



Collection House Limited  
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**Collection House Limited** ABN 74 010 230 716  
**ASX preliminary final report for the year ended 30 June 2019**  
**Lodged with the ASX under listing Rule 4.3A**

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**Collection House Limited**

**Appendix 4E**

|                                                                                             |    | %  |    | \$'000  |
|---------------------------------------------------------------------------------------------|----|----|----|---------|
| <b>Revenue</b><br>from continuing operations                                                | up | 12 | to | 161,057 |
| <b>Profit / (loss)</b><br>from continuing operations after tax attributable to members      | up | 17 | to | 30,690  |
| <b>Net profit / (loss)</b> for the period attributable to members<br>(Appendix 4E item 2.3) | up | 17 | to | 30,690  |

| <b>Dividends / distributions</b><br>(Appendix 4E item 2.4)      | Amount per security | Franked amount per security |
|-----------------------------------------------------------------|---------------------|-----------------------------|
| <b>Current period</b>                                           |                     |                             |
| Interim dividend (year ended 30 June 2019 - paid 28 March 2019) | 4.1                 | 4.1                         |
| <b>Previous corresponding period</b>                            |                     |                             |
| Final dividend (year ended 30 June 2018 - paid 26 October 2018) | 3.9                 | 3.9                         |
| Interim dividend (year ended 30 June 2018 – paid 29 March 2018) | 3.9                 | 3.9                         |

| <b>Key Ratios</b>                     | <b>2019</b> | 2018   |
|---------------------------------------|-------------|--------|
|                                       | June        | June   |
| Basic earnings per share (cents)      | 22.3        | 19.2   |
| Net tangible assets per share (cents) | 139.15      | 125.89 |

**Record date** for determining entitlements to the final dividend

**Payment date** for final dividend

(Appendix 4E item 2.5)

3 October 2019

25 October 2019

**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)

During the year, \$2.9m was raised under the Collection House Limited (Group) Dividend Reinvestment Plan (DRP). The DRP will be active in respect to the final dividend for the period to 30 June 2019.

**Status of Audit** (Appendix 4E 15)

The 30 June 2019 financial report and accompanying notes for Collection House Limited have been audited and are not subject to any disputes or qualifications.

|                                                       |                                                                                                                                                                                                                  |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contact</b>                                        | Doug McAlpine<br>Chief Financial Officer & Company Secretary<br>Phone: 07 3292 1000<br>Email: <a href="mailto:doug.mcalpine@collectionhouse.com.au">doug.mcalpine@collectionhouse.com.au</a>                     |
| <b>Investor and Client Presentation available at:</b> | <a href="http://www.collectionhouse.com.au">www.collectionhouse.com.au</a>                                                                                                                                       |
| <b>Place of business</b>                              | Level 12, 100 Skyring Terrace<br>Newstead QLD 4006<br><br>PO Box 2247<br>Fortitude Valley BC QLD 4006                                                                                                            |
| <b>Principal registered office in Australia</b>       | Level 12, 100 Skyring Terrace<br>Newstead QLD 4006                                                                                                                                                               |
| <b>Share register</b>                                 | Computershare Investor Services Pty Ltd<br>GPO Box 2975<br>Melbourne VIC 3000<br>Telephone: 1300 850 505<br>Facsimile: +61 7 3237 2152<br><a href="http://www.computershare.com.au">www.computershare.com.au</a> |
| <b>Auditor</b>                                        | KPMG<br>71 Eagle Street<br>Brisbane QLD 4000                                                                                                                                                                     |
| <b>Stock exchange listings</b>                        | Collection House Limited shares are listed on the Australian Securities Exchange (ASX). The home exchange is Sydney.<br><br>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 2019.

## Directors

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

- Leigh Berkley - Chairman
- Michael Knox
- Anthony Rivas
- Sandra Birkenleigh (appointed 17 September 2018)
- Catherine McDowell (appointed 17 September 2018)

See pages 8 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 2019 | 30 June 2018 | Change |
|-----------------------------------|--------------|--------------|--------|
|                                   | \$'000       | \$'000       | %      |
| Revenue                           | 161,057      | 143,863      | 12     |
| Net Profit after tax for the year | 30,690       | 26,123       | 18     |
| Earnings per share (EPS)          | 22.3         | 19.2         | 16     |
| Dividends for the year #          | 8.2          | 7.8          | 5      |

# Total dividends for the year of 8.2 cents (interim 4.1 cents paid 28 March 2019, final 4.1 cents to be paid 25 October 2019), fully franked. The Dividend reinvestment plan remains in place at a discount of 5%

The headline numbers reflect a mixed story with strong PDL growth a lower than expected performance in cash collection and offset by a positive change from the adoption of AASB 9 Financial Instruments which favourably impacted interest income recognised during the period. Overall, trading conditions for both the Collection Services and PDL segments were challenging, as financial services sector clients, from whom the Group purchases or manages debt, had to deal with a rapidly changing regulatory environment and general disruption leading into the federal election. While there was short term disruption, the Group is well positioned to deliver an improved FY20 result through substantially higher cash and accounting earnings from the Company's enlarged portfolio of PDL assets.

The Directors are of the view that the business is not performing at the level expected with Cash Collection initiatives not delivering until late in the period due to significant late growth and the Collection Services division disrupted by external factors. The Company is focussed on ensuring we are maximising every opportunity to engage with customers and work collaboratively to remedy their financial circumstances. Pleasingly, our process and technology initiatives are delivering improvements initial evidence of which is apparent post year end.

The Company is committed to its strategy of being early adopters of technology and being innovative in our utilisation of capital through strategically optimising our PDL portfolio. The Company delivered significant growth in its PDL asset base and strong growth in the rate at which customers are moving to payment arrangements. The RML acquisition in New Zealand significantly strengthens the Group's presence in that market. The Company's enlarged customer base and its technology initiatives are expected to deliver improved value to both customers and shareholders in FY20.

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

|                           | Collection Services |              | Purchased Debt Ledgers (PDLs) |              | Consolidated |              |
|---------------------------|---------------------|--------------|-------------------------------|--------------|--------------|--------------|
|                           | 30 June 2019        | 30 June 2018 | 30 June 2019                  | 30 June 2018 | 30 June 2019 | 30 June 2018 |
|                           | \$ '000             | \$ '000      | \$ '000                       | \$ '000      | \$ '000      | \$ '000      |
| <b>Revenue</b>            |                     |              |                               |              |              |              |
| Sales                     | 67,604              | 69,038       | -                             | -            | 67,604       | 69,038       |
| Interest and other income | -                   | -            | 93,660                        | 75,002       | 93,660       | 75,002       |
| Total segment revenue     | 67,604              | 69,038       | 93,660                        | 75,002       | 161,264      | 144,040      |
| Intersegment elimination  |                     |              |                               |              | (207)        | (177)        |
| Consolidated revenue      | 67,604              | 69,038       | 93,660                        | 75,002       | 161,057      | 143,863      |

**Results**

|                                               |       |        |        |        |          |          |
|-----------------------------------------------|-------|--------|--------|--------|----------|----------|
| Segment result                                | 9,264 | 12,564 | 52,090 | 36,695 | 61,354   | 49,259   |
| Interest expense and borrowing costs          |       |        |        |        | (7,658)  | (5,778)  |
| Unallocated revenue less unallocated expenses |       |        |        |        | (10,093) | (5,887)  |
| Profit before tax                             |       |        |        |        | 43,603   | 37,594   |
| Taxation                                      |       |        |        |        | (12,913) | (11,471) |
| <b>NPAT</b>                                   |       |        |        |        | 30,690   | 26,123   |

**Adoption of AASB 9 Financial Instruments**

The Group adopted AASB 9 in full for the first time in FY19, including applying the effective interest rate ("EIR") method of revenue recognition and the new requirement to recognise both revaluation gains and losses on its portfolio of PDLs at each reporting date through profit and loss. At 30 June 2019, no revaluation gains or losses were recognised in respect of the Company's PDL portfolio.

**Purchased Debt Ledger (PDL) Segment**

The Purchase Debt Ledger segment reported revenue of \$93.7 million, up 25% on FY18. This includes a \$9.8 million pre-tax profit from the PEP transaction with Balbec previously announced. This transaction liberated capital from mature payment arrangements, lessening our requirement for additional debt capital to fund investments in new PDL acquisitions to drive growth and improved financial returns. The Group anticipates a year of lower acquisitive growth in FY20 after the exceptional expansion (\$133m) in FY19.

**Collection Services Segment**

Collection Services revenue was \$67.6 million down 2% on prior year. This decline was driven by short term external factors, being the timing of the federal election and the Financial Services Royal Commission which both impacted client activity. As this reflected a short term aberration, overheads were maintained during the year. The fixed cost nature of the operation meant EBIT fell to \$9.3 million (FY18: \$12.9 million), below our initial expectations of a flat economic performance on the prior period. Although disappointing, management considers this a reasonable result during a period of significant market disruption for our clients.

**Cost Structure**

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

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

### **Capital Management**

The Group's total assets at 30 June 2019 were \$471 million, up 27% on prior year. No material change to working capital and gross assets are up in line with PDL acquisition activity during the year. Total debt was up in line with PDL growth.

Net gearing at year end was 48%. The Group continues to generate strong operational cash flow, a significant proportion of which is reinvested into the asset base. The Group is working within its facilities and gearing framework and the step-up in cash collections expected in FY20 will provide adequate funding for the Company to continue to be active in the market for PDL books. The Group also retains in principle access to \$100 million in off balance sheet finance through the partnership with Balbec.

### **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 FY19, 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 underlying collection and customer management platform. During FY19, 8% of collections were generated from the online customer portal.

### **Business strategies and prospects for future financial years**

Our core business strategy is to grow the business by:

- Continuing to invest in our existing business
- Continuing to expand into new business segments within Collection Services
- Creating and building complementary business model adjacencies

### **Key Risks**

Our key risks are:

- Overpaying on PDL investments
- Failing to collect PDLs in accordance with our pricing models
- Changes to regulations governing our activities or breaching of compliance obligations
- Failure to retain existing and acquire new agency clients
- 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 2018 | Cents per share | Total amount \$'000 | Date of payment |
|----------------------------------------|-----------------|---------------------|-----------------|
| Final 2018 ordinary                    | 3.9             | 5,349               | 26 October 2018 |
| Interim 2019 ordinary                  | 4.1             | 5,665               | 28 March 2019   |

After balance date the following dividends were proposed by the Directors. The dividends have not been provided for, and there are no income tax consequences:

| Declared after end of year | Cents per share | Total amount \$'000 | Date of payment |
|----------------------------|-----------------|---------------------|-----------------|
| Final 2019 ordinary        | 4.1             | 5,710               | 25 October 2019 |

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial year

The Directors have recommended the payment of a final fully franked ordinary dividend of **4.1 cents** per fully paid share to be paid on 25 October 2019 out of retained profits and a positive net asset balance as at 30 June 2019.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

## 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

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leigh Berkley</b>     | <b>Independent, Chairman.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Experience               | <p>Having qualified as a Chartered Accountant, Mr Berkley has more than 25 years' experience in the collections and debt purchase industry, is immediate past President of the Credit Services Association (CSA) in the UK and assisted the Australian Collectors &amp; Debt Buyers Association (ACDBA) develop their Code of Practice.</p> <p>Having been granted Australian residency this 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 engaging with government and regulators, trade bodies and consumer advice organisations.</p> <p>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.</p> <p>Leigh is the Vice President of the European trade body FENCA where he is leading the development of a Code of Conduct for GDPR for the Collections industry across Europe, and regularly presents 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 FairLife Charity, and is a former Director of the Money Advice Liaison Group in the UK.</p> <p>Mr Berkley was appointed to the Board of Collection House Limited on 1 July 2016.</p> <p>Mr Berkley was appointed Chairman of Collection House Limited on 29 November 2017.</p> |
| Special responsibilities | Chair of the PDL Investment Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Interest in shares       | 71,200 ordinary shares in CLH                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Michael Knox</b>      | <b>Independent, Non-executive Director.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Experience               | <p>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.</p> <p>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.</p> <p>Mr Knox was appointed to the Board of Collection House Limited on 24 March 2017.</p>                                                                                                                                                            |
| Special responsibilities | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Interest in shares       | 60,000 ordinary shares in CLH                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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**Information on directors (Continued)**

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|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Anthony Rivas</b>     | <b>Managing Director.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Experience               | <p>Anthony Rivas has over 25 years' experience in the area of Credit and Collections, and extensive international experience in three continents.</p> <p>Anthony has served as Managing Director of Australian Receivables Limited until July 2016, after joining the company in 2013.</p> <p>With an initial mandate to optimise costs, Anthony successfully led the team to achieve EBITDA targets each year under his leadership and improved staff turnover rates.</p> <p>Anthony joined NCO/EGS in 2011, and led the Mexican operations for the company as Vice President of Operations. Here he was responsible for five facilities across Mexico, including collection agents, visitor agents, field attorneys and legal services.</p> <p>Prior to joining NCO/EGS, Anthony worked and consulted in India, Australia, UK, and the USA. His accomplishments included:</p> <ul style="list-style-type: none"><li>- Assisting companies to bring purchased debt portfolios to India for the first time</li><li>- Vice President of Operations/Training for Global Vantage (an OSI company) in the USA and India</li><li>- VP Operations at a 1000+ FTE facility, and surpassing US benchmarks for various clients in Bankcard and Telecommunications</li></ul> <p>Anthony has managed debt portfolios for a major international debt purchaser and successfully participated in the sale and transition of the portfolios to International investors. His technical developments include building automated skip waterfall systems, leveraging fetch technology to the internet with no agent involvement; system upgrades to enhance collector and reporting efficiency, enabling real time reporting; and helping lead Performance Management System training for OSI's markets in the USA.</p> <p>Mr Rivas was appointed Managing Director on 24 November 2017.</p> |
| Special responsibilities | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Interest in shares       | 6,690 ordinary shares in CLH<br>71,409 FY17 deferred shares in CLH<br>77,584 FY18 deferred shares in CLH<br>95,796 FY19 deferred shares in CLH                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Catherine McDowell</b> | <b>Independent, Non-executive Director.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Experience                | <p>Catherine McDowell has more than 30 years' experience in the investment and financial services industry in senior executive and advisory roles, predominantly with Barclays Bank, and more recently with ANZ.</p> <p>In Catherine's role with Barclays International as Managing Director, she oversaw a substantial international wealth business before moving to New Zealand in 2005.</p> <p>Catherine was the Managing Director at ANZ and the National Bank Private Banking and Wealth business (New Zealand). She was responsible for integrating these two businesses and creating a significant wealth business.</p> <p>Catherine 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.</p> <p>She has more than 15 years of Board experience with not for profit, listed and non-listed companies. Her current roles include Non-Executive Director of the National Provident Fund and Chair of the Investment Committee and Independent Director for the Todd Family Office. Catherine she was recently appointed to the AMP Superannuation Board.</p> |
| Special responsibilities  | Catherine was appointed to the Board of Collection House on 17 September 2018<br>Chair of the Remuneration and Nomination Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Interest in shares        | No ordinary shares in CLH.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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## Information on directors (Continued)

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**Sandra Birkenleigh**      **Independent, Non-executive Director.**

**Experience**

Sandra Birkenleigh 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

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## Company Secretary

Doug McAlpine was appointed as the Chief Financial Officer ("CFO") and Company Secretary on 1 July 2019.

Doug was previously with Silver Chef Limited where he served most recently as the EGM of Australia and New Zealand and prior to that, CFO. Doug has previously held similar roles in the resources, property and general investment sectors. In addition to strong financial and commercial capability, Doug has a solid grounding in receivables financing and extensive experience working with the professional investment community.

Doug began his career at Ernst & Young. He is a Chartered Accountant with twenty years of accounting and finance experience, fifteen of which have been as CFO with listed public companies in Australia.

### 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 2019, and the number of meetings attended by each Director were:

| 2019                                                   | 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   | 7                         | 7    | 10             | 10   | 5                           | 5    |
| Michael Knox                                           | 9                      | 10   | 6                         | 7    | 3              | 10   | 4                           | 5    |
| Anthony Rivas                                          | 10                     | 10   | 7                         | 7    | 10             | 10   | 5                           | 5    |
| Sandra Birkenleigh<br>(Appointed on 17 September 2018) | 8                      | 8    | 7                         | 7    | 4              | 10   | 5                           | 5    |
| Catherine McDowell<br>(Appointed on 17 September 2018) | 7                      | 8    | 7                         | 7    | 4              | 10   | 5                           | 5    |

All committees were reconstituted effective 17 September 2018. Prior to that date, all committee matters were considered by the Board of Directors.

## Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY19 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

### Director and Executive Remuneration

#### **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.

| <b>The Group's Directors and key management personnel for FY19</b> |                                                                             |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Board of Directors</b>                                          |                                                                             |
| Leigh Berkley                                                      | Chairman (Non-Executive)                                                    |
| Michael Knox                                                       | Director (Non-Executive)                                                    |
| Anthony Rivas                                                      | Managing Director and Chief Executive Officer                               |
| Sandra Birkenleigh                                                 | Director (Non-Executive) (appointed 17 September 2018)                      |
| Catherine McDowell                                                 | Director (Non-Executive) (appointed 17 September 2018)                      |
| <b>Executive Leadership Team (ELT)</b>                             |                                                                             |
| Anthony Rivas                                                      | Chief Executive Officer (CEO)                                               |
| Kristine May                                                       | Chief Financial Officer (CFO) and Company Secretary (resigned 30 June 2019) |
| Anand Adusumilli                                                   | Chief Data Scientist                                                        |
| Jonathon Idas                                                      | Chief Legal Officer                                                         |
| Denica Saunders                                                    | Chief Operating Officer (COO) (appointed 1 July 2018)                       |
| Doug McAlpine                                                      | Chief Financial Officer (CFO) and Company Secretary (appointed 1 July 2019) |

## **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 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.

### Use of external advisors

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. External benchmarking of executive and director remuneration arrangements were provided by PricewaterhouseCoopers (PwC) during the period the fees for which were \$47,212. Results of the external remuneration advisors include the hiring of high calibre non-executive directors and the performance of an independent review on the Directors and Executives remuneration package.

### Securities Trading Policy

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 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 75 percent of TFR, with 60 percent of the determined amount to be paid in cash and 40 percent deferred payment to be provided in shares at the end of the contract period. Other ELT personnel each have a cash-based STI opportunity of up to 25 percent of TFR.

STIs for the ELT in FY19 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.

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.

There is a high degree of alignment between the Company strategy and the ELT's STI performance objective targets. The relative weights of financial versus non-financial performance targets for each executive are detailed below and are based on their position and influence on the financial results. The weightings strive to provide a balance between the Company's overall financial goals and the ability of the individual executives to influence these and other strategic outcomes.

| <b>Position</b>                                 | <b>Financial Performance Objectives</b> | <b>Non-Financial Performance Objectives</b> |
|-------------------------------------------------|-----------------------------------------|---------------------------------------------|
| Chief Executive Officer                         | 80%                                     | 20%                                         |
| Chief Financial Officer/Company Secretary       | 80%                                     | 20%                                         |
| Chief Data Scientist                            | 80%                                     | 20%                                         |
| Chief Legal Officer                             | 80%                                     | 20%                                         |
| Chief Operating Officer (appointed 1 July 2018) | 80%                                     | 20%                                         |

The financial performance objectives 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 FY19 and FY18

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            | <ul style="list-style-type: none"><li>Earnings per share (EPS)</li></ul>         | 80            |
| Non-Financial        | <ul style="list-style-type: none"><li>Compliance</li></ul>                       | 10            |
|                      | <ul style="list-style-type: none"><li>Innovative Solutions implemented</li></ul> | 5             |
|                      | <ul style="list-style-type: none"><li>Improvement of Corporate Culture</li></ul> | 5             |

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

### Deferred Shares – CEO short-term incentive scheme

Under the Group's short-term incentive (STI) scheme, the CEO is 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 rights will automatically convert into one ordinary share each on vesting, at an exercise price of nil. The CEO will not receive dividends, or be entitled to vote in relation to the deferred shares prior to the vesting date of 1 July 2019. The number of rights to be granted is determined based on the amount of the STI awarded divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange over the five trading days preceding the date of issue.

The maximum value of deferred shares issuable in relation to 30 June 2019 was \$154,551. The Board has determined that the CEO is entitled to 75% of the maximum entitlement and shares to the value of \$115,913 will be issued post year end.

### 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.

### FY19 Performance Rights Awarded

No unlisted performance rights over ordinary shares in the Company were granted during the current year under the PRP to the ELT and other eligible employees.

### FY18 Performance Rights Awarded

For the FY18 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, 341,071 unlisted performance rights over ordinary shares in the Company were granted under the PRP to the ELT and other eligible employees. The performance rights will vest (and therefore be capable of being exercised) depending on the Group achieving certain performance hurdles as at 30 June 2020 as highlighted above.

As announced at 25<sup>th</sup> June 2019, the CEO has been reappointed for a further 3 year term. As part of his commitment to the Group and its shareholders, the CEO has forgone 2,000,000 of his 3,000,000 performance rights as at FY19.

For the period 1 July 2016 to 30 June 2019, 1,403,513 unlisted performance rights over ordinary shares in the Company were granted to the ELT and other eligible employees. The performance rights will vest (and therefore be capable of being exercised) depending on the Group achieving certain performance hurdles as at 30 June 2019 as highlighted above.

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.

|                                               | 2015       | 2016       | 2017       | 2018       | 2019       |
|-----------------------------------------------|------------|------------|------------|------------|------------|
| Net profit after tax (\$m)                    | \$22.5     | \$18.6     | \$17.4     | \$26.1     | \$30.7     |
| Dividends declared (franked)                  | 9.1 cents  | 7.8 cents  | 7.8 cents  | 7.8 cents  | 8.2 cents  |
| Share price commenced                         | \$1.88     | \$2.23     | \$1.10     | \$1.16     | \$1.49     |
| Share price ended                             | \$2.23     | \$1.10     | \$1.16     | \$1.49     | \$1.21     |
| Basic EPS (including discontinued operations) | 17.2 cents | 14.0 cents | 12.8 cents | 19.2 cents | 22.3 cents |

### Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 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*                          | 75%        | 25%         | 75%                     | 25%         | 2019                   | -        | -           | -        | -                                                                                                 | -                                                            |
|                                         | 80%        | 20%         | 80%                     | 20%         | 2018                   | -        | -           | -        | -                                                                                                 | -                                                            |
|                                         | 80%        | 20%         | 80%                     | 20%         | 2017                   | -        | 66%         | -        | 2020                                                                                              | 1,294,470                                                    |
| Kristine May<br>(resigned 30 June 2019) | -          | 100%        | -                       | -           | 2018                   | -        | 100%        | -        | 2021                                                                                              | -                                                            |
|                                         | -          | 100%        | -                       | -           | 2017                   | -        | 100%        | -        | 2020                                                                                              | -                                                            |
| Anand Adusumilli                        | 75%        | 25%         | -                       | -           | 2019                   | -        | -           | -        | -                                                                                                 | -                                                            |
|                                         | 80%        | 20%         | -                       | -           | 2018                   | -        | -           | -        | 2021                                                                                              | 27,047                                                       |
| Jonathon Idas                           | 80%        | 20%         | -                       | -           | 2019                   | -        | -           | -        | -                                                                                                 | -                                                            |
|                                         | 80%        | 20%         | -                       | -           | 2018                   | -        | -           | -        | 2021                                                                                              | 27,375                                                       |
| Denica Saunders                         | 90%        | 10%         | -                       | -           | 2019                   | -        | -           | -        | -                                                                                                 | -                                                            |

\*Under the terms of the CEO's employment agreement, 40% of the FY17 STI is payable in shares at the end of the employment contract, and is contingent upon the CEO being employed by the Company at the end of the contract period.

## 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 FY19 aggregate total NED fees distribution is \$512,900 (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 FY19 (exclusive of superannuation):

| FEES                                         | FY19*     | FY18      |
|----------------------------------------------|-----------|-----------|
| <b>Base fees</b>                             |           |           |
| Chair                                        | \$175,000 | \$165,000 |
| Other Non-Executive Directors                | \$95,000  | \$90,000  |
| <b>Additional fees</b>                       |           |           |
| Audit and Risk Management Committee Chair    | \$25,000  | \$15,000  |
| Audit and Risk Management Committee Member   | \$Nil     | \$Nil     |
| Remuneration and Nomination Committee Chair  | \$25,000  | \$15,000  |
| Remuneration and Nomination Committee Member | \$Nil     | \$Nil     |
| PDL Investment Committee Chair               | \$25,000  | \$15,000  |
| 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

### Amounts of remuneration

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 | Termination benefits | Share-based payments | Total   | Proportion of remuneration performance related |
|----------------------------------------|-----------------|----------------|-----------------------|--------|-----------------|-----------------|----------------------|----------------------|---------|------------------------------------------------|
|                                        | Salary and fees | STI Cash bonus | Non-monetary benefits | Total  |                 |                 |                      | Rights               |         |                                                |
| Non-Executive Directors                |                 |                |                       |        |                 |                 |                      |                      |         |                                                |
| Leigh Berkley<br>Chairman              | 2019            | 194,098        | -                     | 12,569 | 7,213           | -               | -                    | -                    | 213,880 |                                                |
|                                        | 2018            | 182,326        | -                     | -      | 4,396           | -               | -                    | -                    | 186,722 |                                                |
|                                        | 2017            | 106,650        | -                     | -      | 2,850           | -               | -                    | -                    | 109,500 |                                                |
| Michael Knox<br>Non-Executive Director | 2019            | 92,500         | -                     | -      | 8,788           |                 |                      |                      | 101,288 |                                                |
|                                        | 2018            | 90,000         | -                     | -      | 8,550           |                 |                      |                      | 98,550  |                                                |
|                                        | 2017            | 24,557         | -                     | -      | 2,302           | -               | -                    | -                    | 26,879  |                                                |

| In Dollars |  | Short-term      |                                                                               |                       |        | Post-employment | Other long term                                                               | Termination benefits | Share-based payments | Total | Proportion of remuneration performance related |        |       |
|------------|--|-----------------|-------------------------------------------------------------------------------|-----------------------|--------|-----------------|-------------------------------------------------------------------------------|----------------------|----------------------|-------|------------------------------------------------|--------|-------|
|            |  | Salary and fees | STI Cash bonus                                                                | Non-monetary benefits | Total  |                 |                                                                               |                      |                      |       |                                                |        |       |
|            |  |                 |                                                                               |                       |        | 2019            | Sandra Birkenleigh<br>Non-Executive Director<br>(appointed 17 September 2018) | 2019                 | 90,288               | -     | -                                              | 90,288 | 8,577 |
|            |  | 2019            | Catherine McDowell<br>Non-Executive Director<br>(appointed 17 September 2018) | 2019                  | 90,288 | -               | -                                                                             | 90,288               | 8,577                |       |                                                | 98,865 |       |

| In Dollars                                            |      | Short-term      |                |                       |         | Post-employment         | Other long term               | Termination benefits | Share-based payments |                  | Total     | Proportion of remuneration performance related |
|-------------------------------------------------------|------|-----------------|----------------|-----------------------|---------|-------------------------|-------------------------------|----------------------|----------------------|------------------|-----------|------------------------------------------------|
|                                                       |      | Salary and fees | STI Cash bonus | Non-monetary benefits | Total   |                         |                               |                      | Rights **            | Deferred Shares* |           |                                                |
|                                                       |      |                 |                |                       |         | Superannuation benefits | Annual and long service leave |                      |                      |                  |           |                                                |
| Executive Director and other Key Management Personnel | 2019 | 484,921         | 173,870        | 33,569                | 692,360 | 46,067                  | 26,067                        | -                    | 431,490              | 115,913          | 1,311,897 | 55%                                            |
|                                                       | 2018 | 433,418         | 173,400        | 32,126                | 638,944 | 38,788                  | 31,284                        | -                    | 431,490              | 115,600          | 1,256,106 | 57%                                            |
|                                                       | 2017 | 421,731         | 159,600        | 51,536                | 632,867 | 40,064                  | 22,237                        | -                    | 431,490              | 106,400          | 1,233,058 | 57%                                            |
| Kristine May                                          | 2019 | 247,029         | -              | 4,705                 | 251,734 | 23,468                  | -                             | 208,938              | -                    | -                | 484,140   | 0%                                             |
| Chief Financial Officer/Company Secretary             | 2018 | 234,556         | 63,000         | 4,549                 | 302,105 | 22,283                  | 13,844                        | -                    | 56,214               | -                | 394,446   | 30%                                            |
| (resigned 30 June 2019)                               | 2017 | 158,276         | 62,000         | 2,938                 | 223,214 | 15,036                  | 5,876                         | -                    | 8,542                | -                | 252,668   | 28%                                            |

|                   |                                                                       | Short-term      |                |                       |       | Post-employment | Other long term | Termination benefits | Share-based payments |                  | Total | Proportion of remuneration performance related |
|-------------------|-----------------------------------------------------------------------|-----------------|----------------|-----------------------|-------|-----------------|-----------------|----------------------|----------------------|------------------|-------|------------------------------------------------|
|                   |                                                                       | Salary and fees | STI Cash bonus | Non-monetary benefits | Total |                 |                 |                      | Rights **            | Deferred Shares* |       |                                                |
| <i>In Dollars</i> | Anand Adusumilli<br>Chief Data Scientist                              | 2019            | 279,567        | 59,027                | 9,034 | 347,628         | 26,559          | 14,683               | -                    | 8,892            | -     | 17%                                            |
|                   |                                                                       | 2018            | 248,124        | 49,000                | -     | 297,124         | 23,572          | 1,445                | -                    | 1,066            | -     | 15%                                            |
|                   | Jonathon Idas<br>Chief Legal Officer                                  | 2019            | 278,439        | 61,200                | 4,902 | 344,541         | 26,452          | -                    | -                    | 9,000            | -     | 18%                                            |
|                   |                                                                       | 2018            | 205,721        | 50,000                | -     | 255,721         | 19,543          | 11,802               | -                    | 1,079            | -     | 18%                                            |
|                   | Denica Saunders<br>Chief Operating Officer<br>(appointed 1 July 2018) | 2019            | 287,644        | 70,833                | 4,705 | 363,182         | 27,326          | 13,299               | -                    | -                | -     | 18%                                            |

-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 2019, unless otherwise stated.

\*Deferred shares represent 40 percent of STI, payable to the CEO at the end of his contract term.

\*\* FY19 Performance rights (LTI) were not approved by the Board at the date of this report.

## 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.

|                                                                                      |                           |                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Anthony Rivas</b><br><b>CEO &amp; Managing Director</b>                           | Annual fixed remuneration | \$692,360 inclusive of superannuation and non-monetary benefits for FY19                                                                                                                                                                                 |
|                                                                                      | Performance bonus         | \$386,376 was the maximum STI opportunity in relation to FY19 (60% cash, 40% deferred payment in shares at the end of the contract period (deferred payment shares), provided the CEO remains employed by the Company at the end of the contract period) |
|                                                                                      | Performance rights        | 3,000,000 at risk performance rights were granted during FY17, of which 2,000,000 were foregone during FY19. No performance rights granted in FY19                                                                                                       |
|                                                                                      | Contract period           | 3 years to 30 June 2022                                                                                                                                                                                                                                  |
| <b>Kristine May</b><br><b>CFO &amp; Company Secretary</b><br>(resigned 30 June 2019) | Annual fixed remuneration | \$251,734 inclusive of superannuation and non-monetary benefits for FY19                                                                                                                                                                                 |
|                                                                                      | Performance cash bonus    | There is no STI opportunity in relation to FY19                                                                                                                                                                                                          |
|                                                                                      | Performance rights        | FY18 & FY17 performance rights have forfeited                                                                                                                                                                                                            |
| <b>Anand Adusumilli</b><br><b>Chief Data Scientist</b>                               | Annual fixed remuneration | \$347,628 inclusive of superannuation and non-monetary benefits for FY19                                                                                                                                                                                 |
|                                                                                      | Performance cash bonus    | \$78,703 was the maximum STI opportunity in relation to FY19, actual was \$52,027                                                                                                                                                                        |
|                                                                                      | Performance rights        | 17,559 at risk performance rights were granted during FY18<br>No performance rights granted in FY19                                                                                                                                                      |
| <b>Jonathon Idas</b><br><b>Chief Legal Officer</b>                                   | Annual fixed remuneration | \$344,541 inclusive of superannuation and non-monetary benefits for FY19                                                                                                                                                                                 |
|                                                                                      | Performance cash bonus    | \$76,499 was the maximum STI opportunity in relation to FY19, actual was \$61,200                                                                                                                                                                        |
|                                                                                      | Performance rights        | 17,772 at risk performance rights were granted during FY18<br>No performance rights granted in FY19                                                                                                                                                      |
| <b>Denica Saunders</b><br><b>Chief Operating Officer</b><br>(appointed 1 July 2018)  | Annual fixed remuneration | \$363,182 inclusive of superannuation and non-monetary benefits for FY19                                                                                                                                                                                 |
|                                                                                      | Performance cash bonus    | \$62,963 was the maximum STI opportunity in relation to FY19, actual was \$70,833                                                                                                                                                                        |
|                                                                                      | Performance rights        | No performance rights granted in FY19                                                                                                                                                                                                                    |

## 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.

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 |      |
|--------------------------------------------|-------------------------------------------------------------|--------|--------------------------------------------------------------|------|
|                                            | 2019                                                        | 2018   | 2019                                                         | 2018 |
| Anthony Rivas                              | -                                                           | -      | -                                                            | -    |
| Kristine May<br>(resigned 30 June 2019)    | -                                                           | 62,286 | -                                                            | -    |
| Anand Adusumilli                           | -                                                           | 17,599 | -                                                            | -    |
| Jonathon Idas                              | -                                                           | 17,772 | -                                                            | -    |
| Denica Saunders<br>(appointed 1 July 2018) | -                                                           | -      | -                                                            | -    |

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.

| 2019 Name                                  | Balance at start of the year | Granted as compensation | Vested | Lapsed      | Balance at end of the year | Vested and issuable | Un-vested |
|--------------------------------------------|------------------------------|-------------------------|--------|-------------|----------------------------|---------------------|-----------|
| Anthony Rivas                              | 3,000,000                    | -                       | -      | (2,000,000) | 1,000,000                  | 1,000,000           | -         |
| Kristine May<br>(resigned 30 June 2019)    | 121,673                      | -                       | -      | (121,673)   | -                          | -                   | -         |
| Anand Adusumilli                           | 17,599                       | -                       | -      | -           | 17,599                     | -                   | 17,599    |
| Jonathon Idas                              | 17,722                       | -                       | -      | -           | 17,722                     | -                   | 17,722    |
| Denica Saunders<br>(appointed 1 July 2018) | -                            | -                       | -      | -           | -                          | -                   | -         |

## 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.

| 2019<br>Non-Executive Directors | Category        | Balance at start of the year, or on appointment | Other changes during the year | Balance at the end of the year |
|---------------------------------|-----------------|-------------------------------------------------|-------------------------------|--------------------------------|
| Leigh Berkley                   | Ordinary Shares | 3,700                                           | 67,500                        | 71,200                         |
| Michael Knox                    | Ordinary Shares | -                                               | 60,000                        | 60,000                         |
| Sandra Birkensleigh             | Ordinary Shares | -                                               | -                             | -                              |
| Catherine McDowell              | Ordinary Shares | -                                               | -                             | -                              |

| 2019<br>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                                                 | Ordinary Shares         | 3,690                        | 3,000                         | 6,690                          |
|                                                               | Deferred payment shares | 71,409                       | 173,380                       | 244,789                        |
| Kristine May<br>(resigned 30 June 2019)                       | Ordinary Shares         | -                            | -                             | -                              |
| Anand Adusumilli                                              | Ordinary Shares         | -                            | -                             | -                              |
| Jonathon Idas                                                 | Ordinary Shares         | -                            | -                             | -                              |
| Denica Saunders<br>(appointed 1 July 2018)                    | Ordinary Shares         | -                            | -                             | -                              |

## J Additional information

### Loans to Directors and Executives

There were no loans to Directors or members of the ELT during FY19.

### 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.

|                           | Date rights effective | Number of rights granted/to be issued | Issue price of shares | No of shares issued 2017 | No of unvested shares and vested but not yet issued shares under rights | Expiry date       |
|---------------------------|-----------------------|---------------------------------------|-----------------------|--------------------------|-------------------------------------------------------------------------|-------------------|
| <b>Performance rights</b> |                       |                                       |                       |                          |                                                                         |                   |
| PRP                       | 1/7/16                | 3,747,550                             | Nil                   | Nil                      | 1,141,738                                                               | 30 September 2019 |
| PRP                       | 1/7/17                | 341,071                               | Nil                   | Nil                      | 261,775                                                                 | 30 September 2020 |

## 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 Professional 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:

##### Other regulatory audit services

|                          |        |
|--------------------------|--------|
| Trust account audits     | 66,700 |
| Loan covenant compliance | 3,100  |

##### Other services

|                                              |                |
|----------------------------------------------|----------------|
| Taxation compliance services                 | 120,700        |
| Accounting advice and due diligence services | 196,690        |
|                                              | <u>387,190</u> |

##### Audit and review of financial statements

|                                      |                       |
|--------------------------------------|-----------------------|
|                                      | <u>258,280</u>        |
| <b>Total paid or payable to KPMG</b> | <u><b>645,470</b></u> |

**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 30.

**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**A handwritten signature in black ink, appearing to read 'L Berkley', with a stylized flourish at the end.

**Leigh Berkley**  
Chairman

**30 August 2019**



## 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 2019 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  
30 August 2019

**Collection House Limited**  
**Income statement**  
**For the year ended 30 June 2019**

|                                                                                         |              | <b>Consolidated</b> |                |
|-----------------------------------------------------------------------------------------|--------------|---------------------|----------------|
|                                                                                         |              | <b>30 June</b>      | <b>30 June</b> |
|                                                                                         |              | <b>2019</b>         | <b>2018</b>    |
|                                                                                         | <b>Notes</b> | <b>\$'000</b>       | <b>\$'000</b>  |
| Revenue                                                                                 | 5            | 161,057             | 143,863        |
| <b>Revenue from continuing operations</b>                                               |              | <b>161,057</b>      | <b>143,863</b> |
| Direct collection costs                                                                 |              | (25,968)            | (24,793)       |
| Employee expenses                                                                       |              | (57,100)            | (52,115)       |
| Depreciation and amortisation expense                                                   | 6            | (4,624)             | (4,820)        |
| Operating lease rental expense                                                          | 6            | (8,189)             | (7,666)        |
| Restructuring expenses                                                                  |              | (775)               | (1,082)        |
| Other expenses                                                                          |              | (13,140)            | (10,015)       |
| Finance costs                                                                           | 6            | (7,658)             | (5,778)        |
| <b>Profit before income tax</b>                                                         |              | <b>43,603</b>       | <b>37,594</b>  |
| Income tax expense                                                                      | 7            | (12,913)            | (11,471)       |
| <b>Profit from continuing operations</b>                                                |              | <b>30,690</b>       | <b>26,123</b>  |
| <b>Profit for the year attributable to equity holders of Collection House Limited</b>   |              | <b>30,690</b>       | <b>26,123</b>  |
|                                                                                         |              | <b>Cents</b>        | <b>Cents</b>   |
| <b>Earnings per share for profit attributable to the equity holders of the Company:</b> |              |                     |                |
| Basic earnings per share                                                                | 29           | 22.3                | 19.2           |
| Diluted earnings per share                                                              | 29           | 22.0                | 18.8           |

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

**Collection House Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2019**

|                                                                                                           |       | <b>Consolidated</b>  |                      |
|-----------------------------------------------------------------------------------------------------------|-------|----------------------|----------------------|
|                                                                                                           |       | <b>30 June</b>       | <b>30 June</b>       |
|                                                                                                           |       | <b>2019</b>          | <b>2018</b>          |
| <b>Notes</b>                                                                                              |       | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>Profit for the year</b>                                                                                |       | <b>30,690</b>        | <b>26,123</b>        |
| <b>Other comprehensive income, net of income tax</b>                                                      |       |                      |                      |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                      |       |                      |                      |
| Exchange differences on translation of foreign operations                                                 | 21(a) | <u>(642)</u>         | <u>(77)</u>          |
| <b>Other comprehensive income for the year, net of income tax</b>                                         |       | <u><b>(642)</b></u>  | <u><b>(77)</b></u>   |
| <b>Total comprehensive income for the year attributable to equity holders of Collection House Limited</b> |       | <u><b>30,048</b></u> | <u><b>26,046</b></u> |

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

**Collection House Limited**  
**Balance sheet**  
**As at 30 June 2019**

|                                      |              | <b>Consolidated</b> |                |
|--------------------------------------|--------------|---------------------|----------------|
|                                      |              | <b>30 June</b>      | <b>30 June</b> |
|                                      |              | <b>2019</b>         | <b>2018</b>    |
|                                      | <b>Notes</b> | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>ASSETS</b>                        |              |                     |                |
| <b>Current assets</b>                |              |                     |                |
| Cash and cash equivalents            | 8            | 1,596               | 509            |
| Receivables                          | 9            | 12,871              | 20,382         |
| Purchased debt ledgers               | 10           | 52,466              | 54,215         |
| Other assets                         | 11           | 167                 | 42             |
| <b>Total current assets</b>          |              | <b>67,100</b>       | <b>75,148</b>  |
| <b>Non-current assets</b>            |              |                     |                |
| Purchased debt ledgers               | 10           | 357,837             | 259,192        |
| Equity investments                   | 12           | 8,500               | -              |
| Property, plant and equipment        | 13           | 2,710               | 2,084          |
| Intangible assets                    | 14           | 33,842              | 34,041         |
| Receivables                          | 9            | 558                 | 498            |
| <b>Total non-current assets</b>      |              | <b>403,447</b>      | <b>295,815</b> |
| <b>Total assets</b>                  |              | <b>470,547</b>      | <b>370,963</b> |
| <b>LIABILITIES</b>                   |              |                     |                |
| <b>Current liabilities</b>           |              |                     |                |
| Bank Overdraft                       | 8            | -                   | 2,601          |
| Payables                             | 15           | 14,609              | 14,404         |
| Borrowings                           | 18           | 14,667              | -              |
| Current tax liabilities              |              | 3,782               | 2,714          |
| Provisions                           | 16           | 3,810               | 3,290          |
| Other financial liabilities          | 17           | 1,937               | 2,660          |
| <b>Total current liabilities</b>     |              | <b>38,805</b>       | <b>25,669</b>  |
| <b>Non-current liabilities</b>       |              |                     |                |
| Borrowings                           | 18           | 195,933             | 131,900        |
| Deferred tax liabilities             | 19           | 1,505               | 616            |
| Provisions                           | 16           | 103                 | 190            |
| Other financial liabilities          | 17           | 5,053               | 6,011          |
| <b>Total non-current liabilities</b> |              | <b>202,594</b>      | <b>138,717</b> |
| <b>Total liabilities</b>             |              | <b>241,399</b>      | <b>164,386</b> |
| <b>Net assets</b>                    |              | <b>229,148</b>      | <b>206,577</b> |
| <b>EQUITY</b>                        |              |                     |                |
| Contributed equity                   | 20           | 116,413             | 113,727        |
| Reserves                             | 21(a)        | 365                 | 157            |
| Retained profits                     | 21(b)        | 112,370             | 92,693         |
| <b>Total equity</b>                  |              | <b>229,148</b>      | <b>206,577</b> |

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

**Collection House Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2019**

| <b>Consolidated</b>                                          | Notes | <b>Attributable to owners of Collection House Limited</b> |                        |                                 | <b>Total equity \$'000</b> |
|--------------------------------------------------------------|-------|-----------------------------------------------------------|------------------------|---------------------------------|----------------------------|
|                                                              |       | <b>Contributed equity \$'000</b>                          | <b>Reserves \$'000</b> | <b>Retained earnings \$'000</b> |                            |
| <b>Balance at 1 July 2017</b>                                |       | <b>112,079</b>                                            | <b>(615)</b>           | <b>77,169</b>                   | <b>188,633</b>             |
| Profit for the year                                          |       | -                                                         | -                      | 26,123                          | 26,123                     |
| Other comprehensive income                                   |       | -                                                         | (77)                   | -                               | (77)                       |
| <b>Total comprehensive income for the year</b>               |       | <b>-</b>                                                  | <b>(77)</b>            | <b>26,123</b>                   | <b>26,046</b>              |
| <b>Transactions with owners in their capacity as owners:</b> |       |                                                           |                        |                                 |                            |
| Contributions of equity net of transaction costs             | 20    | 1,581                                                     | -                      | -                               | 1,581                      |
| Acquisition of treasury shares                               |       | 67                                                        | -                      | -                               | 67                         |
| Employee share rights - value of employee services           | 21    | -                                                         | 849                    | -                               | 849                        |
| Dividends provided for or paid                               | 22    | -                                                         | -                      | (10,599)                        | (10,599)                   |
|                                                              |       | <b>1,648</b>                                              | <b>849</b>             | <b>(10,599)</b>                 | <b>(8,102)</b>             |
| <b>Balance at 30 June 2018</b>                               |       | <b>113,727</b>                                            | <b>157</b>             | <b>92,693</b>                   | <b>206,577</b>             |
| <b>Balance at 1 July 2018</b>                                |       | <b>113,727</b>                                            | <b>157</b>             | <b>92,693</b>                   | <b>206,577</b>             |
| Profit for the year                                          |       | -                                                         | -                      | 30,690                          | 30,690                     |
| Other comprehensive income                                   |       | -                                                         | (642)                  | -                               | (642)                      |
| <b>Total comprehensive income for the year</b>               |       | <b>-</b>                                                  | <b>(642)</b>           | <b>30,690</b>                   | <b>30,048</b>              |
| <b>Transactions with owners in their capacity as owners:</b> |       |                                                           |                        |                                 |                            |
| 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)                   |
|                                                              |       | <b>2,686</b>                                              | <b>850</b>             | <b>(11,013)</b>                 | <b>(7,477)</b>             |
| <b>Balance at 30 June 2019</b>                               |       | <b>116,413</b>                                            | <b>365</b>             | <b>112,370</b>                  | <b>229,148</b>             |

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

**Collection House Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2019**

|                                                                           | Notes | Consolidated              |                           |
|---------------------------------------------------------------------------|-------|---------------------------|---------------------------|
|                                                                           |       | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Cash flows from operating activities</b>                               |       |                           |                           |
| Receipts from customers and debtors (inclusive of goods and services tax) |       | 213,402                   | 191,304                   |
| Payments to suppliers and employees (inclusive of goods and services tax) |       | <u>(115,625)</u>          | <u>(95,663)</u>           |
|                                                                           |       | 97,777                    | 95,641                    |
| Income taxes paid                                                         |       | <u>(10,956)</u>           | <u>(9,778)</u>            |
| <b>Net cash inflow (outflow) from operating activities</b>                | 31    | <u>86,821</u>             | <u>85,863</u>             |
| <b>Cash flows from investing activities</b>                               |       |                           |                           |
| Payments for property, plant and equipment                                |       | (1,086)                   | (431)                     |
| Payment for leasehold improvements                                        |       | (714)                     | 5                         |
| Payments for purchased debt ledgers                                       |       | <u>(132,633)</u>          | <u>(81,324)</u>           |
| Payment for equity instrument                                             |       | (8,500)                   | -                         |
| Payments for intangible assets                                            |       | <u>(2,901)</u>            | <u>(966)</u>              |
| <b>Net cash (outflow) inflow from investing activities</b>                |       | <u>(145,834)</u>          | <u>(82,716)</u>           |
| <b>Cash flows from financing activities</b>                               |       |                           |                           |
| Proceeds from borrowings                                                  |       | 78,702                    | 8,700                     |
| Repayment of borrowings                                                   |       | (837)                     | (139)                     |
| Borrowing costs                                                           |       | (1,591)                   | (1,452)                   |
| Interest paid                                                             |       | <u>(5,618)</u>            | <u>(4,550)</u>            |
| Dividends paid to Company's shareholders                                  | 22    | <u>(11,013)</u>           | <u>(10,599)</u>           |
| Proceeds from issues of shares and other equity securities                |       | 2,882                     | 1,581                     |
| Purchase of treasury shares                                               |       | <u>(300)</u>              | <u>-</u>                  |
| <b>Net cash (outflow) inflow from financing activities</b>                |       | <u>62,225</u>             | <u>(6,459)</u>            |
| <b>Net increase (decrease) in cash and cash equivalents</b>               |       | 3,212                     | (3,312)                   |
| Cash and cash equivalents at the beginning of the financial year          |       | (2,092)                   | 1,151                     |
| Effects of exchange rate changes on cash and cash equivalents             |       | <u>476</u>                | <u>69</u>                 |
| <b>Cash and cash equivalents at end of year</b>                           | 8     | <u>1,596</u>              | <u>(2,092)</u>            |
| Cash at bank and on hand                                                  |       | 1,596                     | 509                       |
| Bank Overdraft                                                            |       | <u>-</u>                  | <u>(2,601)</u>            |
| <b>Cash and cash equivalent at end of year</b>                            |       | <u>1,596</u>              | <u>(2,092)</u>            |

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

## 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 30 August 2019 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

The new standards and amendments to standards mandatory for the first time in the annual reporting period commencing 1 July 2018 do not impact amounts recognised in the current or prior period, and are not likely to affect future periods.

Refer to Note 1(z) for further details.

#### (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 3.

### (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(z)).

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.

## 1 Summary of significant accounting policies (continued)

### (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 Managing Director.

### (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 measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

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 to the extent that the performance obligation has been met, revenue benefits is expected to flow to the Group and the revenue can be reliably measured.

#### (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.

#### (v) *Dividends*

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

Revenue from dividends from other investments is recognised when received.

## 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.

## **1 Summary of significant accounting policies (continued)**

### **(f) Income tax (continued)**

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.

### **(g) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 17). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current financial liabilities and other non-current financial liabilities. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(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.

### **(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 (refer to Note 14). 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.

## 1 Summary of significant accounting policies (continued)

### (k) Trade receivables

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

#### 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.

### (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.

##### Subsequent 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 original Effective Interest Rate ("EIR"), 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.

## **1 Summary of significant accounting policies (continued)**

### **(l) Other financial assets (continued)**

#### *(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.

#### **(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.

## 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.

#### (iv) Share-based payments

Share-based compensation benefits are provided to the Chief Executive Officer via the employment agreement between the Company and the Chief Executive Officer.

## 1 Summary of significant accounting policies (continued)

### (t) Employee benefits (continued)

#### (iv) Share-based payments (continued)

Share-based compensation benefits are provided to employees other than the Chief Executive Officer 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) 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.

### (v) 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.

### (w) 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)

### (x) 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.

### (y) 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.

### (z) New accounting standards and interpretations

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

#### AASB 9 Financial Instruments

AASB 9 *Financial Instruments* ("AASB 9") addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### *Classification and measurement of financial assets and financial liabilities*

The Group adopted the classification of financial asset requirements of the standard by early adopting AASB 9 *Financial Instruments (December 2010)* ("AASB 9 (2010)") and associated amending standards. Therefore the adoption of AASB 9 has not had an impact on the Group's accounting policies relating to the classification and measurement of financial assets and financial liabilities.

#### *Impairment of financial assets*

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired ("POCI") asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a POCI asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12 month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### *Impairment of financial assets: Purchase Debt Ledgers ("PDLs")*

Due to the characteristics of the Group's investment in PDLs, they are considered POCI assets under AASB 9. The Group measures ECLs for PDLs at an amount equal to lifetime expected credit losses and are incorporated into the calculation of the Effective Interest Rate ("EIR"). Where the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original EIR, the Group recognises an impairment loss. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the favourable changes are more than the amount previously

## 1 Summary of significant accounting policies (continued)

recognised in profit or loss as an impairment loss. The estimation of ECL's includes an assessment of forward-looking economic assumptions which are determined on a probability-weighted basis based on reasonable and supportable forecasts.

For the assessment of forward-looking assumptions, the Group considers a number of indicators which impact the recoverability of PDLs and degradation of forecast expected cash flows.

The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. The Group leverages its existing cash flow models to inform these ECLs.

Upward impairments (write-ups) are increases to carrying values, discounted at the credit-adjusted EIR rate, of the acquired debt portfolios as a result of reassessments to their estimated future cash flows and are recognised in the line item impairment gains on portfolio investments at amortised cost. Any subsequent reversals to write-up are also recorded as impairment loss on portfolio investments.

### *Impairment of financial assets: Other financial assets*

The Group applies the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

The Group has applied the low credit risk exemption to cash and cash equivalents and the simplified approach to trade and other receivables. Neither of these approaches has resulted in a significant impact for the carrying value or these items, and no transition adjustment has been made to opening retained earnings.

### *Transitional impact on implementation of AASB 9*

The implementation of AASB 9 resulted in the following financial assets and liabilities being reclassified or remeasured:

- The impairment allowance for PDLs was remeasured due to the adoption of the ECL model. There was no material variance between the carrying value of the portfolio and present value of the estimated future cash flows discounted at the credit-adjusted EIR. As such, no adjustments were recorded upon transition.
- Interest income is recognised using the effective interest rate method applying a credit-adjusted EIR under AASB 9.

### *AASB 15 Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* ("AASB 15") became effective for the reporting period beginning on 1 July 2018. AASB 15 establishes a comprehensive framework for determining whether, and how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, comparative information has not been restated. Based on the Group's assessment of revenue streams, there is no impact on the Group's financial statements and no transition adjustment has been made to opening retained earnings.

Below is a summary of the major services provided and the Group's accounting policy on recognition as a result of adopting AASB 15. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

| Category                                     | Recognition | Nature and timing of satisfaction of Performance Obligations                                                                                                                                                                                                                                                                                                                                                                                                                                  | Revenue Recognition under AASB 15                                                                                                                                                                                                      | Impact of AASB 15                                                             |
|----------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Rendering of services:<br>Commission Revenue | Over time   | <p>The Group receives commissions for the provision of debt collection services. Commission structures are based on contract terms and include;</p> <ul style="list-style-type: none"> <li>• Percentage based on the value of collections;</li> <li>• Fees for collection activities;</li> <li>• Fees for full time equivalents (FTE); and</li> <li>• Fees for other collection related services.</li> </ul> <p>The Group is also entitled to receive performance incentives, bonuses and</p> | <p>Under AASB 15, income is recognised over time with the relevant measure of progress being the collections output at the end of each period.</p> <p>Re-estimation of variable consideration is completed at each reporting date.</p> | AASB 15 did not have a significant impact on the Group's accounting policies. |

## 1 Summary of significant accounting policies (continued)

|  |  |                                                                                                                                                                                 |  |  |
|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
|  |  | 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. |  |  |

### New accounting standards issued but not yet effective

#### (i) AASB 16 Leases (applicable to annual reporting periods commencing on or after 1 January 2019)

AASB 16 will result in the majority of leases being recognised on balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a lessee initially recognises and measures a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments on a present value basis taking into consideration the contractual lease period and likely periods subject to optional extension. Subsequently, a lessee measures a right-of-use asset similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. The only exceptions are short-term and low-value leases.

The Group has undergone an assessment of the impact on its consolidated financial statements. The Group will recognise right-of-use assets and lease liabilities for the operating lease agreements in place for its office premises. Based on the Group's calculations to date, the value of the lease liability on date of transition is expected to be \$40,168,890. In addition, the nature of expenses related to those leases will now change, as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group plans to apply AASB 16 initially on 1 July 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. When applying a modified retrospective approach to leases previously classified as operating leases under AASB 117, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

#### (ii) AASB 3 Business Combinations (applicable to annual reporting periods commencing on or after 1 January 2020)

The Group has elected to adopt the recent amendment to AASB3, which provides an alternative regime to simplify the assessment of whether a transaction should be accounted for as a business combination or an asset acquisition. The recent amendment 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.

No restatement to comparatives required as this will only impact transactions in the current financial year.

## 1 Summary of significant accounting policies (continued)

### (aa) 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 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 2019, 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

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

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 2019 and 2018, the Group borrowings at variable rates were denominated in Australian Dollars only.

Group finance facilities are a combination of overdraft and short-term commercial bill facilities, all of which are on a variable interest rate basis. In the current interest rate environment, this approach maximises available cash with minimal exposure to interest rate movements. All aspects of the financing arrangements, including interest rate structuring can be 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.

The Group has no interest swap arrangement in 2019 and the impact from interest rate risk is not material for the year.

## 2 Financial risk management (continued)

### (a) Market risk (continued)

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

| Consolidated                                 | 30 June 2019                     |                | 30 June 2018                     |                |
|----------------------------------------------|----------------------------------|----------------|----------------------------------|----------------|
|                                              | Weighted average interest rate % | Balance \$'000 | Weighted average interest rate % | Balance \$'000 |
| Borrowings                                   | 3.8%                             | 210,600        | 3.4%                             | 131,900        |
| Bank overdraft                               | -                                | -              | 6.7%                             | 2,601          |
| Net exposure to cash flow interest rate risk |                                  | <u>210,600</u> |                                  | <u>134,501</u> |

#### Sensitivity

At 30 June 2019, 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 \$369,000 lower/higher (2018 - change of 25 bps: \$236,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been \$369,000 lower/higher (2018 - \$236,000 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                                                |                        | Interest rate risk |               |               |               |
|-------------------------------------------------------------|------------------------|--------------------|---------------|---------------|---------------|
|                                                             |                        | -25 bps            |               | +25 bps       |               |
| 30 June 2019                                                | Carrying amount \$'000 | Profit \$'000      | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Borrowings                                                  | 210,600                | 369                | 369           | (369)         | (369)         |
| Bank Overdraft                                              | -                      | -                  | -             | -             | -             |
| <b>Total increase / (decrease) in financial liabilities</b> |                        | <u>369</u>         | <u>369</u>    | <u>(369)</u>  | <u>(369)</u>  |
|                                                             |                        |                    |               |               |               |
| Consolidated                                                |                        | Interest rate risk |               |               |               |
|                                                             |                        | -25 bps            |               | +25 bps       |               |
| 30 June 2018                                                | Carrying amount \$'000 | Profit \$'000      | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Financial liabilities                                       | 6                      | -                  | -             | (-)           | (-)           |
| Borrowings                                                  | 131,900                | 231                | 231           | (231)         | (231)         |
| Bank Overdraft                                              | 2,601                  | 5                  | 5             | (5)           | (5)           |
| <b>Total increase / (decrease) in financial liabilities</b> |                        | <u>236</u>         | <u>236</u>    | <u>(236)</u>  | <u>(236)</u>  |

## 2 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<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
|---------------------------|---------------------------|---------------------------|
| Cash and cash equivalents | 1,596                     | 509                       |
| Receivables               | 13,429                    | 20,880                    |
| Purchased debt ledgers    | 410,303                   | 313,407                   |
| Other assets              | 167                       | 42                        |
| Total financial assets    | <u>425,495</u>            | <u>334,838</u>            |

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. During the year ended 30 June 2019, no impairment charge was recognised (30 June 2018: 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 of the company based on metrics such as 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.

### (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.

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

#### Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

|                    | Consolidated              |                           |
|--------------------|---------------------------|---------------------------|
|                    | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Term debt facility | 14,400                    | 43,100                    |
| Group set off      | 12,500                    | 10,408                    |

The group set off can be drawn upon at any time and the term debt option can be drawn upon within 2 days. The group set off is repayable on demand, and the term debt is repayable at the end of the term.

The facility was subject to meeting a number of financial undertakings. The undertakings are reviewed by the Audit and Risk Management Committee quarterly, and are reported on to the finance provider bi-annually. All companies within the Group are required to notify the finance provider of any event of default as soon as it becomes aware of them.

In addition to the above 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.

#### 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 6 months        | 6 - 12 months        | Between 1 and 2 years        | Between 2 and 5 years        | Over 5 years        | Total contractual cash flows        |
|-------------------------------------------------|---------------------------|----------------------|------------------------------|------------------------------|---------------------|-------------------------------------|
| At 30 June 2019                                 | \$'000                    | \$'000               | \$'000                       | \$'000                       | \$'000              | \$'000                              |
| <b>Non-derivatives</b>                          |                           |                      |                              |                              |                     |                                     |
| Non-interest bearing                            | 14,609                    | -                    | -                            | -                            | -                   | 14,609                              |
| Fixed rate                                      | -                         | -                    | -                            | -                            | -                   | -                                   |
| Variable rate                                   | -                         | 14,667               | 12,567                       | 183,366                      | -                   | 210,600                             |
| <b>Total non-derivatives</b>                    | <b>14,609</b>             | <b>-</b>             | <b>14,667</b>                | <b>195,933</b>               | <b>-</b>            | <b>225,209</b>                      |
| <b>At 30 June 2018</b>                          | <b>Less than 6 months</b> | <b>6 - 12 months</b> | <b>Between 1 and 2 years</b> | <b>Between 2 and 5 years</b> | <b>Over 5 years</b> | <b>Total contractual cash flows</b> |
| <b>Non-derivatives</b>                          |                           |                      |                              |                              |                     |                                     |
| Non-interest bearing                            | 14,404                    | -                    | -                            | -                            | -                   | 14,404                              |
| Fixed rate                                      | 2,601                     | -                    | -                            | -                            | -                   | 2,601                               |
| Variable rate                                   | -                         | -                    | 6                            | 131,900                      | -                   | 131,906                             |
| <b>Total non-derivatives</b>                    | <b>17,005</b>             | <b>-</b>             | <b>6</b>                     | <b>131,900</b>               | <b>-</b>            | <b>148,911</b>                      |

### 3 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.

#### (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(x). 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.

## 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

| 2019                                                                                            | Collection services<br>\$'000 | Purchased debt ledgers<br>\$'000 | All other segments<br>\$'000 | Consolidated<br>\$'000 |
|-------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------|------------------------------|------------------------|
| <b>Segment revenue</b>                                                                          |                               |                                  |                              |                        |
| Sales to external customers                                                                     | 67,085                        | 140                              | -                            | 67,225                 |
| Intersegment sales                                                                              | 519                           | 191                              | (207)                        | 503                    |
| Total sales revenue                                                                             | 67,604                        | 331                              | (207)                        | 67,728                 |
| Interest and other income                                                                       | -                             | 93,329                           | -                            | 93,329                 |
| <b>Total segment revenue</b>                                                                    | <b>67,604</b>                 | <b>93,660</b>                    | <b>(207)</b>                 | <b>161,057</b>         |
| <b>Segment result</b>                                                                           |                               |                                  |                              |                        |
| <b>Segment result</b>                                                                           | <b>9,264</b>                  | <b>52,090</b>                    | <b>(10,093)</b>              | <b>51,261</b>          |
| Interest expense and borrowing costs                                                            |                               |                                  | (7,658)                      | (7,658)                |
| Profit before income tax                                                                        |                               |                                  |                              | 43,603                 |
| Income tax expense                                                                              |                               |                                  |                              | (12,913)               |
| <b>Profit for the year</b>                                                                      |                               |                                  |                              | <b>30,690</b>          |
| <b>Segment assets and liabilities</b>                                                           |                               |                                  |                              |                        |
| Segment assets                                                                                  | 56,423                        | 416,862                          | (2,738)                      | 470,547                |
| Segment liabilities                                                                             | 30,598                        | 207,722                          | (919)                        | 241,399                |
| <b>Other segment information</b>                                                                |                               |                                  |                              |                        |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets | 4,627                         | 139,033                          | -                            | 143,660                |
| Total acquisitions                                                                              |                               |                                  |                              | 143,660                |
| Depreciation and amortisation expense                                                           | 2,229                         | 1,624                            | 771                          | 4,624                  |
| Total depreciation and amortisation                                                             |                               |                                  |                              | 4,624                  |
| Other non-cash expenses                                                                         | 241                           | 80                               | 1,346                        | 1,667                  |

#### 4 Segment information (continued)

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

| 2018                                                                                            | Collection services<br>\$'000 | Purchased debt ledgers<br>\$'000 | All other segments<br>\$'000 | Consolidated<br>\$'000 |
|-------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------|------------------------------|------------------------|
| <b>Segment revenue</b>                                                                          |                               |                                  |                              |                        |
| Sales to external customers                                                                     | 68,652                        | 106                              | -                            | 68,758                 |
| Intersegment sales                                                                              | 386                           | -                                | (177)                        | 209                    |
| Total sales revenue                                                                             | 69,038                        | 106                              | (177)                        | 68,967                 |
| Interest and other income                                                                       | -                             | 74,896                           | -                            | 74,896                 |
| <b>Total segment revenue</b>                                                                    | <b>69,038</b>                 | <b>75,002</b>                    | <b>(177)</b>                 | <b>143,863</b>         |
| <b>Segment result</b>                                                                           |                               |                                  |                              |                        |
| <b>Segment result</b>                                                                           | <b>12,564</b>                 | <b>36,695</b>                    | <b>(5,887)</b>               | <b>43,372</b>          |
| Interest expense and borrowing costs                                                            |                               |                                  | (5,778)                      | (5,778)                |
| Profit before income tax                                                                        |                               |                                  |                              | 37,594                 |
| Income tax expense                                                                              |                               |                                  | (11,471)                     | (11,471)               |
| <b>Profit for the year</b>                                                                      |                               |                                  |                              | <b>26,123</b>          |
| <b>Segment assets and liabilities</b>                                                           |                               |                                  |                              |                        |
| Segment assets                                                                                  | 49,835                        | 321,618                          | (490)                        | 370,963                |
| Segment liabilities                                                                             | 28,468                        | 136,543                          | (625)                        | 164,386                |
| <b>Other segment information</b>                                                                |                               |                                  |                              |                        |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets | 1,208                         | 83,047                           | -                            | 84,255                 |
| Total acquisitions                                                                              |                               |                                  |                              | 84,255                 |
| Depreciation and amortisation expense                                                           | 3,162                         | 1,383                            | 275                          | 4,820                  |
| Total depreciation and amortisation                                                             |                               |                                  |                              | 4,820                  |
| Other non-cash expenses                                                                         | 451                           | 51,920                           | 1,071                        | 53,442                 |

##### (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 2019                                      | 30 June 2018   | 30 June 2019   | 30 June 2018   | 30 June 2019                                                                                    | 30 June 2018  |
|             | \$'000                                            | \$'000         | \$'000         | \$'000         | \$'000                                                                                          | \$'000        |
| Australia   | 148,913                                           | 138,484        | 447,845        | 358,964        | 116,058                                                                                         | 81,796        |
| New Zealand | 11,595                                            | 5,037          | 20,208         | 9,822          | 26,688                                                                                          | 2,459         |
| Philippines | 549                                               | 209            | 2,494          | 2,177          | 914                                                                                             | -             |
|             | <b>161,057</b>                                    | <b>143,730</b> | <b>470,547</b> | <b>370,963</b> | <b>143,660</b>                                                                                  | <b>84,255</b> |

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.

###### (ii) Segment margins

|                           | Collection services |              | Purchased debt ledgers |              |
|---------------------------|---------------------|--------------|------------------------|--------------|
|                           | 30 June 2019        | 30 June 2018 | 30 June 2019           | 30 June 2018 |
|                           | %                   | %            | %                      | %            |
| Margin on segment revenue | 14                  | 18           | 56                     | 49           |

##### (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<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Interest income                           | 75,419                    | 58,935                    |
| Commission                                | 67,232                    | 68,637                    |
| Gain on sale of PDLs                      | 14,500                    | 10,119                    |
| Call option income                        | 3,409                     | 5,645                     |
| Other revenue                             | 497                       | 527                       |
| <b>Revenue from continuing operations</b> | <b>161,057</b>            | <b>143,863</b>            |

## 6 Expenses

|                                                                           | Consolidated              |                           |
|---------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                           | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Profit before income tax includes the following specific expenses:</b> |                           |                           |
| <i>Depreciation</i>                                                       |                           |                           |
| Leasehold improvements, plant and equipment                               | 893                       | 897                       |
| Total depreciation                                                        | 893                       | 897                       |
| <i>Amortisation</i>                                                       |                           |                           |
| Computer software                                                         | 3,138                     | 3,018                     |
| Customer contracts                                                        | 199                       | 497                       |
| Business formation costs                                                  | -                         | 38                        |
| Stamp Duty                                                                | 394                       | 370                       |
| Total amortisation                                                        | 3,731                     | 3,923                     |
| Total depreciation and amortisation                                       | 4,624                     | 4,820                     |
| <i>Finance expenses</i>                                                   |                           |                           |
| Interest and finance charges paid/payable                                 | 7,658                     | 5,798                     |
| Amount capitalised                                                        | -                         | (20)                      |
| Finance costs expensed                                                    | 7,658                     | 5,778                     |
| <i>Rental expense relating to operating leases</i>                        |                           |                           |
| Minimum lease payments                                                    | 8,189                     | 7,666                     |
| Total rental expense relating to operating leases                         | 8,189                     | 7,666                     |

## 7 Income tax expense

|                                                                                         | <b>Consolidated</b>                |                                    |
|-----------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                         | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| <b>(a) Income tax expense</b>                                                           |                                    |                                    |
| Income tax expense - Profit from continuing operations                                  | <u>12,913</u>                      | 11,471                             |
| Income tax expense is attributable to:                                                  |                                    |                                    |
| Current tax                                                                             | 11,999                             | 11,815                             |
| Deferred tax                                                                            | 1,034                              | (523)                              |
| Under (over) provided in previous years                                                 | <u>(120)</u>                       | 179                                |
| Aggregate income tax expense                                                            | <u>12,913</u>                      | <u>11,471</u>                      |
| Deferred income tax (revenue) expense included in income tax expense comprises:         |                                    |                                    |
| Decrease (increase) in deferred tax assets (note 19)                                    | (456)                              | (277)                              |
| (Decrease) increase in deferred tax liabilities (note 19)                               | <u>1,490</u>                       | <u>(246)</u>                       |
|                                                                                         | <u>1,034</u>                       | <u>(523)</u>                       |
| <b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>    |                                    |                                    |
| Profit from continuing operations before income tax expense                             | <u>43,603</u>                      | 37,594                             |
| Tax at the Australian tax rate of 30% (2018 - 30%)                                      | <u>13,080</u>                      | 11,278                             |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                                    |                                    |
| Non-deductible expenses                                                                 | 21                                 | 228                                |
| Effect of tax rates in foreign jurisdictions                                            | 7                                  | (10)                               |
| Tax exempt (income) / loss                                                              | <u>(51)</u>                        | <u>(51)</u>                        |
|                                                                                         | <u>13,108</u>                      | 11,445                             |
| Adjustments for current tax of prior periods                                            | <u>(195)</u>                       | 26                                 |
|                                                                                         | <u>(195)</u>                       | <u>11,471</u>                      |
| Income tax expense                                                                      | <u>12,913</u>                      | <u>11,471</u>                      |

## 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:

|                                      | <b>Consolidated</b>                |                                    |
|--------------------------------------|------------------------------------|------------------------------------|
|                                      | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| Bank Overdraft                       | -                                  | (2,601)                            |
| Cash at bank and on hand             | <u>1,596</u>                       | 509                                |
| Balances per statement of cash flows | <u>1,596</u>                       | <u>(2,092)</u>                     |

### (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.

## 9 Trade and other receivables

|                                             | <b>Consolidated</b> |                |
|---------------------------------------------|---------------------|----------------|
|                                             | <b>30 June</b>      | <b>30 June</b> |
|                                             | <b>2019</b>         | <b>2018</b>    |
|                                             | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Current</b>                              |                     |                |
| <b>Net trade receivables</b>                |                     |                |
| Trade receivables                           | 6,434               | 12,253         |
| Provision for impairment of receivables (a) | (146)               | (163)          |
|                                             | <u>6,288</u>        | <u>12,090</u>  |
| Accrued revenue                             | 3,039               | 4,752          |
| Other assets                                | 938                 | 869            |
| Prepaid expenses                            | <u>2,606</u>        | <u>2,671</u>   |
|                                             | <u>12,871</u>       | <u>20,382</u>  |
| <b>Non-current</b>                          |                     |                |
| Prepaid expenses                            | <u>558</u>          | <u>498</u>     |
|                                             | <u>13,429</u>       | <u>20,880</u>  |

### (a) Impaired trade receivables

As at 30 June 2019 current trade receivables of the Group with a value of \$359,000 (2018: \$241,000) were assessed as potentially impaired. The amount of the provision was \$146,000 (2018: \$163,000). 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.

The ageing of these receivables is as follows:

|               | <b>Consolidated</b> |                |
|---------------|---------------------|----------------|
|               | <b>30 June</b>      | <b>30 June</b> |
|               | <b>2019</b>         | <b>2018</b>    |
|               | <b>\$'000</b>       | <b>\$'000</b>  |
| Over 3 months | <u>359</u>          | <u>241</u>     |
|               | <u>359</u>          | <u>241</u>     |

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

|                                                          | <b>Consolidated</b> |                |
|----------------------------------------------------------|---------------------|----------------|
|                                                          | <b>30 June</b>      | <b>30 June</b> |
|                                                          | <b>2019</b>         | <b>2018</b>    |
|                                                          | <b>\$'000</b>       | <b>\$'000</b>  |
| At 1 July                                                | 163                 | 81             |
| Provision for impairment recognised during the year      | 318                 | 449            |
| Receivables written off during the year as uncollectible | (42)                | (95)           |
| Unused amount reversed                                   | <u>(293)</u>        | <u>(272)</u>   |
|                                                          | <u>146</u>          | <u>163</u>     |

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 2019, trade receivables of the Group of \$3,735,000 (2018: \$2,109,000) 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:

|                | <b>Consolidated</b>                |                                    |
|----------------|------------------------------------|------------------------------------|
|                | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| Up to 3 months | 2,912                              | 1,383                              |
| Over 3 months  | <u>824</u>                         | <u>726</u>                         |
|                | <b>3,735</b>                       | <b>2,109</b>                       |

## 10 Purchased debt ledgers

|                                       | <b>Consolidated</b>                |                                    |
|---------------------------------------|------------------------------------|------------------------------------|
|                                       | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| Current                               | 52,466                             | 54,215                             |
| Non-current                           | <u>357,837</u>                     | <u>259,192</u>                     |
|                                       | <b>410,303</b>                     | <b>313,407</b>                     |
| <b>At beginning of year</b>           | <b>313,407</b>                     |                                    |
| Net additions                         | 74,335                             |                                    |
| ACM Group Limited *                   | 41,349                             |                                    |
| Receivables Management (NZ) Limited * | 21,331                             |                                    |
| Gross PDL Collections                 | (102,529)                          |                                    |
| Interest income                       | 75,419                             |                                    |
| Disposal of PDLs                      | (13,009)                           |                                    |
| <b>As end of year</b>                 | <b>410,303</b>                     |                                    |

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.

## 11 Other current assets

|                | Consolidated              |                           |
|----------------|---------------------------|---------------------------|
|                | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Other deposits | 167                       | 42                        |
| Current        | <u>167</u>                | <u>42</u>                 |

## 12 Equity investments

|                                    | Consolidated              |                           |
|------------------------------------|---------------------------|---------------------------|
|                                    | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Investment in Volt Corporation Ltd | 8,500                     | -                         |
|                                    | <u>8,500</u>              | <u>-</u>                  |

On 22 January 2019, the Group acquired an equity investment in Volt Corporation Ltd. The Group designated the investment above 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 investment in Volt Corporation Ltd represents the total of shares acquired (1,081,838 units) at the subscription price of \$7.857.

### 13 Property, plant and equipment

|                                | Plant and<br>equipment<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Motor Vehicles<br>\$'000 | Work-in-<br>progress<br>\$'000 | Total<br>\$'000 |
|--------------------------------|----------------------------------|-------------------------------------|--------------------------|--------------------------------|-----------------|
| <b>At 1 July 2017</b>          |                                  |                                     |                          |                                |                 |
| Cost or fair value             | 9,115                            | 5,183                               | -                        | 533                            | 14,831          |
| Accumulated depreciation       | (7,639)                          | (4,130)                             | -                        | -                              | (11,769)        |
| Net book amount                | 1,476                            | 1,053                               | -                        | 533                            | 3,062           |
| <b>Year ended 30 June 2018</b> |                                  |                                     |                          |                                |                 |
| Opening net book amount        | 1,476                            | 1,053                               | -                        | 533                            | 3,062           |
| Additions                      | 44                               | 2                                   | -                        | -                              | 46              |
| Disposals                      | (1)                              | (8)                                 | -                        | -                              | (9)             |
| Depreciation charge            | (571)                            | (325)                               | -                        | -                              | (896)           |
| Transfers                      | -                                | -                                   | -                        | (119)                          | (119)           |
| Closing net book amount        | 948                              | 722                                 | -                        | 414                            | 2,084           |
| <b>At 30 June 2018</b>         |                                  |                                     |                          |                                |                 |
| 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           |
|                                | Plant and<br>equipment<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Motor Vehicles<br>\$'000 | Work-in-<br>progress<br>\$'000 | Total<br>\$'000 |
| <b>Year ended 30 June 2019</b> |                                  |                                     |                          |                                |                 |
| 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           |
| <b>At 30 June 2019</b>         |                                  |                                     |                          |                                |                 |
| 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           |

**(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<br>\$'000 | Computer<br>software<br>\$'000 | Customer<br>contracts<br>\$'000 | Other<br>intangible<br>assets<br>\$'000 | Work-in-<br>progress –<br>cost *<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------|--------------------|--------------------------------|---------------------------------|-----------------------------------------|--------------------------------------------|-----------------|
| <b>At 1 July 2017</b>                      |                    |                                |                                 |                                         |                                            |                 |
| Cost                                       | 23,490             | 25,305                         | 2,487                           | 184                                     | 1,648                                      | 53,114          |
| Accumulated amortisation<br>and impairment | (3,763)            | (11,702)                       | (1,180)                         | (133)                                   | -                                          | (16,778)        |
| Net book amount                            | <u>19,727</u>      | <u>13,603</u>                  | <u>1,307</u>                    | <u>51</u>                               | <u>1,648</u>                               | <u>36,336</u>   |
| <b>Year ended 30 June 2018</b>             |                    |                                |                                 |                                         |                                            |                 |
| Opening net book amount                    | 19,727             | 13,603                         | 1,307                           | 51                                      | 1,648                                      | 36,336          |
| Exchange differences                       | (5)                | -                              | -                               | -                                       | -                                          | (5)             |
| Additions - internal<br>development        | -                  | 125                            | -                               | -                                       | 1,156                                      | 1,281           |
| Amortisation charge                        | -                  | (3,018)                        | (497)                           | (38)                                    | -                                          | (3,553)         |
| Impairment charge                          | -                  | -                              | -                               | -                                       | (124)                                      | (124)           |
| Disposals                                  | -                  | -                              | -                               | (13)                                    | -                                          | (13)            |
| Transfers                                  | -                  | 2,096                          | -                               | -                                       | (1,977)                                    | 119             |
| Closing net book amount                    | <u>19,722</u>      | <u>12,806</u>                  | <u>810</u>                      | <u>0</u>                                | <u>703</u>                                 | <u>34,041</u>   |
| <b>At 30 June 2018</b>                     |                    |                                |                                 |                                         |                                            |                 |
| Cost                                       | 23,490             | 27,526                         | 2,487                           | 171                                     | 827                                        | 54,501          |
| Accumulated amortisation<br>and impairment | (3,768)            | (14,720)                       | (1,677)                         | (171)                                   | (124)                                      | (20,460)        |
| Net book amount                            | <u>19,722</u>      | <u>12,806</u>                  | <u>810</u>                      | <u>-</u>                                | <u>703</u>                                 | <u>34,041</u>   |
|                                            | Goodwill<br>\$'000 | Computer<br>software<br>\$'000 | Customer<br>contracts<br>\$'000 | Other<br>intangible<br>assets<br>\$'000 | Work-in-<br>progress –<br>cost *<br>\$'000 | Total<br>\$'000 |
| <b>Year ended 30 June 2019</b>             |                    |                                |                                 |                                         |                                            |                 |
| Opening net book amount                    | 19,722             | 12,806                         | 810                             | -                                       | 703                                        | 34,041          |
| Exchange differences                       | 4                  | -                              | -                               | -                                       | -                                          | 4               |
| Additions - internal<br>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                    | <u>19,726</u>      | <u>11,965</u>                  | <u>611</u>                      | <u>-</u>                                | <u>1,540</u>                               | <u>33,842</u>   |
| <b>At 30 June 2019</b>                     |                    |                                |                                 |                                         |                                            |                 |
| Cost                                       | 23,490             | 29,785                         | 2,487                           | 171                                     | 1,664                                      | 57,597          |
| Accumulated amortisation<br>and impairment | (3,764)            | (17,820)                       | (1,876)                         | (171)                                   | (124)                                      | (23,755)        |
| Net book amount                            | <u>19,726</u>      | <u>11,965</u>                  | <u>611</u>                      | <u>-</u>                                | <u>1,540</u>                               | <u>33,842</u>   |

\* 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 financial budgets approved by management covering a five-year period, and include a terminal value calculation. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

| CGU                 | Growth rate (revenue) |                | Growth rate (expenses) |                | Discount rate * |                |
|---------------------|-----------------------|----------------|------------------------|----------------|-----------------|----------------|
|                     | 30 June 2019 %        | 30 June 2018 % | 30 June 2019 %         | 30 June 2018 % | 30 June 2019 %  | 30 June 2018 % |
| Collection services | 5.00                  | 5.00           | 3.00                   | 3.00           | 12.70           | 12.70          |

\* In performing the value-in-use calculation, the Group has applied the post-tax (2018: post-tax) discount weighted average cost of capital to discount the forecast future attributable post tax (2018: 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 (2018: 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.

## 15 Trade and other payables

|                  | Consolidated        |                     |
|------------------|---------------------|---------------------|
|                  | 30 June 2019 \$'000 | 30 June 2018 \$'000 |
| Trade payables   | 5,579               | 6,623               |
| Accrued expenses | 7,633               | 5,944               |
| Other payables   | 1,397               | 1,837               |
|                  | <u>14,609</u>       | <u>14,404</u>       |

## 16 Provisions

|                     | <b>Consolidated</b>                |                                    |
|---------------------|------------------------------------|------------------------------------|
|                     | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| <b>Current</b>      |                                    |                                    |
| Employee benefits   | 3,123                              | 2,715                              |
| Make good           | 652                                | 570                                |
| Fringe benefits tax | 35                                 | 5                                  |
|                     | <u>3,810</u>                       | <u>3,290</u>                       |
| <b>Non-current</b>  |                                    |                                    |
| Employee benefits   | 103                                | 190                                |
|                     | <u>103</u>                         | <u>190</u>                         |

### (a) Movements in provisions

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

|                                                    | <b>Make good<br/>\$'000</b> | <b>Fringe benefits<br/>tax<br/>\$'000</b> |
|----------------------------------------------------|-----------------------------|-------------------------------------------|
| <b>2019</b>                                        |                             |                                           |
| <b>Current</b>                                     |                             |                                           |
| Carrying amount at start of year                   | 570                         | 5                                         |
| - additional provisions recognised                 | 82                          | 201                                       |
| - payments / other sacrifices of economic benefits | -                           | (171)                                     |
| Carrying amount at end of year                     | <u>652</u>                  | <u>35</u>                                 |
| <b>2018</b>                                        |                             |                                           |
| <b>Current</b>                                     |                             |                                           |
| Carrying amount at start of year                   | 570                         | 47                                        |
| - additional provisions recognised                 | -                           | 149                                       |
| - payments / other sacrifices of economic benefits | -                           | (191)                                     |
| Carrying amount at end of year                     | <u>570</u>                  | <u>5</u>                                  |

### (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<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Current</b>                          |                           |                           |
| Finance lease liabilities               | -                         | 6                         |
| Lease incentive liabilities             | 572                       | 572                       |
| Other current financial liabilities     | <u>1,365</u>              | <u>2,082</u>              |
|                                         | <u>1,937</u>              | <u>2,660</u>              |
| <b>Non-current</b>                      |                           |                           |
| Lease incentive liabilities             | 5,053                     | 5,197                     |
| Other non-current financial liabilities | <u>-</u>                  | <u>814</u>                |
|                                         | <u>5,053</u>              | <u>6,011</u>              |

## 18 Borrowings

|                          | Consolidated              |                           |
|--------------------------|---------------------------|---------------------------|
|                          | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Secured</b>           |                           |                           |
| Bank loans – current     | 14,667                    | -                         |
| Bank loans – non-current | <u>195,933</u>            | <u>131,900</u>            |
| Total secured borrowings | <u>210,600</u>            | <u>131,900</u>            |

### (a) Secured liabilities and assets pledged as security

|                                               | Consolidated              |                           |
|-----------------------------------------------|---------------------------|---------------------------|
|                                               | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| The total secured liabilities are as follows: |                           |                           |
| Bank loans – current                          | 14,667                    | -                         |
| Bank loans - non-current                      | <u>195,933</u>            | <u>131,900</u>            |
| Total secured liabilities                     | <u>210,600</u>            | <u>131,900</u>            |

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:

|                                              |       | Consolidated    |                 |
|----------------------------------------------|-------|-----------------|-----------------|
|                                              |       | 30 June<br>2019 | 30 June<br>2018 |
|                                              | Notes | \$'000          | \$'000          |
| <b>Current</b>                               |       |                 |                 |
| <i>Floating charge</i>                       |       |                 |                 |
| Cash and cash equivalents                    | 8     | 1,596           | 509             |
| Receivables                                  | 9     | 12,871          | 20,382          |
| Purchased debt ledgers                       | 10    | 52,466          | 54,215          |
| Total current assets pledged as security     |       | <u>66,933</u>   | <u>75,106</u>   |
| <b>Non-current</b>                           |       |                 |                 |
| <i>Floating charge</i>                       |       |                 |                 |
| Receivables                                  | 9     | 558             | 498             |
| Purchased debt ledgers                       | 10    | 357,837         | 259,192         |
| Plant and equipment                          | 13    | 2,710           | 2,084           |
| Total non-current assets pledged as security |       | <u>361,105</u>  | <u>261,774</u>  |
| Total assets pledged as security             |       | <u>428,038</u>  | <u>336,880</u>  |

### (b) Fair value

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

| Group                                   | 30 June<br>2019              |                      | 30 June<br>2018              |                      |
|-----------------------------------------|------------------------------|----------------------|------------------------------|----------------------|
|                                         | Carrying<br>amount<br>\$'000 | Fair value<br>\$'000 | Carrying<br>amount<br>\$'000 | Fair value<br>\$'000 |
| <b>On-balance sheet (i)</b>             |                              |                      |                              |                      |
| <i>Non-traded financial liabilities</i> |                              |                      |                              |                      |
| Bank loans – current                    | 14,667                       | 14,667               | -                            | -                    |
| Bank loans – non-current                | <u>195,933</u>               | <u>195,933</u>       | <u>131,900</u>               | <u>131,900</u>       |
|                                         | <u>210,600</u>               | <u>210,600</u>       | <u>131,900</u>               | <u>131,900</u>       |

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, however the overall facility is classified as non-current, as it is not due for renewal until January 2020.

### (c) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 2.

## 19 Deferred tax balances

**Consolidated**  
**30 June**      **30 June**  
**2019**      **2018**  
**\$'000**      **\$'000**

### (a) Deferred tax assets

The balance comprises temporary differences attributable to:

|                                                                        |                |                |
|------------------------------------------------------------------------|----------------|----------------|
| Tax losses                                                             | 161            | 73             |
| Provisions and employee benefits                                       | 1,578          | 1,356          |
| Lease incentives                                                       | 1,688          | 1,731          |
| Accruals                                                               | 77             | 80             |
| Share based payments                                                   | 156            | -              |
| Doubtful debts                                                         | 44             | 49             |
| Future deductible windup costs                                         | -              | -              |
| Other                                                                  | -              | (41)           |
|                                                                        | <u>3,704</u>   | <u>3,248</u>   |
| Set-off of deferred tax liabilities pursuant to set-off provisions (b) | <u>(3,704)</u> | <u>(3,248)</u> |
| Net deferred tax assets                                                | <u>-</u>       | <u>-</u>       |

### Movements:

|                                                       |              |              |
|-------------------------------------------------------|--------------|--------------|
| Opening balance at 1 July                             | 3,248        | 2,971        |
| Credited / (charged) to the income statement (note 7) | <u>456</u>   | <u>277</u>   |
| Closing balance at 30 June                            | <u>3,704</u> | <u>3,248</u> |

| Movements – Consolidated | Tax losses<br>\$'000 | Provisions and employee<br>benefits<br>\$'000 | Lease<br>incentive<br>\$'000 | Accruals<br>\$'000 | Share based<br>payments<br>\$'000 | Doubtful debts<br>\$'000 | Total<br>\$'000 |
|--------------------------|----------------------|-----------------------------------------------|------------------------------|--------------------|-----------------------------------|--------------------------|-----------------|
| At 30 June 2017          | 190                  | 1,185                                         | 1,509                        | 47                 | -                                 | 24                       | 2,971           |
| - to profit or loss      | (117)                | 171                                           | 222                          | 33                 | -                                 | 25                       | 277             |
| At 30 June 2018          | 73                   | 1,356                                         | 1,731                        | 80                 | -                                 | 49                       | 3,248           |
|                          |                      |                                               |                              |                    |                                   |                          |                 |
| Movements – Consolidated | Tax losses<br>\$'000 | Provisions and employee<br>benefits<br>\$'000 | Lease<br>incentive<br>\$'000 | Accruals<br>\$'000 | Share based<br>payments<br>\$'000 | Doubtful debts<br>\$'000 | Total<br>\$'000 |
| At 30 June 2018          | 73                   | 1,356                                         | 1,731                        | 80                 | -                                 | 49                       | 3,289           |
| - to profit or loss      | 88                   | 222                                           | (43)                         | (3)                | 156                               | (5)                      | 415             |
| At 30 June 2019          | 161                  | 1,578                                         | 1,688                        | 77                 | 156                               | 44                       | 3,704           |
|                          |                      |                                               |                              |                    |                                   |                          |                 |

## 19 Deferred tax balances (continued)

**Consolidated**  
**30 June**      **30 June**  
**2019**      **2018**  
**\$'000**      **\$'000**

### (b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

|                                                                            |                    |                    |
|----------------------------------------------------------------------------|--------------------|--------------------|
| Property, plant and equipment                                              | 2,600              | 3,115              |
| Purchased debt                                                             | 2,602              | 743                |
| Prepayments                                                                | 7                  | 6                  |
| Other                                                                      | -                  | -                  |
|                                                                            | <u>5,209</u>       | <u>3,864</u>       |
| <br>Total deferred tax liabilities                                         | <br><u>5,209</u>   | <br><u>3,864</u>   |
| <br>Set-off of deferred tax liabilities pursuant to set-off provisions (a) | <br><u>(3,704)</u> | <br><u>(3,248)</u> |
| Net deferred tax liabilities                                               | <u>1,505</u>       | <u>616</u>         |

**Consolidated**  
**30 June**      **30 June**  
**2019**      **2018**  
**\$'000**      **\$'000**

### Movements:

|                                                       |              |              |
|-------------------------------------------------------|--------------|--------------|
| Opening balance at 1 July                             | 3,864        | 4,110        |
| Charged / (credited) to the income statement (note 7) | 1,345        | (246)        |
| Closing balance at 30 June                            | <u>5,209</u> | <u>3,864</u> |

| <b>Movements - Consolidated</b> | <b>Property,<br/>plant and<br/>equipment<br/>\$'000</b> | <b>Purchased<br/>debt<br/>\$'000</b> | <b>Prepayments<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---------------------------------|---------------------------------------------------------|--------------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>At 30 June 2017</b>          | 3,451                                                   | 653                                  | 6                             | -                       | 4,110                   |
| - to profit or loss             | (336)                                                   | 90                                   | -                             | -                       | (246)                   |
| <b>At 30 June 2018</b>          | <u>3,115</u>                                            | <u>743</u>                           | <u>6</u>                      | <u>-</u>                | <u>3,864</u>            |
| <b>Movements - Consolidated</b> | <b>Property,<br/>plant and<br/>equipment<br/>\$'000</b> | <b>Purchased<br/>debt<br/>\$'000</b> | <b>Prepayments<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>At 30 June 2018</b>          | 3,115                                                   | 743                                  | 6                             | -                       | 3,864                   |
| - to profit or loss             | (515)                                                   | 1,859                                | 1                             | -                       | 1,345                   |
| <b>At 30 June 2019</b>          | <u>2,600</u>                                            | <u>2,602</u>                         | <u>7</u>                      | <u>-</u>                | <u>5,209</u>            |

## 20 Contributed equity

|                              | Company            |                    | Company        |                |
|------------------------------|--------------------|--------------------|----------------|----------------|
|                              | 2019<br>Shares     | 2018<br>Shares     | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>(a) Share capital</b>     |                    |                    |                |                |
| Ordinary shares – fully paid | 139,279,060        | 137,152,058        | 117,077        | 114,195        |
| Treasury shares              | (467,482)          | (354,286)          | (664)          | (468)          |
| Total contributed equity     | <u>138,822,752</u> | <u>136,797,772</u> | <u>116,413</u> | <u>113,727</u> |

### (b) Movements in ordinary share capital

Issues of ordinary shares during the year

| Date            | Details                                         | Number of<br>shares | \$'000         |
|-----------------|-------------------------------------------------|---------------------|----------------|
| 1 July 2017     | Opening balance                                 | 135,889,764         | 112,614        |
| 29 March 2018   | Dividend reinvestment plan issues               | 1,262,294           | 1,589          |
|                 | Less: Transaction costs arising on share issues | -                   | (8)            |
| 30 June 2018    | Closing balance                                 | <u>137,152,058</u>  | <u>114,195</u> |
| 1 July 2017     | 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                                 | <u>139,279,060</u>  | <u>117,077</u> |

### (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.

### (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 risk 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 undrawn 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 undrawn balances to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements can be met. By maintaining a buffer of undrawn funds, the Company reduces 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 2.

Quantitative analyses are conducted by management using contributed equity balances shown above together with the drawn and undrawn loan balances disclosed in note 2.

As part of the financing facility, the Company is required to monitor a number of financial indicators as specified by the financiers. The Group monitors the indicators on a monthly basis and reports to the funding providers every six months.

This strategy was followed during both the 2019 and 2018 financial years.

## 21 Reserves and retained earnings

### (a) Reserves

|                                      | Consolidated              |                           |
|--------------------------------------|---------------------------|---------------------------|
|                                      | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Share-based payments reserve         | 2,472                     | 1,622                     |
| Foreign currency translation reserve | (2,107)                   | (1,465)                   |
|                                      | <u>365</u>                | <u>157</u>                |

#### Movements:

##### Share-based payments reserve

|                 |              |              |
|-----------------|--------------|--------------|
| Balance 1 July  | 1,622        | 773          |
| Rights expense  | 850          | 849          |
| Balance 30 June | <u>2,472</u> | <u>1,622</u> |

| Consolidated              |                           |
|---------------------------|---------------------------|
| 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |

#### Movements:

##### Foreign currency translation reserve

|                                                          |                |                |
|----------------------------------------------------------|----------------|----------------|
| Balance 1 July                                           | (1,465)        | (1,388)        |
| Currency translation differences arising during the year | (642)          | (77)           |
| Balance 30 June                                          | <u>(2,107)</u> | <u>(1,465)</u> |

### (b) Retained earnings

Movements in retained earnings were as follows:

|                         | Consolidated              |                           |
|-------------------------|---------------------------|---------------------------|
|                         | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Balance 1 July          | 92,693                    | 77,169                    |
| Net profit for the year | 30,690                    | 26,123                    |
| Dividends               | (11,013)                  | (10,599)                  |
| Balance 30 June         | <u>112,370</u>            | <u>92,693</u>             |

### (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.

## 22 Dividends

| <b>Consolidated</b> |                |
|---------------------|----------------|
| <b>30 June</b>      | <b>30 June</b> |
| <b>2019</b>         | <b>2018</b>    |
| <b>\$'000</b>       | <b>\$'000</b>  |

### (a) Ordinary shares

|                                                                                                         |               |               |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|
| Fully franked final dividend for the year ended 30 June 2018 – 3.9 cents per share (2017 – 3.9 cents)   | 5,348         | 5,300         |
| Fully franked interim dividend for the year ended 30 June 2019 – 4.1 cents per share (2018 – 3.9 cents) | 5,665         | 5,299         |
|                                                                                                         | <u>11,013</u> | <u>10,599</u> |

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2019 and 2018 were as follows:

|                                                |               |               |
|------------------------------------------------|---------------|---------------|
| Paid in cash                                   | 8,116         | 9,018         |
| Satisfied under the Dividend Reinvestment Plan | 2,897         | 1,581         |
|                                                | <u>11,013</u> | <u>10,599</u> |

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

In addition to the above dividends, since year end the directors have recommended the payment of a fully franked final dividend of 4.1 cents per fully paid ordinary share (2018 – 3.9 cents, fully franked). The aggregate amount of the proposed dividend expected to be paid on 25 October 2019 out of retained profits and a positive net balance sheet at 30 June 2019, but not recognised as a liability at year end, is

|              |              |
|--------------|--------------|
| 5,710        | 5,349        |
| <u>5,710</u> | <u>5,349</u> |

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2019.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

| <b>Consolidated</b> |                |
|---------------------|----------------|
| <b>30 June</b>      | <b>30 June</b> |
| <b>2019</b>         | <b>2018</b>    |
| <b>\$'000</b>       | <b>\$'000</b>  |

Franking credits available for subsequent financial years based on a tax rate of 30% (2018 - 30%)

|               |               |
|---------------|---------------|
| 48,178        | 42,083        |
| <u>48,178</u> | <u>42,083</u> |

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:

|                                                                 | <b>Consolidated</b>            |                                |
|-----------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                 | <b>30 June<br/>2019<br/>\$</b> | <b>30 June<br/>2018<br/>\$</b> |
| <b>Audit and review services</b>                                |                                |                                |
| <b>(a) Auditors of the Company – KPMG</b>                       |                                |                                |
| Audit and review of the financial statements                    | 258,280                        | 278,465                        |
| Other regulatory audit services                                 | <u>69,800</u>                  | <u>68,470</u>                  |
| <b>Total auditors' remuneration</b>                             | <u><b>328,080</b></u>          | <u><b>346,935</b></u>          |
| <br>                                                            |                                |                                |
| <b>(b) Other auditors – Villaruz, Villaruz &amp; Co ("VVC")</b> |                                |                                |
| Audit and review of the financial statements - Manila           | 5,105                          | 3,898                          |
| <b>Total auditors' remuneration</b>                             | <u><b>5,105</b></u>            | <u><b>3,898</b></u>            |
| <br>                                                            |                                |                                |
| <b>Other services</b>                                           |                                |                                |
| <b>Auditors of the Company – KPMG</b>                           |                                |                                |
| In relation to accounting advice and due diligence services     | 196,690                        | 47,962                         |
| In relation to taxation services                                | <u>120,700</u>                 | <u>200,393</u>                 |
|                                                                 | <u><b>317,390</b></u>          | <u><b>248,355</b></u>          |

## 24 Contingencies

### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2019 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 \$6,732,334 (2018: \$6,032,045). 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:

|                                                    | <b>Consolidated</b>                |                                    |
|----------------------------------------------------|------------------------------------|------------------------------------|
|                                                    | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| Within one year                                    | <b>38,387</b>                      | 32,040                             |
| Later than one year, but not later than five years | <b>4,616</b>                       | 210                                |
|                                                    | <b>43,003</b>                      | <b>32,250</b>                      |

### (b) Non-cancellable operating leases

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

|                                                                                                                | <b>Consolidated</b>                |                                    |
|----------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                                                | <b>30 June<br/>2019<br/>\$'000</b> | <b>30 June<br/>2018<br/>\$'000</b> |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                                    |                                    |
| Within one year                                                                                                | <b>3,236</b>                       | 6,684                              |
| Later than one year but not later than five years                                                              | <b>31,605</b>                      | 25,906                             |
| Later than five years                                                                                          | <b>5,328</b>                       | 20,548                             |
|                                                                                                                | <b>40,169</b>                      | <b>53,138</b>                      |

**(c) Non-cancellable finance leases**

The Group leases items of plant and equipment and intangibles under finance leases expiring within three years.

|                                                                                                              | <b>Consolidated</b> |                |
|--------------------------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                                              | <b>30 June</b>      | <b>30 June</b> |
|                                                                                                              | <b>2019</b>         | <b>2018</b>    |
|                                                                                                              | <b>\$'000</b>       | <b>\$'000</b>  |
| Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows: |                     |                |
| Within one year                                                                                              | -                   | 6              |
| Later than one year but not later than five years                                                            | -                   | -              |
| Later than five years                                                                                        | -                   | -              |
| Minimum lease payments                                                                                       | -                   | -              |
| Less: Future finance charges                                                                                 | -                   | -              |
| Recognised as a liability                                                                                    | -                   | 6              |

## **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**

|                              | <b>Consolidated</b>     |                  |
|------------------------------|-------------------------|------------------|
|                              | <b>30 June</b>          | <b>30 June</b>   |
|                              | <b>2019</b>             | <b>2018</b>      |
|                              | <b>\$</b>               | <b>\$</b>        |
| Short-term employee benefits | <b>2,479,189</b>        | 1,877,336        |
| Post-employment benefits     | <b>183,028</b>          | 127,687          |
| Other long-term benefits     | <b>54,049</b>           | 58,375           |
| Termination benefits         | <b>208,938</b>          | -                |
| Share-based payments         | <b>565,295</b>          | 605,450          |
|                              | <b><u>3,490,499</u></b> | <u>2,668,848</u> |

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 12 to 27.

### **(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<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Balance sheet</b>                                                    |                           |                           |
| Current assets                                                          | 6,612                     | 9,334                     |
| Non-current assets                                                      | <u>431,439</u>            | <u>338,436</u>            |
| Total assets                                                            | <u>438,051</u>            | <u>347,770</u>            |
|                                                                         |                           |                           |
| Current liabilities                                                     | 26,790                    | 22,144                    |
| Non-current liabilities                                                 | <u>248,695</u>            | <u>174,451</u>            |
| Total liabilities                                                       | <u>275,485</u>            | <u>196,595</u>            |
|                                                                         |                           |                           |
| <i>Shareholders' equity</i>                                             |                           |                           |
| Contributed equity                                                      | 116,413                   | 113,727                   |
| Reserves                                                                | 2,475                     | 1,625                     |
| Retained earnings                                                       | <u>43,677</u>             | <u>35,823</u>             |
| Capital and reserves attributable to owners of Collection House Limited | <u>162,565</u>            | <u>151,175</u>            |
|                                                                         |                           |                           |
| <b>Profit or loss for the year</b>                                      | <u>18,868</u>             | <u>20,380</u>             |
|                                                                         |                           |                           |
| <b>Total comprehensive income</b>                                       | <u>18,868</u>             | <u>20,380</u>             |

### (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):

|                                                                 | 2019<br>% | 2018<br>% |
|-----------------------------------------------------------------|-----------|-----------|
| Parent and Ultimate Parent company:<br>Collection House Limited |           |           |
| <b>Controlled entities - incorporated in Australia</b>          |           |           |
| Safe Horizons Pty Ltd (formerly Cashflow 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       |
| <b>Controlled entities - incorporated in New Zealand</b>        |           |           |
| Collection House (NZ) Limited                                   | 100       | 100       |
| Lion Finance Limited                                            | 100       | 100       |
| Receivables Management (NZ) Limited                             | 100       | -         |
| Receivables Management (International) Limited                  | 100       | -         |
| Creditnet International Limited                                 | 100       | -         |
| Receivables Finance Limited                                     | 100       | -         |
| Southern Receivables Limited **                                 | 100       | -         |
| R.J.K Receivables Limited **                                    | 100       | -         |
| Allied Recoveries Limited **                                    | 100       | -         |
| <b>Controlled entities - incorporated in Philippines</b>        |           |           |
| 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 per share

|                                                                                                                                                   | Consolidated              |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                                                                                   | 30 June<br>2019<br>Cents  | 30 June<br>2018<br>Cents  |
| <b>(a) Basic earnings per share</b>                                                                                                               |                           |                           |
| From continuing operations attributable to the ordinary equity holders of the Company                                                             | 22.3                      | 19.2                      |
| Total basic earnings per share attributable to the ordinary equity holders of the Company                                                         | <u>22.3</u>               | <u>19.2</u>               |
| <b>(b) Diluted earnings per share</b>                                                                                                             |                           |                           |
| From continuing operations attributable to the ordinary equity holders of the Company                                                             | 22.0                      | 18.8                      |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company                                                       | <u>22.0</u>               | <u>18.8</u>               |
| <b>(c) Reconciliations of earnings used in calculating earnings per share</b>                                                                     |                           |                           |
|                                                                                                                                                   | Consolidated              |                           |
|                                                                                                                                                   | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <i>Basic earnings per share</i>                                                                                                                   |                           |                           |
| Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share                                    | 30,690                    | 26,123                    |
|                                                                                                                                                   | <u>30,690</u>             | <u>26,123</u>             |
| <i>Diluted earnings per share</i>                                                                                                                 |                           |                           |
| Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share                                  | 30,690                    | 26,123                    |
|                                                                                                                                                   | <u>30,690</u>             | <u>26,123</u>             |
| <b>(d) Weighted average number of shares used as the denominator</b>                                                                              |                           |                           |
|                                                                                                                                                   | Consolidated              |                           |
|                                                                                                                                                   | 30 June<br>2019<br>Number | 30 June<br>2018<br>Number |
| <i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>                                 | 137,637,841               | 135,831,985               |
| Adjustments for calculation of diluted earnings per share:                                                                                        |                           |                           |
| Performance Rights                                                                                                                                | 1,972,323                 | 3,281,896                 |
| <i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i> | <u>139,610,164</u>        | <u>139,113,881</u>        |

### (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 are 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 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.

|                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |            |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|                                                                                                           | PR2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |
| Effective date                                                                                            | 1 July 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |
| Earliest possible Vesting date                                                                            | The performance rights cannot vest earlier than the Test Date <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |            |
| Performance hurdles based on the satisfactory achievement of performance conditions approved by the Board | Performance Conditions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | % off Pool |
|                                                                                                           | Compound EPS growth over performance period of:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |            |
|                                                                                                           | 0% to 5.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Nil        |
|                                                                                                           | 5.01% to 7.50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 33.33%     |
|                                                                                                           | 7.51% to 10%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 66.66%     |
|                                                                                                           | More than 10.01%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100%       |
|                                                                                                           | Performance between 5% to 10% will be assessed on a sliding scale basis up to a maximum of 341,071 shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |            |
| Exercise conditions and Vesting Date                                                                      | <p>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.</p> <p>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:</p> <p>(a) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied;</p> <p>(b) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and</p> <p>(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,</p> <p>and shall provide written notification to each eligible employee as to that determination.</p> |            |
| Exercise price                                                                                            | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |
| Expiry date                                                                                               | <p>30 September 2020</p> <p>A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:</p> <p>(a) where Performance Hurdles have not been satisfied as at the relevant Test Date;</p> <p>(b) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date;</p> <p>(c) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and</p> <p>(d) 30 September 2020.</p>                                                                                                                                                                                                                                                                                                                                                  |            |
| 5 Day volume weighted average Share price                                                                 | \$1.5404                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |

<sup>(1)</sup> 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)

During the reporting period ending 30 June 2017, 3,747,550 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 PR2017.

|                                                                                                           | PR2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                   |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Effective date                                                                                            | 1 July 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                   |
| Earliest possible Vesting date                                                                            | The performance rights cannot vest earlier than the Test Date <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
| Performance hurdles based on the satisfactory achievement of performance conditions approved by the Board | <b>Performance Conditions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>% off Pool</b> |
|                                                                                                           | Compound EPS growth over performance period of:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |
|                                                                                                           | 0% to 5.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Nil               |
|                                                                                                           | 5.01% to 7.50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 33.33%            |
|                                                                                                           | 7.51% to 10%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 66.66%            |
|                                                                                                           | More than 10.01%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 100%              |
|                                                                                                           | Performance between 5% to 10% will be assessed on a sliding scale basis up to a maximum of 3,747,550 shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
| Exercise conditions and Vesting Date                                                                      | <p>The Performance Rights Test Date will be 30 June 2019 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved.</p> <p>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:</p> <ul style="list-style-type: none"> <li>(d) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied;</li> <li>(e) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and</li> <li>(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,</li> </ul> <p>and shall provide written notification to each eligible employee as to that determination.</p> |                   |
| Exercise price                                                                                            | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |
| Expiry date                                                                                               | <p>30 September 2019</p> <p>A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:</p> <ul style="list-style-type: none"> <li>(e) where Performance Hurdles have not been satisfied as at the relevant Test Date;</li> <li>(f) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date;</li> <li>(g) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and</li> <li>(h) 30 September 2019.</li> </ul>                                                                                                                                                                                                                                                                                                                                                |                   |
| 5 Day volume weighted average Share price                                                                 | \$1.2945                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |

<sup>(1)</sup> Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2017, the Test Date will be 30 June 2019.

### 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 – 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                  | -                                      |

| 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 – 2018 |                   |                |                              |                         |                        |                        |                            |                                        |
| 1 July 2016    | 30 September 2019 | Nil            | 3,260,657                    | -                       | -                      | 47,524                 | 3,213,133                  | -                                      |
| 1 July 2017    | 30 September 2020 | Nil            | -                            | 341,071                 | -                      | -                      | 341,071                    | -                                      |
| Total          |                   |                | 3,260,657                    | 341,071                 | -                      | 47,524                 | 3,554,204                  | -                                      |

#### 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

Last year, 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 28 September 2018 was 133,390. The trade price of the shares issued as at grant date was \$1.61, and the shares had a grant date fair value of \$1.58.

#### (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<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Performance rights plan                                      | 620                       | 599                       |
| Deferred shares – CEO short-term incentive                   | 124                       | 80                        |
| Employee share plan                                          | 107                       | 237                       |
| Total expenses arising from share-based payment transactions | 851                       | 916                       |

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

|                                                              | Consolidated  |               |
|--------------------------------------------------------------|---------------|---------------|
|                                                              | 30 June       | 30 June       |
|                                                              | 2019          | 2018          |
|                                                              | \$'000        | \$'000        |
| Profit for the year                                          | 30,690        | 26,123        |
| Depreciation and amortisation                                | 6,326         | 7,439         |
| Amortisation of purchased debt ledgers                       | 42,041        | 51,807        |
| Asset write offs                                             | 29            | 211           |
| Non-cash employee benefits expense - share-based payments    | 955           | 916           |
| Provision for doubtful debts                                 | (18)          | 83            |
| Other non-cash expenses                                      | 411           | 124           |
| Borrowing costs                                              | 1,591         | 1,452         |
| Interest paid                                                | 6,067         | 4,326         |
| <i>Change in operating assets and liabilities</i>            |               |               |
| (Increase) / decrease in trade debtors and bills of exchange | 749           | (1,913)       |
| (Increase) / decrease in sundry debtors                      | 3,910         | (6,638)       |
| (Increase) / decrease in other non-current assets            | (7,720)       | (2,988)       |
| Increase / (decrease) in trade creditors                     | (1,043)       | 2,695         |
| Increase / (decrease) in sundry creditors and accruals       | 876           | 533           |
| Increase / (decrease) in current tax liability               | 1,068         | 2,211         |
| Increase / (decrease) in deferred tax liabilities            | 889           | (518)         |
| Net cash inflow (outflow) from operating activities          | <u>86,821</u> | <u>85,863</u> |

### 32 Events occurring after the reporting period

#### (a) Dividend

A fully franked final dividend of 4.1 cents, totalling \$5.7 million, has been declared, payable on 25 October 2019. No provision has been raised in these accounts for this amount.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 87 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 2019 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  
30 August 2019



# 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 2019 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 2019;
- 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* (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.

### 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.

## Value of the Purchased Debt Ledger portfolio (\$410,303,000)

Refer to **Note 10** to the Financial Report

| The key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Purchased Debt Ledgers (PDL) portfolio recognised by the Group consists of a portfolio of credit-impaired receivables. We consider this a key audit matter given the:</p> <ul style="list-style-type: none"> <li>• significance of the PDLs to the Group's financial position;</li> <li>• valuation of PDLs is a complex area and we are required to exercise a high level of judgement in considering the recoverability of the carrying value of PDLs; and</li> <li>• the Group has invested considerable time and effort in developing its PDL impairment model during the year.</li> </ul> <p>The Group utilises a PDL impairment model for the purpose of calculating the present value of the PDLs. Under AASB 9 <i>Financial Instruments</i> a PDL is considered to be purchased or originated credit-impaired financial assets and at each reporting date, the Group recognises in profit or loss the estimated change in lifetime expected credit losses (ECL) as an impairment gain or loss. Favourable changes in lifetime ECL are recognised as an impairment gain. Favourable changes arise when actual cash collections exceed those initially forecast for the portfolio. For example, this could include higher collections from payment arrangements or legal action compared to what was anticipated when the portfolio was acquired. An impairment loss arises when there is a deficiency in cash collections compared to that initially forecast and reflected in the credit-adjusted effective interest rate (EIR).</p> <p>The PDL impairment model incorporates a number of judgements such as the following specific recoverability characteristics of PDLs:</p> <ul style="list-style-type: none"> <li>• age and type of debt (i.e. utilities, credit card, personal loan);</li> <li>• payment history and the current repayment status of customers;</li> <li>• historical debt collection statistics and the credit-adjusted effective interest rate;</li> <li>• future collection estimates generated using a combination of both internal and external information; and</li> <li>• estimated term to maturity.</li> </ul> <p>We focused on the significant assumptions applied in the impairment model, including the Group's assumptions at which expected cash flows will be recovered from customers and</p> | <p>Working with our valuation and modelling specialists, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Testing key internal controls in the debt collection process, including the collection call centre process and related information technology system controls.</li> <li>• Challenging assumptions used by the Group in determining the value of the PDL portfolio, with a view to identifying areas of management bias. Our challenge of key assumptions was based on: <ul style="list-style-type: none"> <li>– the accuracy of previous estimates applied by the Group in the prior year model, including debt collection forecasting, credit-adjusted effective interest rate, and estimated PDL life, when compared to actual historical data;</li> <li>– identifying unusual ratios and trends in key estimates when compared to actual historical experience;</li> <li>– analysing the credit-adjusted effective interest rate applied by comparing with historical cash collections and amortisation rates; and</li> <li>– assessing forecast collection estimates by performing sensitivity analysis and for a sample of PDLs, compared their classification type to the underlying account history and characteristics.</li> </ul> </li> </ul> |



implicit interest rate ("credit-adjusted effective interest rate").

We involved our specialists in the areas of valuation, model logic and integrity and various cash flow assumptions when assessing this Key Audit Matter.

## 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2019, 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 2019.

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

KPMG

Scott Guse  
Partner

Brisbane  
30 August 2019