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Collection House Limited ABN 74 010 230 716

ASX final report for the year ended 30 June 2021

Lodged with the ASX under listing Rule 4.3A

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Collection House Limited
Appendix 4E

Reporting Period: year ended 30 June 2021
Previous corresponding period: year ended 30 June 2020

Results for announcement to the market

All comparisons to year ended 30 June 2021	$'000	Up/down	Percentage change
Revenue from ordinary activities	**75,327**	down	(50.3%)
Loss from continuing activities after tax attributable to members	**(31,990)**	up	77.9%
Net loss for the period attributable to members	**(31,990)**	up	77.9%

Dividends

No dividend has been paid or declared for the years ended 30 June 2021 and 30 June 2020.

Explanation of results

Refer to accompanying Director's Report and Financial Statements for commentary on the above results.

Net tangible assets

	30 June 2021	30 June 2020
Net tangible asset backing per ordinary share	(28.30)	(16.64)

Compliance statement

This report is based upon financial statements which have been audited.

Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Corporate Directory

Directors

Leigh Berkley	Chairman (Non-Executive)
Michael Knox	Director (Non-Executive)
Sandra Birkensleigh	Director (Non-Executive)
Catherine McDowell	Director (Non-Executive)

Company Secretary

Jonathon Idas

Executive Leadership Team

Doug McAlpine	Chief Executive Officer Company Secretary (resigned 10 November 2020)
Lynda Morris	Chief Financial Officer (resigned 30 June 2021)
Peter Gunn	Chief Financial Officer (appointed 1 July 2021)
Jonathan Idas	Chief Legal Officer Company Secretary (appointed 10 November 2020)
Anand Adusumilli	Chief Data Scientist
Denica Saunders	Chief Operating Officer
Nathan Johnston	Chief Technology Officer
Stephen Parrish	Chief People Officer (resigned 14 May 2021)

Main contact

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Company Secretary
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Principal registered office in Australia

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Share register

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T: 1300 850 505
F: +61 7 3237 2152
W: www.computershare.com.au

Auditor

KPMG
71 Eagle Street
Brisbane QLD 4000

Stock exchange listing

Collection House Limited shares are listed on the Australia Securities Exchange (ASX). The home exchange is Sydney.

ASX code

CLH

Directors' Report

for the year ended 30 June 2021

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 2021.

Directors

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

- Leigh Berkley - Chairman
- Michael Knox
- Sandra Birkensleigh
- Catherine McDowell

Leigh Berkley	**Independent, Chairman.**
Experience	Having qualified as a Chartered Accountant, Mr Berkley has more than 30 years' experience in the collections and debt purchase industry, is a past President of the Credit Services Association (CSA) in the UK and assisted the Australian Collectors & Debt Buyers Association (ACDBA) develop their Code of Practice. Having been granted Australian permanent residency in 2019, Leigh stepped down from his role as Director of External Affairs and Development of Arrow Global Group Plc, one of the UK's largest consumer debt purchasers, in which he engaged with government and regulators, trade bodies and consumer advice organisations. Prior to this, he was the CEO and main shareholder of Tessera Credit Group, a debt purchaser and collection agency, which he led for over 16 years before successfully negotiating a sale of its assets to Arrow Global in December 2014. Leigh was Vice President of the European trade body FENCA where he led the development of a Code of Conduct for GDPR for the Collections industry across Europe and has been a regular presenter and industry advocate at conferences and trade body forums around the world. Leigh was also the 2019 President of the International Collectors Group and is a Trustee of the Fair Life Charity, and is an Ambassador and former Director of the Money Advice Liaison Group in the UK. Mr Berkley was appointed to the Board of Collection House Limited on 1 July 2016. Mr Berkley was appointed Chairman of Collection House Limited on 29 November 2017.
Special responsibilities	Chair of the PDL Investment Committee
Interest in shares	112,866 ordinary shares in CLH

Michael Knox	**Independent, Non-executive Director.**
Experience	Mr Knox was an Australian Trade Commissioner serving in Saudi Arabia and Indonesia. He joined Morgans (now Morgans Financial Limited) in Sydney in 1988. He was Chief Institutional Options Dealer until moving to Brisbane in 1990 as Economist and Strategist. He joined the Board of Morgan Stockbroking in 1996. He became Director of Strategy and Chief Economist in 1998. Michael remained on the Board of Morgans until 2012. Michael has served on many Queensland Government advisory committees. He was Chairman of the Queensland Food Industry Strategy Committee in 1992, a Member of the Consultative Committee of the Ipswich Development Board in 1993, a Member of the Queensland Tourism Strategy Committee in 1994 and a Member of the Ministerial Advisory Committee on Economic Development in 1997. From 2003 to 2012, he was Chairman of the Advisory Committee of School of Economics and Finance at the Queensland University of Technology. He has been a Governor of the American Chamber of Commerce from 1997 to 2007. In 2008, Michael joined the Board of The City of Brisbane Investment Corporation Pty Ltd. Michael remained on the Board until 2016. Michael was the President of the Economic Society of Australia (Qld) Inc from 2009 to 2013. Mr Knox was appointed to the Board of Collection House Limited on 24 March 2017.
Special responsibilities	Nil
Interest in shares	80,000 ordinary shares in CLH

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

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

Company Secretary

Jonathon Idas was appointed as Chief Legal Officer ("CLO") on 6 September 2017. On 10 November 2020, he was appointed as the Company Secretary. He has oversight of all legal matters, corporate governance, risk, and compliance.

Directors' Report

for the year ended 30 June 2021

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 2021, and the number of meetings attended by each Director were:

	Meetings of committee							
	Directors		Audit and Risk Management		PDL Investment		Remuneration and Nomination	
2021	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Leigh Berkley	17	17	7	7	3	3	3	3
Michael Knox	17	17	7	7	-	-	3	3
Sandra Birkensleigh	17	17	7	7	-	-	3	3
Catherine McDowell	17	17	7	7	-	-	3	3

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

Principal activities and Key Changes

The Group provides debt collection and receivables management services from offices in Australia, New Zealand, and the Philippines, and has two reportable segments: Collection Services and Purchased Debt Ledgers (PDLs).

A period of fundamental organisational change

The financial year ended 30 June 2021 saw the Group complete its first six months of trading under its reimagined customer centric, service focused strategy. During the year, the Company fundamentally transformed its operating model and its capital structure. It has embarked on a multi-year transformation journey that will deliver sustainable value to the Company's shareholders and its stakeholders. As part of this transformation, the Company has substantially reduced its debt levels and enhanced its service capability through greater focus on the customer and further investment in its people and systems. Execution of this transformation strategy was undertaken while continuing to provide the highest standards of service to clients and customers during a period of substantial disruption caused by COVID-19.

Under this strategy, the Company intends to become the pre-eminent provider of debt collection services, in all of its markets, based on a foundation of delivering better customer outcomes through market leading customer experience. To achieve this objective, Collection House has reimagined how debt collection can be done better and has re-focused its operations around four foundational principles:

Customer – Putting the customer at the heart of everything we do and providing empathetic and compassionate engagement, in particular for those experiencing hardship, vulnerability, and other forms of financial exclusion.

Conduct – Providing the highest levels of regulatory and compliance assurance to our clients and customers through state-of-the-art systems and processes focused on exceeding statutory requirements and delivering tailored solutions which match customers unique circumstances.

Service – Being the first choice for our clients by delivering innovative processes and human centred design solutions that align with their specific customer service objectives and protect their reputation; and

Impact – Help our people, customers and clients find deeper engagement and better outcomes through shared social initiatives aligned with our organisational purpose.

A changing operating environment

In the operating environment post the Financial Services Royal Commission and in the light of COVID-19, there is a new standard of ethical, customer focused service required from the debt collection industry. Debt recovery practices are now a greater focus for all our clients and reputational risk management requires a more compliant and empathetic approach to supporting customers.

Engaging with customers in a consistent and effective way on behalf of our clients has been challenging during the year as a consequence of COVID-19. A significant proportion of the customer base remains subject to client-imposed contact restrictions making effective customer contact difficult. Referral volumes are substantially lower than the previous corresponding period and federal, state, and local government opportunities have been significantly restricted. That dynamic is expected to continue in the short term while Australia, New Zealand and the Philippines execute their COVID-19 vaccine roll-out programs and move toward a greater level of commercial and social stability.

These dynamics have also impacted the purchased debt sector with significantly lower volumes of debt available for purchase and consequently, significantly higher prices being paid. The Company has evaluated and bid on a number of debt purchasing opportunities during the period, but prices have been prohibitive. Until more sustainable market conditions return to the purchased debt market, the Company will continue to evaluate opportunities and proceed cautiously. The Company continues to pursue a co-investment approach to purchased debt assets, which will see it invest a substantially lower level of the Group's capital and generate a higher return on equity.

Challenging results in the short term

The Group's accounting loss of $32.0 million for the year ended 30 June 2021 includes material restructuring costs and other non-recurring charges that arose as the Company completed its transition to a capital light business model and reduced its fixed overhead cost structure. The Company's underlying operating loss for the year of $15.3 million reflects a significantly lower contribution from purchased debt assets, post the sale of the Group's historical purchased debt portfolio in December 2020. The Collection Services business, now the Group's primary operating segment, experienced challenging operating conditions because of fluctuating client referral volumes during the COVID-19 pandemic. Overhead costs have been reduced but are being managed to support future growth and future profitability.

However, client relationships remain strong and despite difficult market conditions the Company has secured significant new client opportunities which will result in an improvement in underlying revenue as market conditions stabilise. The market has responded positively to the Company's transformation initiatives and customer experience focus, and it is experiencing a high level of client engagement as we explore how we can serve our clients and customers better.

Longer term outlook

The Company expects activity levels within the first half of FY22 to remain subdued but is hopeful that market dynamics will stabilise in the second half. If market conditions continue to remain depressed, the Company anticipates another year of restricted growth and lower accounting earnings. Regardless, the Group will continue to focus on supporting existing clients and customers, ensuring key collection services agreements are renewed and on executing its transformation strategy.

The complexion of credit markets is changing, in response to the need for improved customer outcomes and managing the long-term economic impacts of COVID-19 on the global economy. Collection House has made the difficult, but important decision, to fundamentally transform its business model and establish itself as the preferred provider of customer centric, receivables management services. The Directors recognise the substantial costs associated with this change but are confident that this is the path to a more sustainable, better business for the future.

CLH has largely eliminated the financial risk associated with its historical purchased debt assets, substantially reduced its debt levels, and greatly simplified its business model. CLH has retained its best-in-class capabilities of people, systems, and processes, allowing it to provide end-to-end receivables management services to clients and customers under either contingent collections or purchased debt frameworks. The Company has simultaneously reduced its overhead cost structure and embraced a more agile approach that will see it realise improved productivity over time.

The Company continues to carefully manage its working capital and liquidity while the short-term operating outlook remains challenging.

The Directors recognise and appreciate the ongoing commitment and contribution of management, staff, and the Company's advisors toward achievement of Collection House's revised purpose and strategy.

Key Risks

Key risks to the Company's outlook and strategy are:

- Continuing impacts of COVID-19 on general growth in the credit sector and limitations on efficiently conducting customer engagement to drive collection activity.
- Changes to regulations governing collection activities or breaching compliance obligations.
- Failure to retain existing or acquire new Collection Services clients.
- Due to current market conditions, inadequate supply of purchased debt at acceptable prices to create a sustainable PDL pipeline.
- Disruption to systems and operation due to cyber-attack or privacy breaches.
- Failure to maintain appropriate level of investment in information systems to improve customer experience; and
- Failure to attract and retain talent in a challenging and changing market.

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

Directors' Report

for the year ended 30 June 2021

Overview of Group operations and financial results

	2021 $'000	2020 $'000	Change %
Revenue	**75,327**	151,647	**(50)**
Net Profit after tax for the year	**(31,990)**	(145,070)	**78**
(Loss)/Earnings per share	**(22.5)**	(103.2)	**78**

Key elements of the result were:

- Consolidated Net Loss after Tax (NLAT) of $32.0 million (2020: NLAT of $145.1 million).
- Loss per share of -22.5 cents (FY20: Loss per share -103.2 cents).
- No PDL asset impairment adjustments were recognised during the period as the Company's PDL assets had already been adjusted to their recoverable amount in its 30 June 2020 financial statements.
- Earnings for the year included one-off non-recurring restructuring and transaction costs of $8.0 million and one-off non-cash asset related accounting loss adjustments of $8.6 million.
- Closing gross assets of $146.1 million (2020: $343.9 million) and net assets of $39.8 million (2020: $73.1 million).
- Gross PDL asset sale proceeds of $157.7 million received and applied in immediate reduction to senior debt.
- Senior debt reduced to $61.6 million at December 2020 and refinanced for a further three years. As at 30 June 2021, this balance had reduced to $51.1 million.

The Group is reporting a Net Loss after tax of $32.0 million for the year ended 30 June 2021 with the underlying operating loss for the year being $15.3 million. Collection Services revenue was down $8.8 million (-14%) on the previous corresponding period in light of the factors described above, but importantly will experience a significant natural improvement when client referral levels return to more stable levels. Revenue from the remaining PDL assets (predominately New Zealand based) was in line with expectations.

As part of its program of further business simplification and cost reduction, the Company brought to account non-recurring, non-cash, asset valuation and other provisions totalling $8.6 million that contributed to the loss. On a comparative basis, the Company has reduced annualised group overheads by approximately 24%. Notwithstanding these reductions, the remaining overhead cost base reflects some excess capacity in the Group's operating facilities, information systems and governance frameworks that will support future growth and future profitability.

As at 30 June 2021, net cash on hand was $7.3 million with total senior debt post sale of purchased debt assets of $51.1 million provided by two major Australian banks, maturing in January 2024. This refinancing outcome reflects a strong level of confidence in the Company's long-term prospects and support for its operating strategy moving forward. The working capital loan extended as part of the purchased debt sale arrangement will be repaid out of tax refunds in FY22 quarter 2.

The Group has net assets of $39.8 million, a current ratio of 1.1 and a net gearing ratio of 61%. These metrics are within industry standards for a services business and reflective of the early stage in the organisation's transformation process.

As a consequence of the sale of the Group's purchased debt assets, the Group has net tax losses of $65.8 million, $56.4 million of which are carried on balance sheet as a deferred or current tax asset. These losses will offset the Group's taxable income over the short to medium term, further improving the Company's economic outlook.

Reconciliation of Underlying operating loss to Statutory loss before income tax

	2021 $'000	2020 $'000
Statutory loss before income tax	**(31,870)**	(207,050)
Add back:		
Restructuring expenses	**8,007**	63
Impairment – Right-of-use Asset	**2,612**	-
Impairment – Purchase Debt Ledgers	**-**	238,890
Derecognition of intangible asset work-in-progress	**2,669**	-
Loss on sale of Australian PDL assets	**1,336**	-
Other one-off costs	**1,952**	-
Underlying operating loss	**(15,294)**	31,903

Key financial results – by segment – Audited

	Collection Services		Purchased Debt Ledgers		Consolidated	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenue						
Sales	**56,300**	65,113	**-**	-	**56,300**	65,113
Interest and other income	**-**	-	**19,038**	86,746	**19,038**	86,746
Total segment revenue	**56,300**	65,113	**19,038**	86,746	**75,338**	151,859
Intersegment elimination	**-**	-	**-**	-	**(11)**	(212)
Consolidated revenue	**56,300**	65,113	**19,038**	86,746	**75,327**	151,647
Results						
Segment result	**441**	8,706	**(3,133)**	42,550	**(2,692)**	51,256
Unallocated revenue less unallocated expenses	**-**	-	**-**	-	**(5,654)**	(9,602)
Restructuring expenses	**-**	-	**-**	-	**(8,007)**	(63)
Non-recurring one-off costs	**-**	-	**-**	-	**(5,957)**	-
Impairment of Right of Use	**-**	-	**-**	-	**(2,612)**	-
Interest expense and borrowing costs	**-**	-	**-**	-	**(6,948)**	(9,751)
Purchased Debt Ledgers: Impairment	**-**	-	**-**	(238,890)	**-**	(238,890)
Profit before tax					**(31,870)**	(207,050)
Income tax (expense)/benefit					**(120)**	61,980
Net Profit After Tax (NPAT)					**(31,990)**	(145,070)

Collection Services Segment

The Collection Services business collects debt and provides customer service and hardship assistance on behalf of clients (banks, public utilities, government agencies, etc.). The fees received for these services were $56.3 million for the 2021 financial year (2020: $65.1m). The Company's clients continued to be conservative around collection activity as they consider the ongoing impacts of COVID-19 on their customers and provide extensive support to those customers who applied for hardship assistance. Collection embargoes have extended significantly beyond initial expectations with embargoes ongoing during the year and some still in place linked to the current lockdowns.

Purchased Debt Ledger (PDL) Segment

On 23 December 2020, the Group concluded a sale of its Australian PDL assets (with effect from 1 October 2020). The Company retained a small profitable portfolio of PDL assets in New Zealand along with some minor value Australian accounts.

The purchased debt business reported segment revenue of $19.0 million reflecting normal trading performance for quarter one, service fee income in quarter two related to the sale, and reasonable performance from New Zealand throughout the year. Overall, this was a subdued performance over the year when compared with the previous corresponding period, again largely driven by customer behaviour linked to COVID-19 and some resourcing issues in the second half.

The refinancing process has allowed the Company to build relationships with several highly reputable, potential co-investment partners who are looking for sophisticated servicing partners in the Australian and New Zealand markets. The Company is seeking to finalise one or more partnering arrangement/s that will enable it to appropriately pursue PDL purchasing opportunities, but with a lower level of balance sheet risk. A couple of joint bids have already been submitted but as noted above, the lower-than-normal market activity with its resulting non-competitive pricing is making this a challenge. This situation is expected to normalise over time.

Cost Structure

Direct collection costs decreased on the previous corresponding period, reflective of both strategy changes implemented in FY20, but also generally lower levels of collection activity period on period. Employee costs were lower when compared with the prior year because of the Job Keeper subsidy income in the first half that has been offset directly against employee costs. In addition, the company has proactively reduced resourcing levels across the entire business.

Total employee numbers (Full Time Equivalents - FTE) across Australia, New Zealand and the Philippines at 30 June 2021 stood at 698, compared to 740 in the previous corresponding period as at 30 June 2020.

Capital Management

The Company now has a stable capital structure which protects the core of its business and provides a base upon which it can grow its collection services capability over the coming years. Based on its operating plan, the business has working capital funding for the next 12 to 18 months, which provides it with time to grow its services business and implement a PDL co-investment partnership.

Coincident with completion of the PDL sale transaction, the Company refinanced its remaining senior debt on the following basis:

- $20m Fully amortising Term Loan Facility (Facility A) with interest payable on a monthly basis and scheduled quarterly repayments over a three-year term.
- $41.6m Term Loan Facility (Facility B) with a term of three years, capitalising interest, and cash sweep payments at times when the Group's cash balance is above a level agreed with the lenders.
- Bank Guarantee Facility of $8.6m which supports the Company's rental bond obligations; and.
- a covenant compliance package focussed on EBITDA to leverage ratios.

The senior debt facility of $61.6m has already reduced to $51.1m. As a part of the PDL sale transaction, the purchaser has provided a loan of $15m with a maturity of two years with interest capitalised during the term which has already been reduced to $10m and is due to be repaid in Quarter 2 FY22.

The Group's total assets at 30 June 2021 were $146.1 million, down 57% on 30 June 2020 primarily as a consequence of the PDL asset sale. The Group reported a surplus in net current assets of $2.0 million as at 30 June 2021 (2020: deficit of $38.9m), with the classification of the Group's total borrowings reflecting a more standard maturity profile other than a $10m loan due payable during the first half of FY22.

Earnings per Share and Dividends

Basic Loss per share for the financial year was (22.5) cents (2020: (103.2) cents).

Because of the poor economic performance for the period, no dividends were paid or declared during the period or subsequent to period end (2020: nil).

The Group's ability to recommence an appropriate dividend payment policy is governed by the new arrangements with its lenders and is primarily linked to its ongoing financial performance and available cash after meeting its loan obligations. The Company is committed to recommencing the payment of dividends as soon as possible.

Significant changes in the state of affairs

The company concluded its recapitalisation process in December 2020. This resulted in the sale of the majority of its Australian based PDL assets with the proceeds applied to pay down the majority of its bank debt and the existing lenders providing a new loan facility for the difference.

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

Matters subsequent to the end of the financial year

To date, the company has managed its way through the effects of the COVID-19 crisis, but the future impacts of the virus are still uncertain given the recent outbreaks and lockdowns. This continues to impact on Company performance. While the expectations around duration and impact of the crisis is improving but still unclear, the Group is relatively well-positioned to continue to manage through this.

Other than the matters discussed herein, there are no other matters or circumstances that have arisen since 30 June 2021 up until the date of this report that have significantly affected, or may significantly affect:

(a) the Group's operations in future financial years,
(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.

Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY21 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

Introduction

The 2021 financial year has seen extraordinary challenges in the external environment and the Group, and the credit sector as a whole continues to experience significant changes post the Financial Services Royal Commission and in the wake of the longer-term impacts of COVID-19. There is a higher standard of ethical, customer focused service required from the debt collection industry and a more compliant and empathetic approach to the delivery of customer outcomes is needed in light of increased public scrutiny on the financial services sector. Collection House has repositioned its business to address this challenge, reimagining how debt collection can be done better.

Focussed on the pillars of customer, conduct, service and social, Collection House has proactively responded to industry and community demands and is seeking to create sustainable long-term value for the Company's shareholders and wider stakeholders. This approach will align the Group's activities with how value is measured, communicated to our stakeholders and ultimately how its people, in particular key management personnel ("KMP") are rewarded.

Applying a values-based approach to the creation of sustainable value requires an appropriate balance of short-term financial performance with other qualitative objectives that drive long term value creation. The Company's new organisational strategy aligned with the remuneration principles set out below will provide transparency and confidence that Collection House is delivering sustainable long-term value for the Company's shareholders and wider stakeholders.

Within this context, the Company has implemented a three-stage approach to its remuneration strategy.

<u>Stage 1: Year ended 30 June 2021</u>

Over the last twelve months and described in more detail below, the Directors have exercised their discretion and made no awards under either the Company's short- or long-term incentive schemes. While the Board is convinced that the organisational transformation currently underway will ultimately yield more sustainable value for shareholders and other stakeholders, it acknowledges the significant decline in shareholder value that occurred during both FY20 and FY21. As such, the Board has applied significant discretion regarding the award of short- and long-term benefits to key management personnel:

- No short-term incentives were awarded to the CEO or other KMP;
- No long-term incentive awards were granted to the CEO or other KMP;
- Only minor fixed term remuneration adjustments were awarded to KMP in line with previously agreed commitments to move benchmark salary to the 50th percentile of comparative role bandings determined with reference to external benchmarking analysis. No adjustment was made to CEO base compensation; and
- No adjustments were made to NED compensation during the period.

<u>Stage 2: Year ended 30 June 2022</u>

Over the forthcoming financial year ending 30 June 2022, KMP will be incentivised to deliver the complex transformation objectives described in this report, while simultaneously focussing on day-to-day operational execution. During this phase, underlying organisational profitability will remain subdued and consequently a significantly lower level of short-term incentive is justified. Variable compensation will be awarded on the successful implementation of specific performance indicators linked to the four strategic pillars of customer, conduct, service, and social impact underpinning the Group strategy. The design and implementation of measurement and reporting processes to evaluate value created across each of these four areas will permit the Directors to recommence issue of performance rights under the Company's long term incentive scheme during FY22. During the year ahead, the Remuneration and Nominations Committee will agree with management, the vesting criteria for those securities subject to achieving pre-agreed measurable performance targets against each of the four criteria. Those criteria will be described in next year's remuneration report. As always, the Directors will continue to apply appropriate commercial discretion in determining both the scale of reward and the challenge in achieving vesting criteria.

Stage 3: Future financial periods

In future financial periods and in line with a return to profitability, the Directors expect the Company to return to a more traditional application of the short- and long-term incentive schemes described in this report. A portion of short-term variable compensation will be payable subject to achievement of annual Group earnings targets. The remainder will be subject to individual performance targets agreed each year annually in advance. Long term incentives will be awarded through performance rights over ordinary shares in the Company issued under the LTI plan previously approved by Shareholders and subject to the annual vesting criteria.

This amended remuneration strategy is influenced by the feedback we received from shareholders and proxy advisors last year, where a significant portion of the shareholder base voted against the Company's remuneration report. We have continued to engage with shareholders and proxy advisors to gather feedback and develop wider perspectives on how we can strengthen our remuneration strategy and better align it to the expectations of shareholders and the creation of long-term value for all stakeholders.

The Company acknowledges that the previous application of its short-term incentive strategy placed too great an emphasis on short term accounting earnings, particularly for the Chief Executive Officer and consequently will assign a lower percentage of potential short-term reward to the achievement of annual earnings targets.

In addition to the feedback gathered from stakeholders and although not a regulated entity, we have also considered guidance provided in CPS511 in respect of establishing an appropriate remuneration framework. We consider the principles set out in CPS511 as a minimum standard of good remuneration practice for a financial services organisation. The majority of the Company's historical remuneration strategy and disclosures (as set out in this report) are already closely aligned with the principles set out in CPS511. Moving forward, we will continue to create stronger links between financial and non-financial measures which determine awards under both STI and LTI and key elements of the Company's revised strategy. In particular, we will ensure that for KMP and all employees who benefit from variable remuneration arrangements, only a restricted portion will be attributable to financial performance and a much greater weighting applied to achievement of qualitative criteria around customer, conduct, service, and social impact outcomes.

Having regard to the sensitivity of these measures to the quantum of award received by KMP and other employees, the Board will continue to exercise its discretion around the appropriateness of total reward. In response to feedback from stakeholders, the Board will also apply its discretion more strictly when considering the appropriateness of clawback arrangements (for both short- and long-term incentive payments) where suboptimal shareholder or stakeholder outcomes are identified in subsequent financial periods.

Directors' Report

for the year ended 30 June 2021

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.

The Group's Directors and Key Management Personnel for 2021

Board of Directors	
Leigh Berkley	Chairman (Non-Executive)
Michael Knox	Director (Non-Executive)
Sandra Birkensleigh	Director (Non-Executive)
Catherine McDowell	Director (Non-Executive)
Executive Leadership Team (ELT)	
Doug McAlpine	Chief Executive Officer (CEO)
	Company Secretary (resigned 10 November 2020)
Lynda Morris*	Chief Financial Officer (resigned 30 June 2021)
Anand Adusumilli	Chief Data Scientist
Jonathon Idas	Chief Legal Officer
	Company Secretary (appointed 10 November 2020)
Denica Saunders	Chief Operating Officer (COO)
Stephen Parrish	Chief People Officer (resigned 14 May 2021)
Nathan Johnston	Chief Technology Officer

* *Lynda Morris Chief Financial Officer resigned 30 June 2021 and Peter Gunn was appointed 1 July 2021*

B Remuneration governance

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

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

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

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

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

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

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

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. No external advisors were engaged during the year.

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 and team objectives, the Group's consolidated results and market data. The performance review of the CEO is undertaken by the Chair of the Board who then makes a recommendation to the Board. The performance review of the other members of the ELT is undertaken by the CEO and approved by the Board.

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

The ELT pay and reward framework has three components:

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

The combination of these components amounts 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. 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 is 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 will have a target STI opportunity of 60 percent of TFR, which is cash-based. Other ELT personnel each will have a cash based STI opportunity of up to 25 percent of TFR.

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

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

CEO STI targets for FY21 and FY20

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

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

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

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 are 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.

FY21 Performance Rights Awarded

In recognition of the group's performance, the Board did not grant any unlisted FY21 performance rights during the prior or current year under the PRP to the ELT and other eligible employees.

A summary of any 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.

	2017	2018	2019	2020	2021
Net profit after tax ($m)	$17.4	$26.1	$30.7	$(145.1)	**$(32.0)**
Dividends declared (franked) (cents)	7.8	7.8	8.2	Nil	**Nil**
Share price commenced	$1.10	$1.16	$1.49	$1.21	**$1.08**
Share price ended	$1.16	$1.49	$1.21	$1.08	**$0.15**
Basic Earnings/(Loss) Per Share (cents)	12.8	19.2	22.3	(103.2)	**(22.5)**

Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 21 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.

No performance rights were awarded or forfeited during the year ended 30 June 2021 (2020: PR2019 was awarded and forfeited during the year ended 30 June 2020).

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 FY21 aggregate total NED fees distribution is $585,825 (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 FY21 (exclusive of superannuation):

FEES	2021 $	2020 $
Base fees		
Chair	**175,000**	175,000
Other Non-Executive Directors	**95,000**	95,000
Additional fees		
Audit and Risk Management Committee Chair	**25,000**	25,000
Audit and Risk Management Committee Member	**Nil**	Nil
Remuneration and Nomination Committee Chair	**25,000**	25,000
Remuneration and Nomination Committee Member	**Nil**	Nil
PDL Investment Committee Chair	**25,000**	25,000
PDL Investment Committee Member	**Nil**	Nil

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.

		Short-term				Post employment	Other long term		Share-based Payments		
In Dollars		Salary and fees	STI Cash bonus	Non-monetary benefits	Total	Super-annuation benefits	Annual and long service leave	Termination benefits	Rights	Total	Proportion of remuneration performance related
Non-Executive Directors											
Leigh Berkley **Chairman**	**2021**	**202,368**	**-**	**-**	**202,368**	**19,085**	**-**	**-**	**-**	**221,453**	
	2020	284,151*	-	136	284,287	19,561	-	-	-	303,848	
Michael Knox **Non-Executive Director**	**2021**	**95,365**	**-**	**-**	**95,365**	**9,065**	**-**	**-**	**-**	**104,431**	
	2020	95,731	-	-	95,731	9,095	-	-	-	104,826	
Sandra Birkensleigh **Non-Executive Director**	**2021**	**120,461**	**-**	**-**	**120,461**	**11,451**	**-**	**-**	**-**	**131,912**	
	2020	120,923	-	-	120,923	11,488	-	-	-	132,411	
Catherine McDowell **Non-Executive Director**	**2021**	**120,461**	**-**	**-**	**120,461**	**11,451**	**-**	**-**	**-**	**131,912**	
	2020	120,923	-	-	120,923	11,488	-	-	-	132,411	

**within Salary and fees, Mr Berkley received $90,000 for his contribution to the project to improve the effectiveness and sustainability of the PDL operational collection strategy during the year ended 30 June 2020.*

Directors' Report

for the year ended 30 June 2021

In Dollars		Short-term: Salary and fees	Short-term: STI Cash bonus	Short-term: Non-monetary benefits	Short-term: Total	Post employment: Super-annuation benefits	Other long term: Annual and long service leave	Termination benefits	Share-based Payments: Rights	Total	Proportion of remuneration performance related
Executive Director and other Key Management Personnel											
Doug McAlpine **Chief Executive Officer** (appointed 25 November 2019) **Company Secretary** (appointed 1 July 2019 and resigned 10 November 2020) **Chief Financial Officer** (appointed 1 July 2019 and resigned 1 January 2020)	**2021**	**501,923**	**-**	**5,065**	**506,988**	**47,711**	**15,453**	**-**	**-**	**570,152**	**-**
	2020	471,154	-	4,882	476,036	44,760	35,653	-	-	556,449	-
Anthony Rivas **Managing Director/Chief Executive Officer** (resigned 25 November 2019)	**2021**	-	-	-	-	-	-	-	-	-	-
	2020	198,728	-	3,615	202,343	18,879	-	117,619	-	338,841	-
Lynda Morris **Chief Financial Officer** (appointed 1 January 2020)	**2021**	**220,385**	**-**	**5,065**	**225,450**	**20,949**	**33,024**	**-**	**-**	**279,423**	**-**
	2020	111,692	-	2,441	114,133	10,611	9,713	-	-	134,457	-
Anand Adusumilli **Chief Data Scientist**	**2021**	**254,904**	**-**	**10,120**	**265,024**	**24,233**	**22,516**	**-**	**-**	**311,773**	**-**
	2020	296,058	-	7,858	303,916	28,126	7,780	-	-	339,822	-
Jonathon Idas **Chief Legal Officer** **Company Secretary** (appointed 10 November 2020)	**2021**	**320,919**	**-**	**-**	**320,919**	**30,506**	**20,033**	**-**	**-**	**371,458**	**-**
	2020	302,187	-	9,998	312,185	28,708	9,395	-	-	350,288	-
Denica Saunders **Chief Operating Officer**	**2021**	**345,885**	**-**	**5,065**	**350,950**	**32,879**	**1,522**	**-**	**-**	**385,351**	**-**
	2020	318,904	-	4,882	323,786	30,296	2,795	-	-	356,877	-
Stephen Parrish **Chief People Officer** (appointed 1 January 2020 and resigned 14 May 2021)	**2021**	**227,260**	**-**	**5,065**	**232,325**	**27,389**	**(5,184)**	**78,461**	**-**	**332,901**	**-**
	2020	121,846	-	2,441	124,287	11,575	-	-	-	135,862	-
Nathan Johnston **Chief Technology Officer** (appointed 1 January 2020)	**2021**	**220,539**	**-**	**5,065**	**225,604**	**20,964**	**11,655**	**-**	**-**	**258,223**	**-**
	2020	111,692	-	2,441	114,113	10,611	-	-	-	124,744	-

- The remuneration information provided in the table relates to the period from the date of appointment as ELT to 30 June, or from 1 July until the date of resignation, unless otherwise stated.

Directors' Report

for the year ended 30 June 2021

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 for FY21 are set out below.

Doug McAlpine **Chief Executive Officer** (appointed 25 November 2019)	Annual fixed remuneration	$552,565 inclusive of superannuation and non-monetary benefits.
	Performance cash bonus	The STI opportunity was forfeited.
Chief Financial Officer (appointed 1 July 2019 and resigned 1 January 2020)	Performance rights	No at-risk performance rights were granted.
Company Secretary (appointed 1 July 2019 and resigned 10 November 2020)		
Lynda Morris * **Chief Financial Officer** (appointed 1 January 2020)	Annual fixed remuneration	$245,965 inclusive of superannuation and non-monetary benefits.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.
Anand Adusumilli **Chief Data Scientist**	Annual fixed remuneration	$338,620 inclusive of superannuation and non-monetary benefits.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.
Jonathon Idas **Chief Legal Officer** **Company Secretary** (appointed 10 November 2020)	Annual fixed remuneration	$350,400 inclusive of superannuation and non-monetary benefits.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.
Denica Saunders **Chief Operating Officer**	Annual fixed remuneration	$355,465 inclusive of superannuation and non-monetary.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.
Stephen Parrish **Chief People Officer** (appointed 1 January 2020, resigned 14 May 2021)	Annual fixed remuneration	$233,373 inclusive of superannuation and non-monetary.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.
Nathan Johnston **Chief Technology Officer** (appointed 1 January 2020)	Annual fixed remuneration	$245,965 inclusive of superannuation and non-monetary benefits.
	Performance cash bonus	The STI opportunity was forfeited.
	Performance rights	No at-risk performance rights were granted.

** Lynda Morris Chief Financial Officer resigned 30 June 2021 and Peter Gunn was appointed 1 July 2021*

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.

	Number of performance rights granted/issued during the year		Number of performance rights vested/issuable during the year	
Name	**2021**	**2020**	**2021**	**2020**
Doug McAlpine	-	-	-	-
Lynda Morris	-	-	-	-
Anand Adusumilli	-	26,194	-	-
Jonathon Idas	-	26,194	-	-
Denica Saunders	-	39,291	-	-
Stephen Parrish (resigned 14 May 2021)	-	-	-	-
Nathan Johnston	-	-	-	-

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.

No performance rights were issued related to FY21

I Equity instruments held by key management personnel

Performance rights

There were no performance rights over ordinary share in the Company held by Directors or key management personnel during the year ended 30 June 2021.

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.

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

Executive Director and other key management personnel	Category	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Doug McAlpine	Ordinary Shares	8,547	-	8,547
Lynda Morris	Ordinary Shares	23,482	-	23,482
Anand Adusumilli	Ordinary Shares	-	-	-
Jonathon Idas	Ordinary Shares	-	-	-
Denica Saunders	Ordinary Shares	24,003	-	24,003
Stephen Parrish	Ordinary Shares	-	-	-
Nathan Johnston	Ordinary Shares	-	-	-

J Additional information

Loans to Directors and Executives

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

Shares under performance rights

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

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

No FY20 or FY21 Performance rights were recommended.

End of Audited Remuneration Report

Indemnification and 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 behalf of the company

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

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

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

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

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

Services other than audit and review of financial statements:	2021 $
Audit and review of financial statements	**322,190**
Other regulatory audit services	
Trust account audits	**88,150**
Loan covenant compliance	**3,300**
Other services	
Taxation compliance services	**287,886**
Total paid or payable to KPMG	**701,526**

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 24.

Directors’ Report

for the year ended 30 June 2021

Rounding of amounts

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

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

Collection House Limited

Leigh Berkley
Chairman

Coffs Harbour
27 August 2021

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 2021 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

Ben Flaherty
Partner

Brisbane
27 August 2021

Income Statement

for the year ended 30 June 2021

		Consolidated	
	Notes	2021 $'000	2020 $'000
Interest Income		**18,887**	79,261
Commission		**55,244**	63,938
Other revenue	5	**1,196**	8,448
Revenue from continuing operations		**75,327**	151,647
Direct collection costs		**(14,321)**	(22,739)
Employee expenses	6	**(50,735)**	(57,426)
Impairment – Purchase Debt Ledgers	10	**-**	(238,890)
Impairment – Property, plant and equipment	20	**(2,612)**	-
Depreciation and amortisation expense	6	**(9,457)**	(10,409)
Rental and Lease expenses	6	**(458)**	(983)
Restructuring expenses		**(8,007)**	(63)
Other expenses		**(14,659)**	(18,436)
Finance costs	6	**(6,948)**	(9,751)
Loss before income tax		**(31,870)**	(207,050)
Income tax (expense)/benefit	7	**(120)**	61,980
Loss from continuing operations		**(31,990)**	(145,070)
Loss for the year attributable to equity holders of Collection House Limited		**(31,990)**	(145,070)
Loss per share for profit attributable to the equity holders of the Company:			
Basic loss per share (cents)	30	**(22.5)**	(103.2)
Diluted loss per share (cents)	30	**(22.5)**	(103.2)

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

Statement of Comprehensive Income

for the year ended 30 June 2021

		Consolidated	
	Notes	2021 $'000	2020 $'000
Loss for the year		**(31,990)**	(145,070)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(371)**	-
Items that will not be reclassified to profit or loss			
Fair Value adjustment – Equity instrument	12	**(947)**	(2,542)
Other comprehensive income for the year, net of income tax		**(1,318)**	(147,612)
Total comprehensive income for the year attributable to equity holders of Collection House Limited		**(33,308)**	(147,612)

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

Balance Sheet

as at 30 June 2021

		Consolidated	
	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**7,288**	9,656
Receivables	9	**10,134**	13,311
Purchased debt ledgers	10	**2,920**	172,541
Current tax asset		**12,487**	5,383
Other assets	11	**1,667**	222
Total current assets		**34,496**	201,113
Non-current assets			
Purchased debt ledgers	10	**9,961**	12,187
Equity investments	12	**3,516**	4,868
Property, plant and equipment	13	**17,580**	28,297
Intangible assets	14	**28,091**	33,011
Deferred tax assets	19	**51,889**	63,732
Receivables	9	**546**	740
Total non-current assets		**111,583**	142,835
Total assets		**146,079**	343,948
LIABILITIES			
Current liabilities			
Payables	15	**9,059**	13,212
Borrowings	18	**11,733**	214,857
Provisions	16	**4,373**	4,419
Other financial liabilities	17	**7,379**	7,525
Total current liabilities		**32,544**	240,013
Non-current liabilities			
Borrowings	18	**49,419**	-
Provisions	16	**195**	142
Other financial liabilities	17	**24,110**	30,674
Total non-current liabilities		**73,724**	30,816
Total liabilities		**106,268**	270,829
Net assets		**39,811**	73,119
EQUITY			
Contributed equity	21	**119,689**	119,567
Reserves	22	**(5,619)**	(4,179)
Retained profits/(losses)		**(74,259)**	(42,269)
Total equity		**39,811**	73,119

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

Statement of Changes in Equity

for the year ended 30 June 2021

		Attributable to owners of Collection House Limited			
Consolidated	**Notes**	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2019		**116,413**	**365**	**108,565**	**225,343**
Loss for the year		-	-	(145,070)	**(145,070)**
Other comprehensive income		-	(2,542)	-	**(2,542)**
Total comprehensive income for the year		-	(2,542)	(145,070)	**(147,612)**
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	21	1,571	-	-	**1,571**
Share issuance of treasury shares		197	-	-	**197**
Withdrawal of treasury shares		167	(167)	-	**-**
Acquisition of deferred shares		(315)	-	-	**(315)**
Employee Share Plan – FY20		(197)	197	-	**-**
Release of deferred shares		315	(315)	-	**-**
Release of Performance Rights Plan		1,416	(1,416)		**-**
Employee share rights – value of employee services		-	(301)	-	**(301)**
Dividends provided for or paid	23	-	-	(5,764)	**(5,764)**
		3,154	(2,002)	(5,764)	**(4,612)**
Balance at 30 June 2020		**119,567**	**(4,179)**	**(42,269)**	**73,119**
Balance at 1 July 2020		**119,567**	**(4,179)**	**(42,269)**	**73,119**
Loss for the year		-	-	(31,990)	**(31,990)**
Other comprehensive income		-	(1,318)	-	**(1,318)**
Total comprehensive income for the year		-	(1,318)	(31,990)	**(33,308)**
Transactions with owners in their capacity as owners:					
Withdrawal of treasury shares		122	(122)	-	**-**
		122	(122)	-	**-**
Balance at 30 June 2021		**119,689**	**(5,619)**	**(74,259)**	**39,811**

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

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	Consolidated 2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers and debtors (inclusive of GST)		**110,024**	182,660
Payments to suppliers and employees (inclusive of GST)		**(101,076)**	(107,606)
Income taxes refunded/(paid)		**5,023**	(9,705)
Net cash inflow from operating activities	32(a)	**13,971**	65,349
Cash flows from investing activities			
Payments for property, plant and equipment		**(335)**	(950)
Payments for purchased debt ledgers		**(6,956)**	(40,049)
Receipts from sale of purchase debt ledgers		**158,355**	-
Receipts from sale of investment		**-**	492
Receipts from sale of subsidiary		**10**	-
Payments for intangible assets		**(889)**	(2,032)
Net cash inflow/(outflow) from investing activities		**150,185**	(42,539)
Cash flows from financing activities			
Proceeds from borrowings		**16,959**	16,546
Repayment of borrowings		**(172,165)**	(12,292)
Payment of lease liabilities		**(6,251)**	(5,707)
Borrowing costs		**(581)**	(1,351)
Interest paid		**(4,223)**	(7,559)
Dividends paid to Company's shareholders	23	**-**	(5,764)
Proceeds from issues of shares and other equity securities		**-**	1,253
Net cash outflow from financing activities		**(166,261)**	(14,874)
Net (decrease)/increase in cash and cash equivalents		**(2,105)**	7,936
Cash and cash equivalents at the beginning of the financial year		**9,656**	1,596
Effects of exchange rate changes on cash and cash equivalents		**(263)**	124
Cash and cash equivalents at end of the year	8	**7,288**	9,656
Cash at bank and on hand		**7,288**	9,656
Cash and cash equivalent at end of year		**7,288**	9,656

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

Notes to the Financial Statements

for the year ended 30 June 2021

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 27 August 2021 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 standards and interpretations not yet adopted*

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the balance sheet. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the balance sheet and/or recognition as an expense in the income statement, impacting both the current and/or prior periods presented.

As at 30 June 2021 the Group has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the Group has yet to commence its assessment of the impact of the IFRIC agenda decision. The Group expects to adopt this IFRIC agenda decision in its half-year financial statements ending on 31 December 2021.

(iii) *Historical cost convention*

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

(iv) *Critical accounting estimates*

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

(v) *Going Concern*

The financial statements have been prepared on a going concern basis as the Directors believe the Group will be able to pay its debts as and when they fall due and payable.

The Directors note that the recapitalisation process was completed on 23 December 2020, the PDL sales proceeds have been applied to repayment of debt, ongoing loan facilities have been agreed with the lenders and Credit Corp Group.

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

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

While the Directors are encouraged that the performance of the Group's continuing operations is improving from experience during FY21, the improving but still existing macro-economic challenges and uncertainties from COVID-19 may impact on the Group's ability to execute its strategic plan and achieve the key assumptions outlined above. As a result, these conditions give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business at the stated amounts in the financial statements.

(b) Principles of consolidation

(i) *Subsidiaries*

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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(h)).

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

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

(c) Segment reporting

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

(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.

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

(i) *Interest income – Purchased Debt Ledgers (PDL's)*

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

(ii) *Call option income – reflects the revenue the company earns by selling the right to purchase future collections of an eligible portfolio of PDLs to a third party.*

Revenue is recognised for accounting purposes when a call option contract is signed, as from the date the third party receives a substantial portion of the cash flows and the Group has no future rights or entitlement to the collections on that portfolio.

(iii) *Rendering of services – commission revenue*

Revenue from rendering services is recognised based on the below conditions:

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

(iv) *Sale of non-current assets*

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

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

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

(v) *Dividends*

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

(f) Income tax

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

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

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

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

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

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

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

(g) Leases

(i) *As a Lessee*

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

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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

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

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

(ii) *As a Lessor*

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

The Group sub-leases some of its premises. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It classifies the sub-lease as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying assets.

(h) Business combinations

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

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

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

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

Recognition and derecognition

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

Impairment

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

(l) Other financial assets

Classification

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

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

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

Classification

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

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

Measurement

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

Impairment

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

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

(ii) *Equity investments*

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

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

(m) Fair value estimation of financial assets and liabilities

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

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

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

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

The fair value hierarchy classification of instruments:

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

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

(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.

(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.

(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 via the Collection House Limited Performance Rights Plan. Further details are set out in Note 31.

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 31.

(v) *Termination benefits*

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

(u) Government grants – Grants related to income

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

(v) Contributed equity

Ordinary shares are classified as equity.

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

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

(w) Dividends

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

(x) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 30).

(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.

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of amounts

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

(aa) Parent entity financial information

The financial information for the parent entity, Collection House Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries, associates, and joint venture entities*

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

(ii) *Tax consolidation legislation*

Collection House Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

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

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

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

2. Critical accounting estimates and judgements

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

The Group has been impacted by both the societal and economic impact of the COVID-19 virus. The longer-term impact of the COVID-19 pandemic on the Australian economy and the Group remains uncertain. The severity of its impact will depend on its duration, customer behaviour, the success of the Government stimulus initiatives, and the general Australian economic recovery. Thus, COVID-19 requires focussed considerations and estimations, which has an impact on the valuation of the Group's assets and liabilities.

(a) Critical accounting estimates and assumptions

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

(i) *Estimated impairment of goodwill*

Annually the Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(o). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 20 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) *Impairment of Brisbane Head office right-of-use asset*

During the period the Group identified impairment indicators in respect of the Brisbane Head office lease right-of-use asset. Refer to Note 20 for details of the assumptions and impairment charge recognised in the income statement.

(v) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses only if it is probable that future taxable amounts will be available to utilise those losses. The Group has assessed this probability utilising an approved budget and forecast model. The Group has forecast that it is probable that sufficient taxable income will be generated in the future to utilise the deferred tax asset recognised at 30 June 2021. The Group's ability to generate future taxable income is dependent on the successful execution of its strategic plan, as disclosed in Note 1(a)(v) *Going Concern*. In line with the forecasted utilisation, the Group has not brought to account a deferred tax asset in respect of the operating tax loss related to the current financial year.

Unrecognised tax losses remain available for use in future periods and have no expiry date. Refer to Note 7 and Note 19 for further information.

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

(i) *Employee benefits*

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

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

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

(iii) *Lease terms used in AASB 16*

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

(iv) *Going Concern*

The Directors, having consideration for the current state of the Group's operations, its cash flows, the recently completed recapitalisation process leading to the partial repayment of debt, and the ongoing loan facilities with the lenders and Credit Corp Group, consider the Group will be able to pay its debts as and when they fall due for the period of at least 12 months from the date of signing the Group's full-year financial statements for the period ended 30 June 2021. Refer to Note 1(a) for more details.

3. Financial risk management

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

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

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

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

(a) Market risk

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

(i) *Foreign exchange risk*

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

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

Sensitivity

At 30 June 2021, had the Australian Dollar weakened/strengthened by 10% against the NZ Dollar or the Philippine Peso with all other variables held constant, the impact for the year would have been immaterial to both profit for the year and equity.

(ii) *Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2021 and 2020, the Group borrowings at variable rates were denominated in Australian Dollars only.

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

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

(iii) *Equity Risk*

The Group designated the investment in Volt Corporation Ltd as equity securities at fair value through other comprehensive income (FVOCI) because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. The fair value changes will impact other comprehensive income and reserve. Fair value is currently determined currently based on the valuation done by the Company as Volt Corporation Ltd's shares are not traded in the active market at reporting period. More details can be found in Note 12.

3. Financial risk management (continued)

(a) Market risk (continued)

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

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Borrowings	**6.8%**	**61,152**	3.3%	214,857
Lease Liabilities	**4.8%**	**30,144**	4.4%	37,566
Net exposure to cash flow interest rate risk		**91,296**		252,423

Sensitivity

At reporting date, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining consistent would be as follow:

		Interest rate risk			
		-25 bps		+25 bps	
Consolidated 2021	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Borrowings	**61,152**	**107**	**107**	**(107)**	**(107)**
Lease Liabilities	**30,144**	**53**	**53**	**(53)**	**(53)**
Total increase/(decrease) in financial liabilities		**160**	**160**	**(160)**	**(160)**

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

Other financial assets and liabilities are not interest bearing and therefore are not subject to interest rate risk.

3. Financial risk management (continued)

(b) Credit risk

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

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

	2021 $'000	2020 $'000
Cash and cash equivalents	**7,288**	9,656
Receivables	**10,680**	13,311
Purchased debt ledgers	**12,881**	184,728
Other assets	**1,667**	222
Total financial assets	**32,516**	207,917

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

Management continuously monitor cash flows and the carrying value of the PDLs. An impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the PDL is impaired. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate. Re-forecast of future cash flows can be caused by various factors including changes in customer expectations, changes in Management Collection strategy and approach, or market impacts. No impairment charge was recognised during the year ended 30 June 2021 (2020: $238,890,000). All income from the recovery of PDLs has been recognised as interest. Ongoing credit risk is managed through the application of a valuation model, which forecasts recoverability based on the historical experience and future predictions of the company based on metrics such as recoverability, debt type, age, and customer status.

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

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

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

	Level hierarchy	2021 $'000	2020 $'000
Cash and cash equivalents	Level 1	**7,288**	9,656
Receivables	Level 3	**10,680**	13,311
Purchased debt ledgers	Level 3	**12,881**	184,728
Other assets	Level 3	**1,667**	222
Total financial assets		**32,516**	207,917

(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

3. Financial risk management (continued)

(c) Liquidity risk (continued)

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.

Financing arrangements

At 30 June 2021, there are no undrawn borrowing facilities, with no group set off and term debt option available at the end of reporting period (2020: nil).

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 2021	Notes	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total carrying amount $'000
Non-derivatives					
Payables	15	**9,059**	**-**	**-**	**9,059**
Borrowings	17	**11,733**	**49,419**	**-**	**61,152**
Lease liabilities	18	**6,194**	**23,950**	**-**	**30,144**
Other financial liabilities*	18	**1,185**	**160**	**-**	**1,345**
Total non-derivatives		**28,171**	**73,529**	**-**	**101,700**

**excludes Lease liabilities*

Contractual maturities of financial liabilities 2020	Notes	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total carrying amount $'000
Non-derivatives					
Payables	15	13,212	-	-	13,212
Borrowings	17	214,857	-	-	214,857
Lease liabilities	18	6,892	30,341	333	37,566
Other financial liabilities*	18	633	-	-	633
Total non-derivatives		235,594	30,341	333	266,268

**excludes Lease liabilities*

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 include unallocated revenue and expenses, intersegment eliminations, interest, borrowings, and income tax expenses.

(b) Segment information provided to the Board

2021	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales	**56,300**	**-**	**-**	**56,300**
Intersegment sales	**-**	**-**	**(11)**	**(11)**
Total sales revenue	**56,300**	**-**	**(11)**	**56,289**
Interest and other income	**-**	**19,038**	**-**	**19,038**
Total segment revenue	**56,300**	**19,038**	**(11)**	**75,327**
Segment result				
Segment result	**441**	**(3,134)**	**(5,654)**	**(8,347)**
Restructuring expenses	**-**	**-**	**(8,007)**	**(8,007)**
Non-recurring one-off costs	**-**	**-**	**(5,956)**	**(5,956)**
Impairment expense: Property, plant and equipment	**-**	**-**	**(2,612)**	**(2,612)**
Impairment expense: Purchase Debt Ledger	**-**	**-**	**-**	**-**
Interest expense and borrowing costs	**-**	**-**	**(6,948)**	**(6,948)**
Profit before income tax				**(31,870)**
Income tax expense				**(120)**
Profit for the year				**(31,990)**
Segment assets and liabilities				
Segment assets	**110,275**	**33,537**	**2,267**	**146,079**
Segment liabilities	**44,430**	**63,004**	**(1,166)**	**106,268**
Other segment information				
Acquisitions of property, plant and equipment, intangibles, and other non-current segment assets	**1,258**	**6,790**	**-**	**8,048**
Depreciation and amortisation expense	**4,829**	**1,935**	**2,693**	**9,457**
Other non-cash expenses	**557**	**12,204**	**3,084**	**15,845**

4. Segment information (continued)

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

2020	Collection services $'000	Purchased debt ledgers $'000	All other segments $'000	Consolidated $'000
Segment revenue				
Sales	65,113	-	-	**65,113**
Intersegment sales	-	-	(212)	**(212)**
Total sales revenue	65,113	-	(212)	**64,901**
Interest and other income	-	86,746	-	**86,746**
Total segment revenue	65,113	86,746	(212)	**151,647**
Segment result				
Segment result	8,706	42,550	(9,602)	**41,654**
Restructuring expense	-	-	(63)	**(63)**
Purchase Debt Ledger – Impairment	-	(238,890)	-	**(238,890)**
Interest expense and borrowing costs	-	-	(9,751)	**(9,751)**
Profit before income tax				**(207,050)**
Income tax expense				**61,981**
Profit for the year				**(145,070)**
Segment assets and liabilities				
Segment assets	85,427	250,539	2,599	**338,565**
Segment liabilities	53,636	218,080	(868)	**265,446**
Other segment information				
Acquisitions of property, plant and equipment, intangibles, and other non-current segment assets	3,606	39,059	-	**42,665**
Depreciation and amortisation expense	4,358	3,080	2,971	**10,409**
Other non-cash expenses	692	267,967	742	**269,401**

(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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australia	**62,518**	136,054	**132,572**	325,238	**5,732**	34,248
New Zealand	**12,464**	14,880	**12,017**	9,546	**2,294**	8,347
Philippines	**345**	713	**1,490**	3,781	**22**	70
	75,327	151,647	**146,079**	338,565	**8,045**	42,665

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

(i) *Accounting policies*

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

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

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

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

(d) Other segment information

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

5. Revenue

	Consolidated	
	2021 $’000	**2020 $’000**
Gain on sale of PDLs	**(1,336)**	6,367
Call option income	**-**	617
Sublease income	**853**	672
Other	**1,679**	792
Other Revenue from continuing operations	**1,196**	8,448

Notes to the Financial Statements

for the year ended 30 June 2021

6. Expenses

	Consolidated	
	2021 $'000	**2020 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	**6,114**	6,454
Total depreciation	**6,114**	6,454
Amortisation		
Computer software	**3,182**	3,441
Customer contracts	**161**	158
Stamp Duty	**-**	356
Total amortisation	**3,343**	3,955
Total depreciation and amortisation	**9,457**	10,409
Finance expenses		
Interest and finance charges paid/payable	**5,286**	7,809
Lease interest	**1,662**	1,942
Finance costs expensed	**6,948**	9,751
Rental and Lease expense		
Lease expenses	**1**	25
Rent and outgoings	**457**	958
Rental and Lease expenses	**458**	983
Employee Expenses		
Employee Expenses	**57,911**	64,075
JobKeeper Receipts*	**(7,176)**	(6,649)
Total expense relating to Employee Expenses	**50,735**	57,426

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

Notes to the Financial Statements

for the year ended 30 June 2021

7. Income tax expense

	Consolidated	
	2021 $'000	2020 $'000
(a) Profit before income tax includes the following specific expenses:		
Income tax expense – Profit/(Loss) from continuing operations	**120**	(61,980)
Income tax expense is attributable to:		
Current tax	**(12,209)**	6
Deferred tax	**12,248**	(62,065)
Under/(over) provided in previous years	**81**	79
Aggregate income tax expense	**120**	(61,980)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 19)	**16,565**	(58,444)
(Decrease)/increase in deferred tax liabilities (Note 19)	**(4,317)**	(3,621)
	12,248	(62,065)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(31,870)**	(207,050)
Tax at the Australian tax rate of 30% (2020: 30%)	**(9,561)**	(62,115)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**16**	32
Effect of tax rates in foreign jurisdictions	**113**	24
Tax exempt (income)/loss	**-**	-
	(9,432)	(62,059)
Adjustments for current tax of prior periods	**81**	79
Australian deferred tax assets not brought to account for the year	**8,880**	-
New Zealand deferred tax assets not brought to account for the year	**591**	-
	9,552	79
Income tax expense/(benefit)	**120**	(61,980)

8. Cash and cash equivalents

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

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

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank and on hand	**7,288**	9,656
Balances per statement of cash flows	**7,288**	9,656

9. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current		
Net trade receivables		
Trade receivables	**3,288**	4,854
Provision for impairment of receivables (a)	**(201)**	(238)
	3,087	4,616
Accrued revenue	**3,818**	2,724
Other assets	**184**	524
JobKeeper receivable	**-**	2,817
Sublease receivable	**519**	153
Prepaid expenses	**2,526**	2,477
	10,134	13,311
Non-current		
Sublease receivable	**460**	469
Prepaid expenses	**86**	271
	546	740

(a) Impaired trade receivables

As at 30 June 2021 current trade receivables of the Group were assessed for potential impairment, with a provision recognised of $201,000 (2020: $238,000). The individually impaired receivables mainly relate to debtors which have been outstanding for more than 90 days. It has been assessed that a portion of these receivables are expected to be recovered.

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

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
At 1 July	**238**	146
Provision for impairment recognised during the year	**304**	393
Receivables written off during the year as uncollectable	**-**	(47)
Unused amount reversed	**(341)**	(254)
	201	238

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 2021, trade receivables of the Group of $1,488,000 (2020: $2,477,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2021 $'000	**2020 $'000**
Up to 3 months	**977**	1,331
Over 3 months	**511**	1,146
	1,488	2,477

10. Purchased debt ledgers

	Consolidated	
	2021 $'000	**2020 $'000**
Current	**2,920**	172,541
Non-current	**9,961**	12,187
	12,881	184,728
At beginning of year	**184,728**	410,303
Additions	**6,798**	38,946
Impairment	**-**	(238,890)
Legal and court costs	**-**	3,140
Gross PDL Collections	**(30,712)**	(97,780)
Interest income	**18,887**	79,261
Collection Service Fee	**(5,297)**	-
Exchange differences	**(420)**	-
Disposal of PDLs	**(161,103)**	(10,252)
At end of year	**12,881**	184,728

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.

Impairment

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

The Group has considered the impacts of COVID-19 on its PDL asset value taking into account such factors as any restrictions, moratoriums, recent CLH collection performance, the impact of unemployment levels and other market factors upon existing and new arrangements, general impacts on the Australian and New Zealand economy, and comparable company reporting outcomes.

After assessment against the above factors, the PDL balance at 30 June 2021 has not been the subject of any impairment adjustment.

11. Other current assets

	Consolidated	
	2021 $'000	2020 $'000
Other deposits	**1,667**	222
Current	**1,667**	222

12. Equity investments

	Consolidated	
	2021 $'000	2020 $'000
Investment in Volt Corporation Ltd	**3,516**	4,868
	3,516	4,868
At beginning of year	**4,868**	8,500
Fair Value adjustment	**(1,352)**	(3,633)
	3,516	4,868

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

The investment in Volt Corporation Ltd represents the total of shares of 10,818,380 units (2020: 10,818,380).

The valuation of the investment at 30 June 2021 was estimated with reference to an equity raise completed during the year and another that is currently underway as at the date of this report, both with the issue price being $0.325 cents per share, equating to a value of $3,516,000 (2020: $0.45 cents per share equating to a value of $4,868,000). The changes in fair value are recognised within the asset revaluation reserve and other comprehensive income.

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

Notes to the Financial Statements

for the year ended 30 June 2021

13. Property, plant and equipment

	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At 1 July 2019						
Cost or fair value	-	10,046	5,914	9	300	**16,269**
Accumulated depreciation	-	(8,753)	(4,806)	-	-	**(13,559)**
Net book amount	**-**	**1,293**	**1,108**	**9**	**300**	**2,710**
Year ended 30 June 2020						
Opening net book amount	-	1,293	1,108	9	300	**2,710**
*AASB 16: Initial recognition	32,201	-	-	-	-	**32,201**
Additions	-	730	224	59	-	**1,013**
Disposals	(1,105)	-	-	-	-	**(1,105)**
Depreciation charge	(5,666)	(574)	(255)	(21)	-	**(6,516)**
Transfers	-	17	-	-	(23)	**(6)**
Closing net book amount	**25,430**	**1,466**	**1,077**	**47**	**277**	**28,297**
At 30 June 2020						
Cost or fair value	31,096	10,793	6,138	68	277	**48,372**
Accumulated depreciation	(5,666)	(9,327)	(5,061)	(21)	-	**(20,075)**
Net book amount	**25,430**	**1,466**	**1,077**	**47**	**277**	**28,297**

	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Year ended 30 June 2021						
Opening net book amount	25,430	1,466	1,077	47	277	**28,297**
Additions	-	336	18	-	-	**354**
Disposals	(1,922)	(51)	-	-	(277)	**(2,250)**
Depreciation charge	(5,079)	(522)	(484)	(29)	-	**(6,114)**
Impairment	(2,612)	-	-	-	-	**(2,612)**
Exchange differences	(62)	(6)	(27)	-	-	**(95)**
Transfers	-	-	-	-	-	**-**
Closing net book amount	**15,755**	**1,223**	**584**	**18**	**-**	**17,580**
At 30 June 2021						
Cost or fair value	27,384	9,303	3,734	68	-	**40,489**
Accumulated depreciation	(9,017)	(8,080)	(3,150)	50	-	**(20,297)**
Accumulated impairment	(2,612)	-	-	-	-	**(2,612)**
Net book amount	**15,755**	**1,223**	**584**	**18**	**-**	**17,580**

(a) Non-current assets pledged as security

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

(b) Impairment assessment

Refer to Note 20 for information about the impairment assessment of goodwill and property, plant and equipment.

14. Intangible assets

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress* $'000	Total $'000
At 1 July 2019						
Cost or fair value	23,490	29,785	2,487	171	1,664	**57,597**
Accumulated amortisation and impairment	(3,764)	(17,820)	(1,876)	(171)	(124)	**(23,755)**
Net book amount	**19,726**	**11,965**	**611**	**-**	**1,540**	**33,842**
Year ended 30 June 2020						
Opening net book amount	19,726	11,965	611	-	1,540	**33,842**
Exchange differences	(2)	-	-	-	-	**(2)**
Additions – internal development	-	458	-	-	2,187	**2,645**
Amortisation charge	-	(3,392)	(159)	-	-	**(3,551)**
Disposals	-	-	-	-	-	**-**
Transfers	-	927	-	-	(850)	**77**
Closing net book amount	**19,724**	**9,958**	**452**	**-**	**2,877**	**33,011**
At 30 June 2020						
Cost or fair value	23,490	31,170	2,487	171	3,001	**60,319**
Accumulated amortisation and impairment	(3,766)	(21,212)	(2,035)	(171)	(124)	**(27,308)**
Net book amount	**19,724**	**9,958**	**452**	**-**	**2,877**	**33,011**

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress* $'000	Total $'000
Year ended 30 June 2021						
Opening net book amount	19,724	9,958	452	-	2,877	**33,011**
Exchange differences	(1)	(2)	-	-	-	**(3)**
Additions – internal development	-	94	-	-	810	**904**
Amortisation charge	-	(3,182)	(161)	-	-	**(3,343)**
Disposals	-	(86)	-	-	(2,392)	**(2,748)**
Transfers	-	821	-	-	(821)	**-**
Closing net book amount	**19,723**	**7,603**	**291**	**-**	**494**	**28,091**
At 30 June 2021						
Cost or fair value	23,486	30,724	2,397	-	474	**57,081**
Accumulated amortisation and impairment	(3,763)	(23,121)	(2,106)	-	-	**(28,990)**
Net book amount	**19,723**	**7,603**	**291**	**-**	**474**	**28,091**

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

(a) Impairment assessment

Refer to Note 20 for information about the impairment assessment of goodwill and property, plant and equipment.

15. Trade and other payables

	Consolidated	
	2021 $'000	**2020 $'000**
Trade payables	**2,958**	5,339
Accrued expenses	**4,005**	5,729
Other payables	**2,096**	2,144
	9,059	13,212

16. Provisions

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Employee benefits	**3,851**	3,832
Make good	**519**	552
Fringe benefits tax	**3**	35
	4,373	4,419
Non-current		
Employee benefits	**195**	142
	195	142

(a) Movements in provisions

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

	Consolidated	
	Make good $'000	**Fringe benefits tax $'000**
2021		
Current		
Carrying amount at start of year	**552**	**35**
- additional provisions recognised	**67**	**137**
- payments/provision used	**(100)**	**(169)**
Carrying amount at end of year	**519**	**3**
2020		
Current		
Carrying amount at start of year	652	35
- additional provisions recognised	-	236
- payments/provision used	(100)	(236)
Carrying amount at end of year	552	35

(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	
	2021 $'000	**2020 $'000**
Current		
Lease liabilities	**6,194**	6,892
Other current financial liabilities	**1,185**	633
	7,379	7,525
Non-current		
Lease liabilities	**23,950**	30,674
Other non-current financial liabilities	**160**	-
	24,110	30,674

The total cash outflow for leases during the year was $7,983,000 (2020: $7,649,000), which comprises of the payment of principal and interest.

18. Borrowings

	Consolidated	
	2021 $'000	**2020 $'000**
Secured		
Other loans – current	**10,063**	-
Bank loans – current	**1,670**	214,857
Bank loans – non-current	**49,419**	-
Total secured borrowings	**61,152**	214,857

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.

		Consolidated	
	Notes	**2021 $'000**	**2020 $'000**
Current			
Floating charge			
Cash and cash equivalents	8	**7,288**	9,656
Receivables	9	**10,134**	13,311
Purchased debt ledgers	10	**2,920**	172,541
Total current assets pledged as security		**20,342**	195,508
Non-current			
Floating charge			
Receivables	9	**546**	740
Purchased debt ledgers	10	**9,961**	12,188
Plant and equipment*	13	**4,409**	2,805
Total non-current assets pledged as security		**14,916**	15,733
Total assets pledged as security		**35,258**	211,241

** This excludes ROU assets $13,171,000 (2020: $25,678,000) that were recognised due to AASB16.*

18. Borrowings (continued)

(a) Fair value

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

Consolidated	2021 Carrying Amount $'000	2021 Fair value $'000	2020 Carrying Amount $'000	2020 Fair value $'000
On-balance sheet (i)				
Non-traded financial liabilities				
Other loans – current	**10,063**	**10,063**	-	-
Bank loans – current	**1,670**	**1,670**	214,857	214,857
Bank loans – non-current	**49,419**	**49,419**	-	-
	61,152	**61,152**	214,857	214,857

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

(i) *On balance sheet ($'000)*

The fair value of current borrowings equals their carrying amount.

Coincident with completion of the PDL sale transaction in December 2020, the Company refinanced its remaining senior debt on the following basis:

- $20,000 Fully amortising Term Loan Facility (Facility A) with interest payable on a monthly basis and scheduled quarterly repayments over a three-year term.
- $41,566 Term Loan Facility (Facility B) with a term of three years, capitalising interest, and cash sweep payments at times when the Group's cash balance is above a level agreed with the lenders.
- As a part of the PDL sale transaction, the purchaser provided a loan of $15,000 with a maturity of two years with interest capitalised during the term.

Hence, total debt was $76,566 ($61,566 + $15,000 from above) at the time. Since then, $11,588 of senior debt has been repaid and $5,437 of the purchaser other loan has been repaid.

Refer to the Group's capital management are disclosed in Note 21 (h) for more details.

(b) Risk exposures

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

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

19. Deferred tax balances

(a) Deferred tax asset

	Consolidated 2021 $'000	Consolidated 2020 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**44,022**	591
Project Costs – Refinancing Transaction	**1,630**	714
Fair Value Adjustment – Volt Investment	**1,495**	1,090
Lease Liability – AASB 16	**9,021**	11,220
PDL Impairment	**342**	59,113
Provisions and employee benefits	**1,543**	1,562
Accruals	**199**	124
Share based payments	**65**	65
Doubtful debts	**60**	72
Other	**30**	16
	58,407	74,567
Set-off of deferred tax liabilities pursuant to set-off provisions (b)	**(6,518)**	(10,835)
Net deferred tax assets	**51,889**	63,732
Movements:		
Opening balance at 1 July	**74,567**	3,704
Credited / (charged) to the retained earnings	**-**	11,240
Credited / (charged) to the fair value reserve	**405**	1,090
Credited / (charged) to the current tax asset	**(12,335)**	89
Credited / (charged) to the income statement	**(4,230)**	58,444
Closing balance at 30 June	**58,407**	74,567

Movements - Consolidated	Tax losses $'000	Provisions and employee benefits $'000	Lease incentive $'000	Lease liability $'000	Share based payments $'000	Accruals $'000	PDL Impair-ment $'000	Fair Value – Volt $'000	Doubtful debts $'000	Project Cost $'000	Others $'000	Total $'000
As at 1 July 2019	**161**	**1,578**	**1,688**	**-**	**156**	**77**	**-**	**-**	**44**	**-**	**-**	**3,704**
- to retained earnings	-	-	(1,688)	12,928	-	-	-	-	-	-	-	**11,240**
- to profit or loss	331	(16)	-	(1,698)	(91)	47	59,113	-	28	714	16	**58,444**
- to Fair value reserve	-	-	-	-	-	-	-	1,090	-	-	-	**1,090**
- to current tax liability	99	-	-	(10)	-	-	-	-	-	-	-	**89**
As at 30 June 2020	**591**	**1,562**	**-**	**11,220**	**65**	**124**	**59,113**	**1,090**	**72**	**714**	**16**	**74,567**
As at 1 July 2020	**591**	**1,562**	**-**	**11,220**	**65**	**124**	**59,113**	**1,090**	**72**	**714**	**16**	**74,567**
- to retained earnings	-	-	-	-	-	-	-	-	-	-	-	**-**
- to profit or loss	55,766	(19)	-	(2,199)	-	75	(58,771)	-	(12)	916	14	**(4,230)**
- to Fair value reserve	-	-	-	-	-	-	-	405	-	-	-	**405**
- to current tax asset	(12,335)	-	-	-	-	-	-	-	-	-	-	**(12,335)**
As at 30 June 2021	**44,022**	**1,543**	**-**	**9,021**	**65**	**199**	**342**	**1,495**	**60**	**1,630**	**30**	**58,407**

19. Deferred tax balances (continued)

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated 2021 $'000	Consolidated 2020 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**6,219**	9,798
Purchased Debt Ledger (Legal and Court cost)	**-**	-
Sublease Receivables	**294**	187
JobKeeper Receivables	**-**	845
Other	**4**	5
	6,518	10,835
Set-off of deferred tax liabilities pursuant to set-off provisions (a)	**(6,518)**	(10,835)
Net deferred tax liabilities	**-**	-
Movements:		
Opening balance at 1 July	**10,835**	5,209
Charged / (credited) to the retained earnings	**-**	9,612
Charged / (credited) to the income statement (Note 7)	**(4,317)**	(3,986)
Closing balance at 30 June	**6,518**	10,835

Movements - Consolidated	Property, plant and equipment $'000	Purchased Debt Ledger – Legal and Court Cost $'000	Sublease Receivables $'000	JobKeeper Receivables $'000	Prepayments $'000	Total $'000
As at 1 July 2019	**2,600**	**2,602**	**-**	**-**	**7**	**5,209**
- to retained earnings	9,612	-	-	-	-	**9,612**
- to profit or loss	(2,414)	(2,602)	187	845	(2)	**(3,986)**
As at 30 June 2020	**9,798**	**-**	**187**	**845**	**5**	**10,835**
As at 1 July 2020	**9,798**	**-**	**187**	**845**	**5**	**10,835**
- to retained earnings	-	-	-	-	-	**-**
- to profit or loss	(3,579)	-	107	(845)	-	**(4,317)**
As at 30 June 2021	**6,219**	**-**	**294**	**-**	**5**	**6,518**

(c) Deferred tax assets not recognised

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

- Tax losses: operating losses $31,710,000 (2020: nil)

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility occur. These amounts have no expiry date.

20. Impairment assessment

The Group performs an impairment test annually for intangible assets with indefinite useful life, such as goodwill, and for property, plant and equipment and other intangible assets when indicators of impairment exist. During the period the Group has identified the following impairment indicator:

- client imposed restrictions on collection activities as a result of the on-going COVID-19 pandemic; and
- unutilised floor space in Brisbane Head office as a result of the structural changes to the business and the ongoing COVID-19 impacts, resulting in an indicator of impairment in respect of that individual lease right-of-use asset.

(a) Goodwill impairment assessment

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

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on the financial budget for the first year approved by management, which is then extrapolated to cover an additional 4-year period (total 5 years) and include a terminal value calculation, which used a long-term growth rate of 2.5% (2020: 2.5%) and is in line with the long-term targeted inflation set by the Reserve Bank of Australia.

The key assumptions utilised in the Group's discounted cash flow forecasts are detailed below.

	Growth rate (revenue)		Growth rate (expenses)		Discount rate*	
CGU	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Collection services	**5.0 to 15.0**	3.9 to 5.0	**2.0 to 15.0**	0.0 to 4.7	**13.14**	13.11

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

(i) Impairment charge

As a result of the impairment assessment, the Group has determined that the carrying value of intangible assets does not exceed their value in use, and no impairment charge was required (2020: Nil).

(ii) Impact of possible changes in key assumptions

Collection services

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

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

COVID-19

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

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

WACC

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

(b) Brisbane Head office right of use impairment assessment

Unutilised floor space in Brisbane Head office as a result of the structural changes to the business and the ongoing COVID-19 impacts, resulting in an indicator of impairment in respect of that individual lease right-of-use asset.

Whilst the asset does not generate cash inflows that are largely independent of other assets, *AASB 136 Impairment of Assets* provides an exception in circumstances where an asset's value in use (VIU) can be estimated to be close to its fair value less costs of disposal (FVLCD) and FVLCD can be measured.

The Group have determined the right of use asset's VIU to be close to its FVLCD on the following basis:

- the unused floor space can be sublet;
- FVLCD can be measured by way of the market rent receivable from sub-letting; and
- the period of 'own use' is minimal compared to the remaining period of the head lease available for sub-letting.

20. Impairment assessment (continued)

(b) Brisbane Head office right of use impairment assessment (continued)

(i) Impairment charge

As a result of the impairment assessment, the Group has determined that the carrying value of the Brisbane Head office right of use asset exceeds its FVLCD. The shortfall of $2,612,000 between the asset's carrying value and FVLCD has been recognised as an impairment charge in the income statement.

21. Contributed equity

(a) Share capital

	Company		Company	
	2021 Shares	**2020 Shares**	**2021 $'000**	**2020 $'000**
Ordinary shares – fully paid	**141,948,162**	141,948,162	**120,260**	120,260
Treasury shares	**(420,901)**	(512,317)	**(571)**	(693)
Total contributed equity	**141,527,261**	141,435,845	**119,689**	119,567

(b) Movements in ordinary share capital

Issues of ordinary shares during the year

	Details	Number of shares	$'000
1 July 2019	Opening balance	139,279,060	117,077
12 September 2019	Performance Rights Plan	1,141,738	1,416
	Less: Transaction costs arising on share issues	-	(7)
30 September 2019	Share Issuance: Exempt Employee Share Plan	154,795	197
25 October 2019	Dividend reinvestment plan issues	1,372,569	1,584
	Less: Transaction costs arising on share issues	-	(7)
30 June 2020	**Closing balance**	**141,948,162**	**120,260**
1 July 2020	Opening balance	141,948,162	120,260
	No movement during the year	**-**	**-**
30 June 2021	**Closing balance**	**141,948,162**	**120,260**

(c) Ordinary shares

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

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

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

(d) Treasury shares

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

(e) Dividend reinvestment plan

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

21. Contributed equity (continued)

(f) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 31.

(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 31.

(h) Capital management

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

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

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

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

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

Arrangements with the Group’s financiers are in place to ensure that there is sufficient credit available to meet unforeseen circumstances should they arise. Financing facilities are renegotiated on a regular basis to ensure that they are sufficient for the Group’s projected growth plus a buffer. As far as possible, asset purchases are funded from operational cash flow, so as to not require financing. Cash is monitored on a daily basis to ensure that immediate and short-term requirements can be met. During the recent standstill period until December 2020, additional cash monitoring and controls were added to ensure standstill conditions were not breached including financial covenants that had been put in place. Detailed cash monitoring enables the Group to reduce the risk of liquidity and going concern issues.

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

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

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

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

During the first half of the Year, the Group was under a Standstill Agreement (SA) with its lenders. With the SA in place, the Group’s lenders agreed not to take any action during the period to 23 December 2020 (the standstill period) in relation to any potential or existing defaults that occurred under the facilities prior to the commencement of the standstill period in April 2020. Subject to compliance with its terms, the SA, among other things, modified the financial covenants under the Group’s lending facilities during the standstill period. In addition, the maturity dates of its lending facilities were adjusted to 23 December 2021 and the Group suspended any dividend or other distribution payments.

The Group has agreed with its lenders a programme to recapitalise the Group in order to reduce debt and adopt appropriate financial covenants that monitor the Group as it returns to a sustainable level. An additional waiver was received for the March 2021 quarter EBITDA financial covenant, with amended terms agreed on 30 June 2021. The recapitalisation process was completed as at 23 December 2020 with the proceeds from a sale of the majority of its Australian PDL assets being applied to the repayment of the majority of its existing facilities and the provision of an ongoing funding facility for $61.4m. There was also a bank guarantee facility of $8.6m agreed and a short-term loan of $15m provided by the Credit Corp Group. See Note 18 for further detail.

22. Reserves

	Consolidated	
	2021 $'000	**2020 $'000**
Fair value reserve	**(3,489)**	(2,542)
Share-based payments reserve	**347**	470
Foreign currency translation reserve	**(2,479)**	(2,107)
	(5,621)	(4,179)

(a) 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.

(iii) *Fair Value reserve*

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

23. Dividends

(a) Ordinary shares

	Consolidated 2021 $'000	Consolidated 2020 $'000
Fully franked final dividend for the year ended 30 June 2020 – nil (2019: 4.1 cents)	-	5,764
	-	5,764
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2021 and 2020 were as follows:		
Paid in cash	-	4,180
Satisfied under the Dividend Reinvestment Plan	-	1,584
	-	5,764

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

No dividend has been declared for the year ended 30 June 2021 (2020: nil).

(c) Franked dividends

	Consolidated 2021 $'000	Consolidated 2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%)	**37,645**	55,414
	37,645	55,414

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.

The amount of franking credits available has reduced from prior year as a result of $5,436,000 tax refunded during the year, and expected tax receivable of $12,335,000.

24. Remuneration of auditors

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

	Consolidated	
	2021 $	2020 $
Audit and review services		
(a) Auditors of the Company – KPMG		
Audit and review of the financial statements	**322,190**	411,547
Other regulatory audit services	**91,450**	71,720
Total auditors' remuneration	**413,640**	483,267
(b) Other auditors – Villaruz, Villaruz & Co ("VVC")		
Audit and review of the financial statements – Manilla	**6,487**	9,575
Total auditors' remuneration	**6,487**	9,575
Other services		
Auditors of the Company – KPMG		
In relation to accounting advice and due diligence services	**-**	-
In relation to taxation services	**287,886**	267,760
	287,886	267,760

25. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2021 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 three purchase agreements with Put & Call option have the following expiry dates:

- 3 November 2023
- 2 December 2024
- 25 April 2025

Guarantees

(a) Bank Guarantees (secured) exist in respect of satisfying contract terms amounting to $8,176,610 (2020: $6,732,284). 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.

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.

26. Commitments

(a) Capital commitments

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

	Consolidated	
	2021 $'000	**2020 $'000**
Within one year	**833**	13,988
Later than one year, but not later than five years	**-**	1,910
	833	15,898

27. Related party transactions

(a) Group companies

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in Note 29.

(b) Key management personnel compensation

	Consolidated	
	2021 $	**2020 $**
Short-term employee benefits	**2,665,915**	2,592,682
Post-employment benefits	**255,683**	235,195
Other long-term benefits	**99,019**	65,336
Termination benefits	**78,461**	117,619
Share-based payments	**-**	-
	3,099,078	3,010,832

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 11 to 21.

(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.

28. Parent entity financial information

(a) Summary financial information

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

	Consolidated	
	2021 $'000	**2020 $'000**
Balance sheet		
Current assets	**25,179**	20,170
Non-current assets	**230,884**	424,808
Total assets	**256,063**	444,978
Current liabilities	**30,417**	237,056
Non-current liabilities	**129,362**	76,425
Total liabilities	**159,779**	313,481
Shareholders' equity		
Contributed equity	**119,689**	119,567
Reserves	**(3,142)**	(2,072)
Retained earnings	**(20,263)**	14,002
Capital and reserves attributable to owners of Collection House Limited	**96,284**	131,497
Loss for the year	**(34,266)**	(20,486)
Total comprehensive income	**(34,266)**	(20,486)

(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 25.

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

29. 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):

	2021 %	2020 %
Parent and Ultimate Parent company:		
Collection House Limited		
Controlled entities – incorporated in Australia		
Safe Horizons Pty Ltd (formerly Cash flow Accelerator Pty Ltd)	**100**	100
ThinkMe Finance Pty Ltd	**100**	100
Collective Learning and Development Pty Ltd	**100**	100
CLH Legal Group Pty Ltd	**100**	100
Lion Finance Pty Ltd	**100**	100
Midstate CreditCollect Pty Ltd	**100**	100
CLH Business Services Pty Ltd	**100**	100
Collection House Limited Employee Share Plan Trust	**100**	100
Controlled entities – incorporated in New Zealand		
Collection House (NZ) Limited	**100**	100
Lion Finance Limited	**100**	100
Receivables Management (NZ) Limited	**100**	100
Receivables Management (International) Limited	**100**	100
Creditnet International Limited**	**-**	100
Receivables Finance Limited	**100**	100
Southern Receivables Limited	**100**	100
Controlled entities – incorporated in Philippines		
Collection House International BPO, Inc*	**100**	100

** Collection House International BPO, Inc started up on 10 May 2012 and commenced business operations on 1 April 2013. While Collection House Limited holds legal and beneficial ownership of 9,995 issued shares in the subsidiary, it has beneficial ownership of 5 issued shares in the subsidiary, held on trust for Collection House Limited by each of the five appointed directors of the subsidiary, in accordance with Philippines law, representing all of the issued shares in the subsidiary currently.*
*** Creditnet International Limited was sold on 31 May 2021*

30. Earnings/(Loss) per share

	Consolidated	
	2021 Cents	**2020 Cents**
(a) Basic earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(22.5)**	(103.2)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(22.5)**	(103.2)
(b) Diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(22.5)**	(103.2)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(22.5)**	(103.2)

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

	Consolidated	
	2021 $'000	**2020 $'000**
Basic earnings/(loss) per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(31,990)**	(145,070)
	(31,990)	(145,070)
Diluted earnings/(loss) per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(31,990)**	(145,070)
	(31,990)	(145,070)

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

	Consolidated	
	2021 Number	**2020 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**141,948,162**	140,605,045
Adjustments for calculation of diluted earnings per share:		
Performance Rights	**421,473**	840,711
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**142,369,635**	141,445,756

(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 31.

31. Share-based payments

(a) Performance Rights Plan

In line with the executive remuneration framework, the Board has 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 2018, 341,071 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP and were identified as PR2018. PR2018 performance rights formally expired on 30 September 2020.

During the reporting period ending 30 June 2020, 398,068 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP and were identified as PR2019. PR2019 performance rights have an expiry date of 30 September 2021.

Both PR2018 and PR2019 performance rights were determined to be not meeting vesting conditions during the year ended 30 June 2020 and were derecognised in that financial year.

No further performance rights were issued in relation to FY20 or FY21.

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 – 2021								
	Nil rights on issue		-	-	-	-	-	-
Total			-	-	-	-	-	-
Company - 2020								
1 July 2016	30 September 2019	Nil	1,141,738	-	(1,141,738)	-	-	-
1 July 2017	30 September 2020	Nil	261,775	-		(261,775)	-	-
1 July 2019	30 September 2021	Nil	-	398,068	-	(398,068)	-	-
Total			1,403,513	398,068	(1,141,738)	(659,843)	-	-

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.

(b) Employee Share Plan

The Group introduced the Collection House Limited Exempt Employee Share Plan, providing eligible employees with an opportunity to acquire a beneficial ownership of shares in the Company. The Plan is administered by CPU Share Plans Pty Limited. This Trust is consolidated in accordance with Note 1 (b) and Note 29.

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 21).

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.

31. Share-based payments (continued)

(b) Employee Share Plan (continued)

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.

There were no shares granted to participating employees during the financial year (2020: 327,980 units granted on 30 September 2019 with a trade price and fair value at grant date of $1.27).

(c) 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	
	2021 $'000	**2020 $'000**
Performance rights plan	**-**	(271)
Deferred shares – CEO short-term incentive	**-**	(30)
Employee share plan	**-**	196
Total expenses arising from share-based payment transactions	**-**	(105)

32. Cash flow information

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

	Consolidated	
	2021 $'000	**2020 $'000**
Profit for the year	**(31,990)**	(145,070)
Depreciation and amortisation	**9,457**	10,409
PDL Asset Impairment	**-**	238,890
ROU Asset Impairment	**2,612**	-
Amortisation of purchase debt ledgers	**19,345**	28,793
Non-cash employee benefits expense – share-based payments	**-**	(105)
JobKeeper accrued receipts	**2,817**	(2,817)
Provision for doubtful debts	**(37)**	93
Other non-cash expenses	**4,697**	1,378
Lease Interest	**1,662**	1,942
Borrowing costs	**581**	1,351
Interest paid	**4,705**	7,559
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors and bills of exchange	**1,570**	1,115
(Increase)/decrease in sundry debtors	**(2,637)**	450
(Increase)/decrease in current tax asset	**(7,104)**	(9,165)
(Increase)/decrease in other non-current assets	**195**	281
Increase/(decrease) in trade creditors	**(2,384)**	(219)
Increase/(decrease) in sundry creditors and accruals	**(1,766)**	(7,015)
(Increase)/decrease in deferred tax assets	**12,248**	(62,521)
Net cash inflow (outflow) from operating activities	**13,971**	65,349

Notes to the Financial Statements

for the year ended 30 June 2021

32. Cash flow information (continued)

(b) Reconciliation of Liabilities arising from financing activities

Movements - Consolidated	Contributed equity $'000	Lease liabilities $'000	Other financial liabilities[(i)] $'000	Borrowings $'000	Total $'000
As at 30 June 2019	**116,413**	**5,625**	**1,365**	**210,600**	**334,003**
Cash flows	1,256	(5,707)	(732)	4,254	**(929)**
AASB 16: Initial recognition (ii)	-	37,648	-	-	**37,648**
Other changes (iii)	1,898	-	-	3	**1,901**
As at 30 June 2020	**119,567**	**37,566**	**633**	**214,857**	**372,623**
As at 1 July 2020	**119,567**	**37,566**	**633**	**214,857**	**372,623**
Cash flows	-	(6,251)	710	(155,916)	**(161,457)**
Lease derecognised	-	(1,171)	-	-	**(1,171)**
Other changes (iii)	122	-	2	2,211	**2,335**
As at 30 June 2021	**119,689**	**30,144**	**1,345**	**61,152**	**212,330**

(i) Other financial liabilities excludes lease liabilities

(ii) The disclosure note is prepared in conjunction with AASB 16 transition adjustment to disclose the non-cash adjustment within the financing activities.

(iii) Other changes in other financial liabilities and borrowings include accrued interest expense which will be presented as financing cash flows in the statement of cash flows when paid. Other changes in Ordinary shares represents the transfer to issued shares from options reserve due to the vesting of performance rights.

33. Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2021 up until the date of this report that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

Directors' Declaration

for the year ended 30 June 2021

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 to 71 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 2021 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

Coffs Harbour
27 August 2021

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 2021 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 2021;
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 1(a)(v) "Basis of preparation – Going concern" in the Financial Report. The conditions disclosed in Note 1(a)(v) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

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

- Evaluating the feasibility, quantum and timing of the Group's plans to manage business performance and liquidity and maintain compliance with relevant financial covenants imposed by the Group's lenders, to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular the potential for future impacts on the Group from the uncertain economic conditions resulting from COVID-19;

- Determining the completeness of the Group’s going concern disclosures for the principle matters casting significant doubt on the Group’s ability to continue as a going concern, the Group’s plans to address these matters, and the material uncertainty.

Key Audit Matters

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

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

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

- Recoverability of the Deferred Tax Asset
- Valuation of the Purchased Debt Ledger portfolio

Recoverability of the Deferred Tax Asset ($58,407,000)

Refer to **Note 7 and 19** to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group has recognised a deferred tax asset of $52 million as at 30 June 2021. This includes tax losses of $46m arising following the sale of the Australian PDL portfolio in December 2020. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient taxable profits will be generated in the foreseeable future in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. We consider this a key audit matter due to the quantum of the deferred tax asset and due to the significant judgement required to assess whether there will be sufficient future taxable profits to utilise the tax benefit.	We performed the following procedures: • Assessed the Group’s forecasted profits over the relevant utilisation period and evaluated whether the forecasts were consistent with the approved budget and if they were appropriately adjusted for differences between accounting and taxable profits. • Compared prior forecasted profits to actual results to assess the Group’s ability to forecast. • Performed sensitivity analysis using a range of alternative growth rate assumptions to those used in the forecast of future profits. • Tested mathematical accuracy and reperformed the calculations of the deferred tax asset balance.

Valuation of the Purchased Debt Ledger portfolio ($12,881,000)

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

The key audit matter	How the matter was addressed in our audit
A key audit matter was the assessment of the Purchased Debt Ledgers (PDL) portfolio recognised by the Group as: • the PDLs are significant to the financial position of the Group and are the driver of financial results • the PDLs consists of a portfolio of credit-impaired receivables, attracting greater variability in risks of recovery given their nature • accounting for these PDLs using AASB 9 Financial Instruments (AASB 9) is complex and multi-layered. Starting with the Group	Our audit procedures included: • Understanding key internal controls in the debt collection process, including those in the collection call centre process, valuation and monitoring processes. • Checking the mathematical accuracy of the PDL valuation models. • Understanding the Group’s collection strategy and assessing the consistency of changes made to that strategy as to their incorporation into the PDL valuation models.

estimating future cash flows and their Effective Interest Rate (EIR), we particularly focused on estimation of future cash collections, their receipt and timing. This is the basis for layering assessments of lifetime expected credit losses (ECL) to measure any in-reporting year favourable changes, as an impairment gain, or unfavourable, as impairment losses, and use of a relevant discount rate. These are complicated in nature and vary according to conditions and risks relevant. • The impact of the COVID-19 pandemic on customers is unprecedented, challenging the role of previous patterns of cash collections as a proxy for future predicted behaviour. The rapidly changing impact of the health crisis, along with government and business relief and stimulus arrangements, increase the risk in estimations, widening the possible outcomes. These features resulted in significant audit effort, in particular regarding the key assumptions, and we involved our credit risk modelling specialists to supplement our senior audit team members when assessing this Key Audit Matter.	• Challenging key assumptions used by the Group in determining the value of the PDL portfolio. Our challenge of key assumptions included: • Evaluating the accuracy of previous estimates by the Group, including debt collection forecasting, credit-adjusted effective interest rate, and estimated PDL life, when compared to actual historical data; • challenging judgements and assumptions applied with respect to estimated future cash collections and ultimate lifetime recoveries, against current experience of constrained economic conditions and the impact of COVID-19 on actual cash collections.; • assessing out of model adjustments applied by Group to the PDL net present value by using our knowledge of the industry, constrained economic condition and impact of COVID-19 on cash collections. • Assessing the accuracy of underlying data used within the model, for a sample of accounts we tested their classification type and total amount owed within PDL model to the underlying documentation of the customer, such as account history and collections characteristics; • Assessing the appropriateness of the Group's disclosures in the financial reports using our understanding obtained from our testing against the requirement of the accounting standards.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Collection House Limited for the year ended 30 June 2021, 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 2021.

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

KPMG

KPMG

Ben Flaherty
Partner

Brisbane
27 August 2021