-	1,891	-	-	(1,916)	(25)
Closing net book amount	19,726	11,965	611	-	1,540	33,842
At 30 June 2019						
Cost	23,490	29,785	2,487	171	1,664	57,597
Accumulated amortisation and impairment	(3,764)	(17,820)	(1,876)	(171)	(124)	(23,755)
Net book amount	19,726	11,965	611	-	1,540	33,842

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress – cost * $'000	Total $'000
Year ended 30 June 2020						
Opening net book amount	19,726	11,965	611	-	1,540	33,842
Exchange differences	(2)	-	-	-	-	(2)
Additions – internal development	-	458	-	-	2,187	2,645
Amortisation charge	-	(3,392)	(159)	-	-	(3,551)
Impairment charge	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers	-	927	-	-	(850)	77
Closing net book amount	19,724	9,958	452	-	2,877	33,011
At 30 June 2020						
Cost	23,490	31,170	2,487	171	3,001	60,319
Accumulated amortisation and impairment	(3,766)	(21,212)	(2,035)	(171)	(124)	(27,308)
Net book amount	19,724	9,958	452	-	2,877	33,011

** Work-in-progress includes capitalised development costs of an internally generated intangible asset which is under development.*

14 Intangible assets (continued)

(a) Impairment tests for goodwill

All goodwill is allocated to the Company's Collection Services cash-generating unit (CGU).

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the financial budget for the first year approved by management, which is then extrapolated to cover a an additional 4 year period (total 5 years) and include a terminal value calculation, which used a long-term growth rate of 2.5% (FY2019: 2.5%) and is in line with the long-term targeted inflation set by the Reserve Bank of Australia.

(b) Key assumptions used for value-in-use calculations

CGU	Growth rate (revenue)		Growth rate (expenses)		Discount rate *	
	30 June 2020 %	30 June 2019 %	**30 June 2020 %**	30 June 2019 %	**30 June 2020 %**	30 June 2019 %
Collection services	**3.9 to 5.0**	5.00	**0.0 to 4.7**	3.00	**13.11**	12.70

* In performing the value-in-use calculation, the Group has applied the post-tax discount weighted average cost of capital to discount the forecast future attributable post tax cash flows.

(c) Impairment charge

As a result of the impairment evaluation, the Group has determined that the carrying value of intangible assets does not exceed their value-in-use, and no impairment charge was required (2019: Nil).

(d) Impact of possible changes in key assumptions

Collection services
There is a substantial margin between the calculated value-in-use and the carrying value of all assets within the CGU, and as such there is no reasonably possible change in key assumptions that would give rise to an impairment.

The impairment assessment includes stress tests done on the key assumptions i.e. changes in WACC and cash inflow used to calculate the value in use (VIU) and there is no indication of impairment due to the substantial headroom to support the carrying value of Goodwill.

Covid-19

The Group's performance and operations have been impacted by both the societal and economic impact of the COVID-19 virus. The value-in-use calculations use cash flow projections that have incorporated the COVID-19 effects.

Growth rates have been adjusted to a conservative position due to the COVID-19 challenges, to reflect the increased volatility and uncertainty in the impairment model.

WACC

The change in WACC is the reflection of current cost of debt and equity. The change is due to market conditions and the general impact of higher debt over the whole financial year.

15 Trade and other payables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Trade payables	**5,339**	5,579
Accrued expenses	**5,729**	7,633
Other payables	**2,144**	1,397
	13,212	14,609

16 Provisions

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current		
Employee benefits	**3,832**	3,123
Make good	**552**	652
Fringe benefits tax	**35**	35
	4,419	3,810
Non-current		
Employee benefits	**142**	103
	142	103

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Make good $'000	Fringe benefits tax $'000
2020		
Current		
Carrying amount at start of year	**652**	**35**
- additional provisions recognised	**-**	**236**
- payments/provision used	**(100)**	**(236)**
Carrying amount at end of year	**552**	**35**
2019		
Current		
Carrying amount at start of year	570	5
- additional provisions recognised	82	201
- payments/provision used	-	(171)
Carrying amount at end of year	652	35

(b) Superannuation plans

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Where there is a legal requirement the Company contributes the appropriate statutory percentage of employees' salaries and wages.

17 Other financial liabilities

	Consolidated	
	30 June 2020 $'000	30 June 2019* $'000
Current		
Lease liabilities**	**6,892**	572
Other current financial liabilities	**633**	1,365
	7,525	1,937
Non-current		
Lease liabilities**	**30,674**	5,053
	30,674	5,053

The total cash outflow for lease during the year was $7.7 million, which comprises of the payment of principal and interest.

**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)*

*** As a result of applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $43.2 million of lease liabilities as at 1 July 2019.*

18 Borrowings

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Secured		
Bank loans – current	**214,857**	14,667
Bank loans – non-current	**-**	195,933
Total secured borrowings	**214,857**	210,600

All bank loans are denominated in Australian dollars and are secured by a fixed and floating charge over all of the assets and any uncalled capital of the parent entity and of its Australian-owned entities.

18 Borrowings (continued)

The carrying amounts of assets pledged as security for borrowings are:

	Notes	Consolidated 30 June 2020 $'000	30 June 2019 $'000
Current			
Floating charge			
Cash and cash equivalents	8	**9,656**	1,596
Receivables	9	**13,311**	12,871
Purchased debt ledgers	10	**172,541**	52,466
Total current assets pledged as security		**195,508**	66,933
Non-current			
Floating charge			
Receivables	9	**740**	558
Purchased debt ledgers	10	**12,188**	357,837
Plant and equipment*	13	**2,805**	2,710
Total non-current assets pledged as security		**15,733**	361,105
Total assets pledged as security		**211,241**	428,038

** This excludes ROU assets ($25.5 million) that were recognised due to AASB16.*

(b) Fair value

The carrying amounts and fair values of borrowings at the end of reporting period are:

Group	**30 June 2020** Carrying amount $'000	**30 June 2020** Fair value $'000	30 June 2019 Carrying amount $'000	30 June 2019 Fair value $'000
On-balance sheet *(i)*				
Non-traded financial liabilities				
Bank loans – current	**214,857**	**214,857**	14,667	14,667
Bank loans – non-current	**-**	**-**	195,933	195,933
	214,857	**214,857**	210,600	210,600

As noted, none of the classes of liabilities are readily traded on organised markets in standardised form.

(i) On-balance sheet

The fair value of current borrowings equals their carrying amount. The facility is structured as a series of loan instruments which are repriced on a regular basis with terms of less than six months, and the impact of discounting on such instruments is not material. The rolling nature of the loan instruments is designed to provide the Group with maximum flexibility within the overall facility. The Group’s total borrowings were re-classified to current liability as the Group were 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, the Group’s lenders did not take any action during the period to 23 December 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. The maturity dates of its lending facilities have been adjusted to 23 December 2021. Refer to the Group’s capital management are disclosed in Note 20 (h) for more details.

(c) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 3.

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 3.

19 Deferred tax balances

(a) Deferred tax assets

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**591**	161
Project Costs – Refinancing Transaction	**714**	-
Fair Value Adjustment – Volt Investment	**1,090**	-
Lease Liabiity – AASB 16	**11,220**	-
PDL Impairment	**59,113**	-
Provisions and employee benefits	**1,562**	1,578
Lease Incentives	**-**	1,688
Accruals	**124**	77
Share based payments	**65**	156
Doubtful debts	**72**	44
Other	**16**	-
	74,567	3,704
Set-off of deferred tax liabilities pursuant to set-off provisions (b)	**(10,835)**	(3,704)
Net deferred tax assets	**63,732**	-

Movements:

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Opening balance at 1 July	**3,704**	3,248
Credited / (charged) to the retained earnings	**11,240**	-
Credited / (charged) to the fair value reserve	**1,090**	-
Credited / (charged) to the current tax liability	**89**	
Credited / (charged) to the income statement	**58,444**	456
Closing balance at 30 June	**74,567**	3,704

Movements – Consolidated	**Tax losses $'000**	**Provisions and employee benefits $'000**	**Lease incentive $'000**	**Lease Liability $'000**	**Share based payments $'000**	**Accruals $'000**	**PDL Impairment $'000**	**Fair Value - Volt $'000**	**Doubtful debts $'000**	**Project Cost $'000**	**Others $'000**	**Total $'000**
At 30 June 2018	73	1,356	1,731	-	-	80	-	-	49	-	-	3,289
- to profit or loss	88	222	(43)	-	156	(3)	-	-	(5)	-	-	415
At 30 June 2019	161	1,578	1,688	-	156	77	-	-	44	-	-	3,704

Movements – Consolidated	**Tax losses $'000**	**Provisions and employee benefits $'000**	**Lease incentive $'000**	**Lease Liability $'000**	**Share based payments $'000**	**Accruals $'000**	**PDL Impairment $'000**	**Fair Value - Volt $'000**	**Doubtful debts $'000**	**Project Cost $'000**	**Others $'000**	**Total $'000**
At 30 June 2019	161	1,578	1,688	-	156	77	-	-	44	-	-	3,704
- to Retained Earnings	-	-	(1,688)	12,928	-	-	-	-	-	-	-	11,240
- to profit or loss	331	(16)	-	(1,698)	(91)	47	59,113	-	28	714	16	58,444
- to Fair value Reserve	-	-	-	-	-	-	-	1,090	-	-	-	1,090
-to current tax liability	99	-	-	(10)	-	-	-	-	-	-	-	89
At 30 June 2020	591	1,562	-	11,220	65	124	59,113	1,090	72	714	16	74,567

19 Deferred tax balances (continued)

	Consolidated 30 June 2020 $'000	30 June 2019 $'000
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**9,798**	2,600
Purchased debt Ledger (Legal and Court cost)	**-**	2,602
Sublease Receivables	**187**	-
JobKeeper Receivables	**845**	-
Prepayments	**5**	7
	10,835	5,209
Total deferred tax liabilities	**10,835**	5,209
Set-off of deferred tax liabilities pursuant to set-off provisions (a)	**(10,835)**	(3,704)
Net deferred tax liabilities	**-**	1,505

	Consolidated 30 June 2020 $'000	30 June 2019 $'000
Movements:		
Opening balance at 1 July	**5,209**	3,864
Charged / (credited) to the Retained Earnings	**9,612**	-
Charged / (credited) to the income statement (note 7)	**(3,986)**	1,345
Closing balance at 30 June	**10,835**	5,209

Movements – Consolidated	Property, plant and equipment $'000	Purchased Debt Ledger – Legal and Court Cost $'000	Prepayments $'000	Sublease Receivables $'000	JobKeeper Receivables $'000	Total $'000
At 30 June 2018	3,115	743	6	-	-	3,864
- to profit or loss	(515)	1,859	1	-	-	1,345
At 30 June 2019	2,600	2,602	7	-	-	5,209

Movements – Consolidated	Property, plant and equipment $'000	Purchased Debt Ledger – Legal and Court Cost $'000	Prepayments $'000	Sublease Receivables $'000	JobKeeper Receivables $'000	Total $'000
At 30 June 2019	2,600	2,602	7	-	-	5,209
- Retained Earnings	9,612	-	-	-	-	9,612
- to profit or loss	(2,414)	(2,602)	(2)	187	845	(3,986)
At 30 June 2020	9,798	-	5	187	845	10,835

20 Contributed equity

	Company		Company	
	2020	2019	**2020**	2019
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares – fully paid	**141,948,162**	139,279,060	**120,260**	117,077
Treasury shares	**(512,317)**	(467,482)	**(693)**	(664)
Total contributed equity	**141,435,845**	138,811,578	**119,567**	116,413

(b) Movements in ordinary share capital

Issues of ordinary shares during the year

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
	Less: Transaction costs arising on share issues	-	(7)
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	-	(7)
30 June 2020	Closing balance	141,948,162	120,260

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) 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.

20 Contributed equity (continued)

(e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the market price. As noted in the Directors' report, the Dividend reinvestment plan has not been activated in relation to the FY20 Dividends.

(f) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 30.

(g) Performance rights

Information relating to the performance rights plan adopted as a means of rewarding and incentivising key employees, including details of rights issued during the financial year, is set out in note 30.

(h) Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, and to provide adequate returns for shareholders and benefits for other stakeholders.

"Capital" includes all funding provided under the Group's funding facility (net of cash balances for which a right of offset is held) plus equity as shown in the balance sheet.

In order to maintain or adjust the capital structure, the Group may:

- draw down or repay debt funding;
- adjust the amount of dividends paid to shareholders;
- negotiate new or additional facilities or cancel existing ones;
- return capital to shareholders or issue new shares or
- sell assets to reduce debt.

The Group manages capital to ensure that the goals of continuing as a going concern and the provision of acceptable stakeholder returns are met.

Arrangements with the Group's financiers are in place to ensure that there is sufficient credit available to meet unforeseen circumstances should they arise. Financing facilities are renegotiated on a regular basis to ensure that they are sufficient for the Group's projected growth plus a buffer. As far as possible, asset purchases are funded from operational cash flow, allowing available financing to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements can be met. During the standstill period, additional cash monitoring and controls are added to ensure standstill conditions are not breached including financial covenants that have been put in place. Detailed cash monitoring enables the Group to reduce the risk of liquidity and going concern issues.

Management of the mix between debt and equity impacts the Group's Cost of Capital and hence ability to provide returns to stakeholders, primarily the funding institutions and shareholders. The Group maintains its debt-to-equity mix in accordance with its immediate needs and forecasts at any point in time. Effective management of the capital structure maximises profit and hence franked dividend returns to shareholders.

When additional funding is required, it is sourced from either debt or equity, depending upon management's evaluation as to which is the most appropriate at that point in time.

The financing facility includes all funding provided by the Group's main bankers. Details of financing facilities are set out in note 3.

(h) Capital management (continued)

Quantitative analyses are conducted by management using contributed equity balances shown above together with the drawn and undrawn loan balances disclosed in note 3.

As part of the financing facility, the Company is required to monitor a number of financial indicators as specified by the financiers. This strategy was followed during both the 2020 and 2019 financial years.

As at 31 December 2019, the Group recognised an impairment adjustment to its PDL assets. As a result, the Group was unable to comply with a number of its banking covenants after the impairment adjustment, which resulted to the reclassification of the Group's total borrowings to current liability. 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 23 December 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. 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. In addition, the maturity dates of its lending facilities have been adjusted to 23 December 2021 and the Group has suspended any dividend or other distribution payments during the standstill period. The Group has been monitoring the indicators on a monthly basis and reporting to the funding providers based on the standstill agreement conditions.

The Group has agreed with its lenders a programme to recapitalise the Group in order to reduce debt and restore those financial covenants to a sustainable level. The recapitalisation process has been completed as at 23 December 2020 with the proceeds from a sale of its Australian PDL assets being applied to the repayment of the majority of its existing facilities and they will then provide an ongoing funding facility for the remaining approximate $62m (amount to be finalised on settlement of the PDL Assets sale). There is also a bank guarantee facility of $8.6m and a short term loan of $15m from the Credit Corp Group.

21 Reserves and retained earnings

(a) Reserves

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Fair Value reserve	**(2,542)**	-
Share-based payments reserve	**470**	2,472
Foreign currency translation reserve	**(2,107)**	(2,107)
	(4,179)	365

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Movements:		
Share-based payments reserve		
Balance 1 July	**2,472**	1,622
Rights expense	**(2,002)**	850
Balance 30 June	**470**	2,472

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(2,107)**	**(1,465)**
Currency translation differences arising during the year	**-**	**(642)**
Balance 30 June	**(2,107)**	**(2,107)**

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Balance 1 July	**112,370**	**92,693**
AASB 16 – Adjustment on application	**(3,805)**	**-**
Net profit/(loss) for the year	**(145,070)**	**30,690**
Dividends	**(5,764)**	**(11,013)**
Balance 30 June	**(42,269)**	**112,370**

21 Reserves and retained earnings (continued)

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share based payments reserve is used to recognise the fair value of performance rights issued to employees that have not yet vested, or those that have vested at year end but not yet been issued as shares.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Fair Value reserve
Changes in fair value through other comprehensive income are recognised in the Fair Value reserve. Any changes will be net of tax thus corresponding impact from any changes in the deferred tax are also recognised in the Fair Value reserve.

22 Dividends

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
(a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2019 – 4.1 cents per share (2018 – 3.9 cents)	**5,764**	5,348
Fully franked interim dividend for the year ended 30 June 2020 – N/A (2019 – 4.1 cents)	**-**	5,665
	5,764	11,013
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2020 and 2019 were as follows:		
Paid in cash	**4,180**	8,116
Satisfied under the Dividend Reinvestment Plan	**1,584**	2,897
	5,764	11,013

(b) Dividends not recognised at the end of the reporting period

No Dividends were recommended as part of the conditions of the standstill agreement (2019 – 4.1 cents, fully franked)	-	5,710
	-	5,710

22 Dividends (continued)

(c) Franked dividends

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2019 - 30%)	**55,414**	48,178
	55,414	48,178

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	30 June 2020 $	30 June 2019 $
Audit and review services		
(a) Auditors of the Company – KPMG		
Audit and review of the financial statements	**411,547**	258,280
Other regulatory audit services	**71,720**	69,800
Total auditors' remuneration	**483,267**	328,080
(b) Other auditors – Villaruz, Villaruz & Co ("VVC")		
Audit and review of the financial statements - Manila	**9,575**	5,105
Total auditors' remuneration	**9,575**	5,105
Other services		
Auditors of the Company – KPMG		
In relation to accounting advice and due diligence services	**-**	196,690
In relation to taxation services	**267,760**	120,700
	267,760	317,390

24 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2020 in respect of:

Claims
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.

Purchase Agreement with Put & Call Option with Insolve Capital Australia Pty Ltd (Balbec Capital LP)
(a) The Group had assigned five years' cash flow to Insolve Capital Australia Pty Ltd *(Balbec Capital LP)* through a put and call option agreement.

(b) The Group has the option to repurchase the residual rights to collect the remaining arrangements at the end of the five-year agreement, at a market price determined by the performance of the accounts during the term of the agreement.

The two purchase agreements with Put & Call option have the following expiry dates:
- 3 November 2023
- 2 December 2024

Guarantees
(a) Bank Guarantees (secured) exist in respect of satisfying contract terms amounting to $6,732,284 (2019: $6,732,334). During the period, the increase is mainly contributed by new Bank Guarantees that were required to secure performance of new Lease premises.

(b) Guarantees and Indemnities (secured) given by the Company and certain of its subsidiaries in support of the existing Syndicated Loan Facility provided by Westpac Banking Corporation and Commonwealth Bank of Australia, are currently in place.

24 Contingencies (continued)

Paragraphs (a) and (b) above are secured by a Fixed and Floating charge over the assets of the Company and certain of its subsidiaries of the Group and may give rise to liabilities in the Group, if the associates do not meet their respective obligations under the terms of the contracts, subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

25 Commitments

(a) Capital commitments

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Within one year	**13,988**	38,387
Later than one year, but not later than five years	**1,910**	4,616
	15,898	43,003

(b) Non-cancellable leases

The Group leases its offices under non-cancellable leases expiring at various times during the next ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	30 June 2020 $'000	30 June 2019* $'000
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:		
Within one year**	**-**	3,236
Later than one year but not later than five years**	**-**	31,605
Later than five years**	**-**	5,328
	-	40,169

**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.*

26 Related party transactions

(a) Group companies

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in note 28.

(b) Key management personnel compensation

	Consolidated	
	30 June 2020 $	30 June 2019 $
Short-term employee benefits	**2,592,682**	**2,479,189**
Post-employment benefits	**235,195**	**183,028**
Other long-term benefits	**65,336**	**54,049**
Termination benefits	**117,619**	**208,938**
Share-based payments	**-**	**565,295**
	3,010,832	**3,490,499**

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 13 to 29.

(c) Other transactions with key management personnel or entities related to them

No other transactions were made with key management personnel or entities related to them other than as appropriate payments for performance of their duties.

(d) Transactions with other related parties

The classes of non director-related parties are:

> wholly owned controlled entities;

> directors of related parties and their director-related entities.

Transactions

There were no transactions with directors of related parties and their director-related entities. Transactions with wholly owned related parties are eliminated on consolidation.

27 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Company	
	30 June 2020 $'000	30 June 2019* $'000
Balance sheet		
Current assets	**14,923**	**6,612**
Non-current assets	**421,228**	**431,439**
Total assets	**436,151**	**438,051**
Current liabilities	**231,887**	**26,790**
Non-current liabilities	**72,767**	**248,696**
Total liabilities	**304,654**	**275,486**
Shareholders' equity		
Contributed equity	**119,567**	116,413
Reserves	**(2,072)**	2,475
Retained earnings	**14,002**	43,677
Capital and reserves attributable to owners of Collection House Limited	**131,497**	162,565
Profit or (loss) for the year	**(20,486)**	18,868
Total comprehensive income	**(20,486)**	18,868

***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)**

(b) Guarantees entered into by the parent entity

The parent entity has entered into guarantees with certain of its subsidiaries as set out in note 24.

No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee, as the fair value is immaterial.

(c) Contingent liabilities of the parent entity

Refer to note 24 for contingent liabilities entered into by the Group. For information about guarantees given by the parent entity, please see above.

28 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	2020 **%**	2019 %
Parent and Ultimate Parent company:		
Collection House Limited		
Controlled entities - incorporated in Australia		
Safe Horizons Pty Ltd (formerly Cash flow Accelerator Pty Ltd)	**100**	100
ThinkMe Finance Pty Ltd	**100**	100
Collective Learning and Development Pty Ltd	**100**	100
CLH Legal Group Pty Ltd	**100**	100
Lion Finance Pty Ltd	**100**	100
Midstate CreditCollect Pty Ltd	**100**	100
CLH Business Services Pty Ltd	**100**	100
Collection House Limited Employee Share Plan Trust	**100**	100
Controlled entities - incorporated in New Zealand		
Collection House (NZ) Limited	**100**	100
Lion Finance Limited	**100**	100
Receivables Management (NZ) Limited	**100**	100
Receivables Management (International) Limited	**100**	100
Creditnet International Limited	**100**	100
Receivables Finance Limited	**100**	100
Southern Receivables Limited **	**100**	100
R.J.K Receivables Limited **	**-**	100
Allied Recoveries Limited **	**-**	100
Controlled entities - incorporated in Philippines		
Collection House International BPO, Inc *	**100**	100

* Collection House International BPO, Inc started up on 10 May 2012 and commenced business operations on 1 April 2013. While Collection House Limited holds legal and beneficial ownership of 9,995 issued shares in the subsidiary, it has beneficial ownership of 5 issued shares in the subsidiary, held on trust for Collection House Limited by each of the five appointed directors of the subsidiary, in accordance with Philippines law, representing all of the issued shares in the subsidiary currently.

** As of 28 June 2019, Allied Recoveries Limited and R.J.K. Receivables Limited have been amalgamated to become Southern Receivables Limited.

29 Earnings/(Loss) per share

	Consolidated	
	30 June 2020 Cents	30 June 2019 Cents
(a) Basic earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(103.2)**	22.3
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(103.2)**	22.3
(b) Diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(103.2)**	22.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(103.2)**	22.0

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

	Consolidated	
	30 June 2020 $'000	**30 June 2019 $'000**
Basic earnings/(loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(145,070)**	30,690
	(145,070)	30,690
Diluted earnings/(loss) per share		
Profit/(Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(145,070)**	30,690
	(145,070)	30,690

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

	Consolidated	
	30 June 2020 Number	30 June 2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**140,605,045**	137,637,841
Adjustments for calculation of diluted earnings per share:		
Performance Rights	**840,711**	1,972,323
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**141,445,756**	139,610,164

(e) Information concerning the classification of securities

(i) Performance rights

Performance rights issued to employees under the Performance Rights Plan (PRP) are considered to be potential ordinary shares and have been included at the probability rate of 100% in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share. Details relating to the performance rights are set out in note 30.

30 Share-based payments

(a) Performance Rights Plan

In line with the executive remuneration framework, the Board approved and adopted the Performance Rights Plan (PRP), effective on and from 1 July 2012, as a means of rewarding and incentivising its key employees. The PRP was extended to the then Chief Executive Officer (CEO), and to eligible employees. Future performance rights may be issued by the Board pursuant to the PRP. The board determines the value of shares granted based on the individual's performance. Future performance rights may vest at the discretion of the Board, subject to not only individual service conditions being met, but also, Company performance hurdles being achieved.

During the reporting period ending 30 June 2019, there were no unlisted performance rights were issued to a number of eligible employees as these rights have been deferred to FY20.

During the reporting period ending 30 June 2020, 398,068 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP. A summary of these performance rights is identified below as PR2019. No further performance rights were issued in relation to FY20, thus no performance rights is identified as PR2020.

<table>
<tr><th></th><th colspan="2">PR2019</th></tr>
<tr><td>Effective date</td><td colspan="2">1 July 2019</td></tr>
<tr><td>Earliest possible Vesting date</td><td colspan="2">The performance rights cannot vest earlier than the Test Date[1]</td></tr>
<tr><td rowspan="7">Performance hurdles based on the satisfactory achievement of performance conditions approved by the Board</td><td>Performance Conditions</td><td>% of Pool</td></tr>
<tr><td>Compound EPS growth over performance period of:</td><td></td></tr>
<tr><td>0% to 5.00%</td><td>Nil</td></tr>
<tr><td>5.01% to 7.50%</td><td>33.33%</td></tr>
<tr><td>7.51% to 10%</td><td>66.66%</td></tr>
<tr><td>More than 10.01%</td><td>100%</td></tr>
<tr><td colspan="2">Performance between 5% to 10% will be assessed on a sliding scale basis up to a maximum of 398,068 shares.</td></tr>
<tr><td>Exercise conditions and Vesting Date</td><td colspan="2">The Performance Rights Test Date will be 30 June 2021 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved.
As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each eligible employee, as at that Test Date:
(a) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied;
(b) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and
(c) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date,
and shall provide written notification to each eligible employee as to that determination.</td></tr>
<tr><td>Exercise price</td><td colspan="2">Nil</td></tr>
<tr><td>Expiry date</td><td colspan="2">30 September 2021
A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:
(a) where Performance Hurdles have not been satisfied as at the relevant Test Date;
(b) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date;
(c) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and
(d) 30 September 2021.</td></tr>
<tr><td>5 Day volume weighted average Share price</td><td colspan="2">$1.2198</td></tr>
</table>

[1] Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2019, the Test Date will be 30 June 2021.

30 Share-based payments (continued)

(a) Performance Rights Plan (continued)

During the reporting period ending 30 June 2018, 341,071 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP. A summary of these performance rights is identified below as PR2018.

<table>
<tr><td></td><td colspan="2">PR2018</td></tr>
<tr><td>Effective date</td><td colspan="2">1 July 2017</td></tr>
<tr><td>Earliest possible Vesting date</td><td colspan="2">The performance rights cannot vest earlier than the Test Date[1]</td></tr>
<tr><td rowspan="7">Performance hurdles based on the satisfactory achievement of performance conditions approved by the Board</td><td>Performance Conditions</td><td>% of Pool</td></tr>
<tr><td>Compound EPS growth over performance period of:</td><td></td></tr>
<tr><td>0% to 5.00%</td><td>Nil</td></tr>
<tr><td>5.01% to 7.50%</td><td>33.33%</td></tr>
<tr><td>7.51% to 10%</td><td>66.66%</td></tr>
<tr><td>More than 10.01%</td><td>100%</td></tr>
<tr><td colspan="2">Performance between 5% to 10% will be assessed on a sliding scale basis up to a maximum of 341,071 shares.</td></tr>
<tr><td>Exercise conditions and Vesting Date</td><td colspan="2">The Performance Rights Test Date will be 30 June 2020 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved.
As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each eligible employee, as at that Test Date:
(d) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied;
(e) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and
(f) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date,
and shall provide written notification to each eligible employee as to that determination.</td></tr>
<tr><td>Exercise price</td><td colspan="2">Nil</td></tr>
<tr><td>Expiry date</td><td colspan="2">30 September 2020
A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:
(e) where Performance Hurdles have not been satisfied as at the relevant Test Date;
(f) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date;
(g) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and
(h) 30 September 2020.</td></tr>
<tr><td>5 Day volume weighted average Share price</td><td colspan="2">$1.5404</td></tr>
</table>

[1] Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2018, the Test Date will be 30 June 2020.

30 Share-based payments (continued)

(a) Performance Rights Plan (continued)

Set out below are summaries of rights issued under the plan:

Effective Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Vested during the year	Lapsed during the year	Balance at end of the year	Vested and issuable at end of the year
			Number	Number	Number	Number	Number	Number
Company – 2020								
1 July 2016	30 September 2019	Nil	1,141,738	-	(1,141,738)	-	-	-
1 July 2017	30 September 2020	Nil	261,775	-	-	(261,775)	-	-
1 July 2019	30 September 2021	Nil	-	398,068	-	(398,068)	-	-
Total			**1,403,513**	**398,068**	**(1,141,738)**	**(659,843)**	**-**	**-**

Effective Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Vested during the year	Lapsed during the year	Balance at end of the year	Vested and issuable at end of the year
			Number	Number	Number	Number	Number	Number
Company – 2019								
1 July 2016	30 September 2019	Nil	3,213,133	-	-	2,071,395	1,141,738	-
1 July 2017	30 September 2020	Nil	341,071	-	-	79,296	261,775	-
Total			**3,554,204**	**-**	**-**	**2,150,691**	**1,403,513**	**-**

Fair Value of Performance Rights Issued

The assessed fair value at issue date of all performance rights is set out above. The fair value at issue date is determined based on the five day volume weighted average share price prior to issue date.

30 Share-based payments (continued)

(c) Employee Share Plan

The Group introduced the Collection House Limited Exempt Employee Share Plan, providing eligible employees with an opportunity to acquire a beneficial ownership of shares in the Company. The Plan is administered by CPU Share Plans Pty Limited. This Trust is consolidated in accordance with Note 1 (b) and Note 28.

All Australian and New Zealand resident employees were entitled to participate in the Plan subject to meeting certain eligibility criteria. Employees eligible to participate in the Group's Performance Rights Plans detailed at (a) above where not eligible to participate in the Plan. Eligible employees may elect not to participate in the Plan.

Shares issued by the Trust to employees are acquired on-market prior to issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (refer Note 20).

Under the Plan, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in Collection House Limited annually for no cash consideration. The number of shares issued to participants is the offer amount divided by the average price of the shares acquired on the Australian Securities Exchange during the on-market purchase period. The shares are recognised at the closing share price on the grant date, as an issue of treasury shares, and as part of employee benefit costs in the period the shares are granted.

Shares issued under the scheme may not be sold until the earlier of three years after issue, or cessation of employment by the Group. In all other respects, shares rank equally with other fully paid ordinary shares on issue.

The total number of shares granted to participating employees on 30 September 2019 was 327,980 units. The trade price of the shares issued as at grant date was $1.27, and the shares had a grant date fair value of $1.27.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Performance rights plan	**(271)**	620
Deferred shares – CEO short-term incentive	**(30)**	124
Employee share plan	**196**	107
Total expenses arising from share-based payment transactions	**(105)**	851

31a Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Profit for the year	**(145,070)**	30,690
Depreciation and amortisation	**10,409**	6,326
PDL Asset Impairment	**238,890**	-
Amortisation of purchased debt ledgers	**28,793**	42,041
Asset write offs	**-**	29
Non-cash employee benefits expense - share-based payments	**(105)**	955
Job Keeper accrued receipts	**(2,817)**	
Provision for doubtful debts	**93**	(18)
Other non-cash expenses	**1,378**	411
Lease Interest	**1,942**	-
Borrowing costs	**1,351**	1,591
Interest paid	**7,559**	6,067
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors and bills of exchange	**1,115**	749
(Increase)/decrease in sundry debtors	**450**	3,910
(Increase)/decrease in other non-current assets	**281**	(7,720)
Increase/(decrease) in trade creditors	**(219)**	(1,043)
Increase/(decrease) in sundry creditors and accruals	**(7,015)**	876
Increase/(decrease) in current tax liability	**(9,165)**	1,068
(Increase)/decrease in deferred tax assets	**(62,521)**	889
Net cash inflow (outflow) from operating activities	**65,349**	86,821

31b Reconciliation of Liabilities arising from financing activities

Movements – Consolidated	**Contributed Equity** $'000**	**Lease Liabilities* $'000**	**Borrowings $'000**	**Total $'000**
At 30 June 2019	116,413	5,625	210,600	332,638
- Cash	1,256	(5,707)	4,254	(197)
- Non-Cash	1,898	37,648	3	39,549
At 30 June 2020	119,567	37,566	214,857	371,990

** The disclosure note is prepared in conjunction with the AASB16 transition adjustment to disclose the non-cash adjustment within the financing activities.*
*** Non-cash adjustment in Ordinary shares represents the transfer to issued shares from options reserve due to the vesting of performance rights.*

32 Events occurring after the reporting period

As previously stated, the Group had been actively engaged in a recapitalisation process which commenced 9 April 2020 when a Standstill agreement was entered into with the Group's lenders.

As disclosed in Note 18, on 9 April 2020, the Group entered into a Standstill Agreement with its Senior Lenders. This Standstill Agreement (with subsequent amendments and extensions) confirmed, subject to the Group's compliance with its terms and conditions including the revised financial ratios and covenants, that the Group's lenders would not take any action during the period to 23 December 2020 (the standstill period) in relation to any potential or existing defaults that occurred under the facilities prior to or during the standstill period.

On 23 December 2020, the Group entered into a sale agreement with Credit Corp Group to acquire a significant portion of it's Australian PDL assets at a value of $160m. The Company has also reached agreement with its lenders where it will apply the sale proceeds to the repayment of the majority of it's existing facilities and they will then provide an ongoing funding facility for the remaining approximate $62m (amount to be finalised on settlement of the PDL Assets sale). The buyer is also providing a short term loan of $15m. The Group will retain a portion of it's PDL assets and remains an active participant in the PDL asset acquisition market.

Key terms of these financing facilities are outlined in Note 1 v.

As the recapitalisation process, which resulted in the sale agreement, was in progress at year end, the anticipated cash flows obtained from the final sale transaction have been used as a primary input in determining the value of the Group's PDL assets reported as at 30 June 2020. From the financial position disclosed in the Appendix 4E lodged with the ASX on 31 August 2020, this value has led to a further impairment of $111.5m ($78.1m after tax). The final impact of the sale will be reflected in the December 2020 half year results.

In the directors' opinion:

(a) the financial statements and notes set out on pages 32 to 94 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 30 June 2020 and of its performance for the financial year ended on that date,

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Leigh Berkley
Chairman

Brisbane
23 December 2020

Independent Auditor's Report

To the shareholders of Collection House Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Collection House Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 30 June 2020;
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1a(v) "Basis of preparation – Going concern: Net current asset deficiency" in the Financial Report. The conditions disclosed in Note 1a(v) 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 opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

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- Evaluating the feasibility, quantum and timing of the Group's plans to manage business performance and liquidity and maintain compliance with relevant financial covenants imposed by the Group's lenders, to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular the potential for future impacts on the Group from the uncertain economic conditions resulting from COVID-19;
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

<table>
<tr><th colspan="2">Valuation of the Purchased Debt Ledger portfolio ($173m) and Accuracy of Impairment Gain/Loss ($239m)</th></tr>
<tr><td colspan="2">Refer to Note 10 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>A key audit matter was the assessment of the Purchased Debt Ledgers (PDL) portfolio recognised by the Group as:
• the PDLs are significant to the financial position of the Group and are the driver of financial results
• the PDLs consists of a portfolio of credit-impaired receivables, attracting greater variability in risks of recovery given their nature
• accounting for these PDLs using AASB 9 Financial Instruments (AASB 9) is complex and multi-layered. Starting with the Group estimating future cash flows and their Effective Interest Rate (EIR), we particularly focused on estimation of future cash collections, their receipt and timing. This is the basis for layering assessments of lifetime expected credit losses (ECL) to measure any in-reporting year favourable changes, as an impairment gain, or unfavourable, as impairment losses, and use of a relevant discount rate. These are complicated in nature and vary according to conditions and</td><td>Working with our credit risk modelling specialists, our audit procedures included:
• Understanding key internal controls in the debt collection process, including those in the collection call centre process, valuation and monitoring processes.
• Checking the mathematical accuracy of the PDL valuation models.
• Understanding the Group's collection strategy and assessing the consistency of changes made to that strategy as to their incorporation into the PDL valuation models.
• Challenging key assumptions used by the Group in determining the value of the PDL portfolio at year end.
Our challenge of key assumptions included:
o evaluating the accuracy of previous estimates by the Group, including debt collection forecasting, credit-adjusted effective interest rate, and estimated PDL life, when compared to actual historical data;
o identifying unusual ratios and trends in key estimates when compared to actual historical experience;
o challenging judgements and assumptions applied with respect to estimated future</td></tr>
</table>

risks relevant. • The Group's estimation of future cash collections and their lifetime ECL uses statistical models for each PDL segment profile, which are complicated in nature reflecting the accounting complexity, and uses significant judgement estimating forward-looking outcomes. • The Group changed strategies during the year, impacting their cash collection processes, increasing the variability of receipt and timing of future cash collections from that previously experienced. • The impact of the COVID-19 pandemic on customers is unprecedented, challenging the role of previous patterns of cash collections as a proxy for future predicted behaviour. The rapidly changing impact of the health crisis, along with government and business relief and stimulus arrangements, increase the risk in estimations, widening the possible outcomes. • Subsequent to 30 June 2020, the Group entered into a transaction to sell the Australian PDL portfolio as part of the recapitalisation process. The sale proceeds were a further indicator regarding the amount the Group expects to recover from the PDL portfolio thereby necessitating additional focus from us in the assessment of the impairment, the appropriate application of AASB 9, and subsequent event disclosure. These features resulted in significant audit effort, in particular regarding the key assumptions, and we involved our credit risk modelling specialists to supplement our senior audit team members when assessing this Key Audit Matter.	cash collections and ultimate lifetime recoveries, against current experience of constrained economic conditions and the impact of COVID-19 on actual cash collections.; o analysing the credit-adjusted effective interest rates applied by comparing the rate to actual pricing/internal rate of return on recently acquired accounts, historical implicit rates from cash collections and amortisation rates experienced, and by assessing the process' of calculating the actual implicit rate of return of individual PDL's tranches acquired on sample of transactions from 1 July 2019 to 30 June 2020; o assessing out of model adjustments applied by the Group to the PDL net present value by using our knowledge of the industry, constrained economic conditions and impact of COVID-19 on cash collections. • Assessing the accuracy of underlying data used within the model. For a sample of accounts, we tested their classification type and total amount owed within PDL model to the underlying documentation of the customer, such as account history and collections characteristics; • Assessing the impact of the Group entering into a binding transaction to sell the Australian PDL portfolio, including: o assessing the application of AASB 9 in the measurement of the ECL as at 30 June 2020. This included checking the appropriateness and accuracy of key inputs in the estimation of the ECL such as the expected sales proceeds, forecast timing of cash flows and EIR. o comparing the expect sales proceeds to signed transaction documentation; • Assessing the appropriateness of the Group's disclosures in the financial reports, including subsequent event disclosure using our understanding obtained from our testing against the requirement of the accounting standards.

Other Information

Other Information is financial and non-financial information in Collection House Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Collection House Limited for the year ended 30 June 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited Sections A to J of the Remuneration Report which is contained in the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Scott Guse

Partner

Brisbane

23 December 2020

Ben Flaherty

Partner

Brisbane

23 December 2020