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Collection House Limited

ASX Half Year information - 31 December 2016

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2016 Annual Report

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Collection House Limited
For the half-year ended 31 December 2016
(Previous corresponding period: Half-year ended 31 December 2015)

Results for announcement to the market
31 December 2016

		%		\$'000
Revenue from continuing operations	Up	2.3%	to	66,040
Profit / (loss) from continuing activities after tax attributable to members (Appendix 4D item 2.2)	Down	(1.5%)	to	8,189
Net profit / (loss) for the period attributable to members (Appendix 4D item 2.3)	Down	(1.5%)	to	8,189

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Current period		
Final dividend (year ended 30 June 2016 - paid 21 October 2016)	3.9	3.9
Interim dividend (year ended 30 June 2017 - to be paid 31 March 2017)	3.9	3.9
Previous corresponding period		
Final dividend (year ended 30 June 2015 - paid 16 October 2015)	4.7	4.7
Interim dividend (year ended 30 June 2016 - paid 1 April 2016)	3.9	3.9

Key Ratios	2016	2015
	December	December
Basic earnings per share (cents)	6.1	6.3
Diluted earnings per share (cents)	6.0	6.2
Net tangible assets per share (cents)	109.1	104.5
Return on Equity (%)	4.4	4.8

Record date for determining entitlements to the interim dividend

Payment date for interim dividend

7 March 2017

31 March 2017

Explanation of results (Appendix 4D item 2.6)

Refer to Directors' Report - Review of operations and financial results

Explanation of dividends (Appendix 4D item 2.6)

Refer to Directors' Report - Dividends

Dividend Reinvestment Plans (Appendix 4D item 6)

During the period, \$1.62m was raised under the Collection House Limited (Group) Dividend Reinvestment Plan (DRP). The DRP will not be active in respect of the interim dividend for the period to 31 December 2016.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collection House Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

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:

Kerry Daly	Chairman (Non-Executive)
Philip Hennessy	Director (Non-Executive)
Leigh Berkley	Director (Non-Executive) (Appointed 1 July 2016)
Lev Mizikovsky	Director (Non-Executive) (Appointed 1 July 2016, Resigned 30 January 2017)
Julie-Anne Schafer	Director (Non-Executive) (Resigned 4 January 2017)
David Liddy	Chairman (Non-Executive) (Resigned 4 November 2016)
David Gray	Director (Non-Executive) (Retired 5 August 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were the provision of debt collection services and receivables management throughout Australasia and the purchase of debt by its special purpose subsidiary Lion Finance Pty Ltd. There were no significant changes in the nature of the activities of the Group during the period.

1H FY2017 HIGHLIGHTS

- Profit before tax for the half year was \$12.2 million (1H16: \$11.4 million)
- Earnings per share (EPS) 6.1 cents (1H16: 6.3 cents)
- Shareholders equity was \$184.8 million (30 June 2016: \$180.3 million)
- Interim fully franked dividend of 3.9 cents to be paid 31 March 2017 (1H16 3.9 cents fully franked)
- Sales initiatives have delivered new clients to commence from Q3, including Cash Converters, Transurban and eBay
- Implementation of world class 'Interactive Intelligence' call centre technology has boosted collector productivity through greater functionality
- Targeted training, including scripting, is reducing the time taken for inexperienced collectors to become productive and confident
- PDL pricing competitive but rational, with \$52 million in PDLs committed and full year estimate \$65 million
- FY2016 \$0.5 million unfavourable foreign income tax adjustment taken up in December 2016 half-year results

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The consolidated Net Profit After Tax (NPAT) was \$8.2 million for the six months to 31 December 2016 (\$8.3 million 31 December 2015). Total revenue for the Group was \$66 million, an increase of 2.3% compared to 31 December 2015.

A one-off tax adjustment of \$0.5 million relating to our Philippine operations contributed to a higher than anticipated tax expense in the period under review.

Total employee numbers across Australia and New Zealand now stand at 730, compared to 802 in the previous corresponding period. An additional 91 employees are based in the Philippines.

Looking ahead, the focus remains on performance and productivity enhancement and the implementation of further cost savings and sales initiatives identified since July 2016.

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

	Collection Services		Purchased Debt Ledgers		Consolidated	
	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revenue						
Sales	33,577	28,245			33,577	28,245
Interest income			32,306	36,302	32,306	36,302
Total segment revenue	33,577	28,245	32,306	36,302	65,883	64,547
All other segment revenue					157	5
Consolidated revenue	33,577	28,245	32,306	36,302	66,040	64,552
Results						
Segment result	4,960	4,963	13,013	12,119	17,973	17,082
Interest expense & borrowing costs					(2,865)	(3,089)
All other segment expenses					(2,923)	(2,610)
Profit before income tax					12,185	11,383
Income tax expense					(3,996)	(3,068)
Profit for the half-year					8,189	8,315

Collection Services

Collection Services exhibited strong revenue growth in 1H17, up 19% to \$33 million on pcp. This was driven by productivity improvements gained through enhanced processes and the introduction of the new contact centre technology; resulting in improved performance on behalf of our clients and a subsequent increase in the volume of accounts being referred.

Additionally, client panel performance improved overall, realising increased account placements in our client allocations. The newly established dedicated sales force has successfully contracted three public companies at the end of 1H17, including Transurban, Cash Converters and eBay.

One-off costs incurred in the half-year to generate productivity and efficiency gains have temporarily crimped operating margins; however this has enabled the elimination of duplicated roles, streamlined collector's workflow and enhanced functionality by the application of voice analytics and real-time call monitoring.

Purchased Debt Ledgers (PDL)

PDL collections were down 11.9% to \$52.3 million. In response to this, a revised PDL operating model is progressively being implemented, including a re-engineering of processes, roles and training, resulting in modified collector behaviour that is more appropriately aligned with the interests of the company. Similarly, an end-to-end review of PDL legal processes means that we now take a "firmer but fair" position with customers who refuse to meet their obligations, generating an increase in the pool of actionable accounts.

Although PDL investments of \$52.1 million were committed for the year to 30 June 2017, cash settlements of only \$26.1 million have been effected during the period to 31 December 2016. This has resulted in a 'lag' in collections in the half-year, implying a slightly higher amount of collections in the second half of FY17.

44,000 accounts with face value of \$319 million are under active repayment arrangements as at 31 December 2016.

DIVIDENDS

The directors recommended payment of an interim fully franked dividend of **3.9** cents per fully paid ordinary share (2016 interim – 3.9 cents fully franked) to be paid on 31 March 2017.

EARNINGS PER SHARE

Basic earnings per share for the financial half year were 6.1 cents (2015 – 6.3 cents): a decrease of 3.5%.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The directors have recommended the payment of an interim fully franked ordinary dividend of \$5.3 million (3.9 cents per fully paid share) to be paid on 31 March 2017 out of retained profits as at 31 December 2016.

Other than the matter discussed above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

ROUNDING OF AMOUNTS

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

AUDITOR

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

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

COLLECTION HOUSE LIMITED



Kerry Daly
Chairman
21 February 2017



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

To the Directors of Collection House Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Scott Guse

Partner

Brisbane

21 February 2017

Collection House Limited
Income statement
For the half-year ended 31 December 2016

		Half-year Consolidated	
	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Revenue	4	<u>66,040</u>	64,552
Revenue from continuing operations		66,040	64,552
Direct collection costs		(13,124)	(10,419)
Employee expenses		(27,801)	(29,681)
Depreciation and amortisation expense		(1,834)	(1,526)
Operating lease rental expense		(4,347)	(3,356)
Restructuring expenses		(150)	(1,673)
Other expenses		(3,734)	(3,425)
Finance costs		<u>(2,865)</u>	<u>(3,089)</u>
Profit before income tax		12,185	11,383
Income tax expense	5	<u>(3,996)</u>	(3,068)
Profit from continuing operations for the half-year		8,189	8,315
Profit is attributable to:			
Equity holders of Collection House Limited		<u>8,189</u>	8,315
		8,189	8,315
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	12	6.1	6.3
Diluted earnings per share	12	6.0	6.2

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

Collection House Limited
Statement of comprehensive income
For the half-year ended 31 December 2016

	Half-year Consolidated	
	31 December 2016 \$'000	31 December 2015 \$'000
Profit for the half-year	8,189	8,315
Other comprehensive income, net of income tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(85)	31
Other comprehensive income for the half-year, net of income tax	(85)	31
Total comprehensive income for the half-year	8,104	8,346
Total comprehensive income for the half-year is attributable to:		
Equity holders of Collection House Limited	8,104	8,346

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

Collection House Limited
Balance sheet
As at 31 December 2016

		Consolidated	
		31 December	30 June
		2016	2016
Notes		\$'000	\$'000
ASSETS			
Current assets			
	Cash and cash equivalents	3,688	8,938
	Receivables	10,099	9,969
6	Purchased debt ledgers	59,031	61,071
	Other current assets	<u>1,143</u>	<u>1,108</u>
	Total current assets	<u>73,961</u>	<u>81,086</u>
Non-current assets			
6	Purchased debt ledgers	212,122	204,241
	Property, plant and equipment	2,998	4,277
7	Intangible assets	<u>37,691</u>	<u>37,364</u>
	Total non-current assets	<u>252,811</u>	<u>245,882</u>
	Total assets	<u>326,772</u>	<u>326,968</u>
LIABILITIES			
Current liabilities			
	Payables	10,460	15,085
	Current tax liabilities	806	3,337
	Provisions	3,229	4,454
	Other financial liabilities	<u>2,927</u>	<u>1,032</u>
	Total current liabilities	<u>17,422</u>	<u>23,908</u>
Non-current liabilities			
	Borrowings	118,200	118,200
	Deferred tax liabilities	1,134	378
	Provisions	279	366
	Other financial liabilities	<u>4,926</u>	<u>3,811</u>
	Total non-current liabilities	<u>124,539</u>	<u>122,755</u>
	Total liabilities	<u>141,961</u>	<u>146,663</u>
	Net assets	<u>184,811</u>	<u>180,305</u>
EQUITY			
8	Contributed equity	112,358	111,006
	Reserves	(819)	(1,029)
	Retained profits	<u>73,272</u>	<u>70,328</u>
	Total equity	<u>184,811</u>	<u>180,305</u>

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

Collection House Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Attributable to members of Collection House Limited			
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2015	105,307	2,188	63,170	170,665
Profit for the half-year	-	-	8,315	8,315
Other comprehensive income	-	31	-	31
Total comprehensive income for the half-year	-	31	8,315	8,346
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	1,721	-	-	1,721
Dividends provided for or paid	-	-	(6,214)	(6,214)
Employee share rights - value of employee services	2,646	(3,239)	-	(593)
	4,367	(3,239)	(6,214)	(5,086)
Balance at 31 December 2015	109,674	(1,020)	65,271	173,925
Balance at 1 July 2016	111,006	(1,029)	70,328	180,305
Profit for the half-year	-	-	8,189	8,189
Other comprehensive income	-	(85)	-	(85)
Total comprehensive income for the half-year	-	(85)	8,189	8,104
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	1,617	-	-	1,617
Acquisition of treasury shares	(265)	-	-	(265)
Dividends provided for or paid	-	-	(5,245)	(5,245)
Employee share rights - value of employee services	-	295	-	295
	1,352	295	(5,245)	(3,598)
Balance at 31 December 2016	112,358	(819)	73,272	184,811

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

Collection House Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Half-year Consolidated	
	31 December 2016	31 December 2015
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	90,749	89,229
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(55,769)</u>	<u>(51,649)</u>
	34,980	37,580
Income taxes paid	<u>(5,772)</u>	<u>(4,315)</u>
Net cash inflow from operating activities	<u>29,208</u>	<u>33,265</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(252)	(88)
Payments for purchased debt ledgers	(26,067)	(30,055)
Payments for intangible assets	<u>(1,097)</u>	<u>(1,899)</u>
Net cash (outflow) from investing activities	<u>(27,416)</u>	<u>(32,042)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	1,617	1,721
Purchase of treasury shares	(265)	-
Repayment of borrowings	(154)	(225)
Borrowing costs	(712)	(729)
Interest paid	(2,283)	(2,254)
Dividends paid to Company's shareholders	<u>(5,245)</u>	<u>(6,214)</u>
Net cash inflow (outflow) from financing activities	<u>(7,042)</u>	<u>(7,701)</u>
Net increase (decrease) in cash and cash equivalents	(5,250)	(6,478)
Cash and cash equivalents at the beginning of the half-year	8,938	7,222
Effects of exchange rate changes on cash and cash equivalents	-	5
Cash and cash equivalents at end of the half-year	<u>3,688</u>	<u>749</u>

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

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

These financial statements are for the consolidated entity, consisting of Collection House Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016 (the Group).

These interim financial statements were authorised for issue on 21 February 2017 by the directors of the Company.

1 Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Collection House Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

2 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2016, with the exception of the following:

- During the period, management reassessed the useful life of one of the key components of its computer software down from 15 years to 10 years. This reassessment was effective from 1 July 2016, and resulted in an additional amortisation charge of \$145,048 during the period to 31 December 2016.

3 Segment information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and management (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

Collection Services

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

Purchased Debt Ledgers

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

All other segments

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

(b) Segment information provided to the Board of Directors

31 December 2016	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	33,382	-	-	33,382
Intersegment sales	195	-	157	352
Total sales revenue	33,577	-	157	33,734
Interest income	-	32,306	-	32,306
Total segment revenue	33,577	32,306	157	66,040
Segment result				
Segment result	4,960	13,013	(2,923)	15,050
Interest expense and borrowing costs			(2,865)	(2,865)
Profit before income tax				12,185
Income tax expense			(3,996)	(3,996)
Profit for the half-year				8,189
Segment assets and liabilities				
Segment assets	163,582	270,821	(107,631)	326,772
Segment liabilities	24,092	108,307	9,562	141,961

31 December 2015	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	28,009	-	-	28,009
Intersegment sales	236	-	5	241
Total sales revenue	28,245	-	5	28,250
Interest income	-	36,302	-	36,302
Total segment revenue	28,245	36,302	5	64,552
Segment result				
Segment result	4,963	12,119	(2,610)	14,472
Interest expense and borrowing costs			(3,089)	(3,089)
Profit before income tax				11,383
Income tax expense			(3,068)	(3,068)
Profit for the half-year				8,315
Segment assets and liabilities				
Segment assets	162,858	262,042	(109,432)	315,468
Segment liabilities	20,014	112,406	9,123	141,543

4 Revenue

	Half-year Consolidated	
	31 December 2016 \$'000	31 December 2015 \$'000
Interest income	32,306	36,302
Commission	33,441	28,065
Other revenue	<u>293</u>	<u>185</u>
Revenue from continuing operations	<u>66,040</u>	<u>64,552</u>

5 Income tax expense

	Half-year Consolidated	
	31 December 2016 \$'000	31 December 2015 \$'000

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

Profit from continuing operations before income tax expense	<u>12,185</u>	11,383
	12,185	11,383
Tax at the Australian tax rate of 30% (2015 - 30%)	3,656	3,415
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	11	(205)
Non-deductible expenses	12	30
Tax exempt income/loss	-	(119)
Sundry items	<u>-</u>	<u>1</u>
	3,679	3,122
Adjustments for current tax of prior periods	<u>317</u>	(54)
Income tax expense	<u>3,996</u>	<u>3,068</u>

6 Purchased debt ledgers

Other financial assets subsequently measured at amortised cost

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
Current	59,031	61,071
Non-current	<u>212,122</u>	<u>204,241</u>
Total other financial assets subsequently measured at amortised cost	<u>271,153</u>	<u>265,312</u>

PDLs are measured at amortised cost using the effective interest method in accordance with AASB 9: *Financial Instruments*.

The 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.

7 Intangible assets

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
Goodwill	19,728	19,727
Computer software	13,374	13,425
Customer contracts	1,488	1,645
Other intangible assets	70	89
Work-in-progress	<u>3,031</u>	<u>2,478</u>
Total intangible assets	<u>37,691</u>	<u>37,364</u>

8 Contributed equity

	Company		Company	
	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$'000	30 June 2016 \$'000
Ordinary shares - Fully paid	135,889,764	134,489,172	112,623	111,006
Treasury shares	<u>(182,382)</u>	-	<u>(265)</u>	-
Total contributed equity	<u>135,707,382</u>	<u>134,489,172</u>	<u>112,358</u>	<u>111,006</u>

(a) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2015	Opening balance	131,199,651	105,307
1 September 2015	Performance Rights Plan	1,019,670	2,546
16 October 2015	Dividend reinvestment plan issues	789,260	1,729
11 December 2015	Performance Rights Plan	64,666	100
1 April 2016	Dividend reinvestment plan issues	1,415,925	1,349
	Less: Transaction costs arising on share issues	-	(25)
30 June 2016	Closing Balance	<u>134,489,172</u>	<u>111,006</u>
1 July 2016	Opening balance	134,489,172	111,006
21 October 2016	Dividend reinvestment plan issues	1,400,592	1,617
	Less: Transaction costs arising on share issues	-	-
31 December 2016	Closing Balance	<u>135,889,764</u>	<u>112,623</u>

(b) Treasury shares:

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

9 Dividends

Half-year Parent entity	
31 December 2016 \$'000	31 December 2015 \$'000

(a) Ordinary shares

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half years ending 31 December 2016 and 2015 were as follows:

Paid in cash	3,628	4,485
Satisfied under the Dividend Reinvestment Plan	<u>1,617</u>	<u>1,729</u>
	5,245	6,214

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

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of **3.9** cents per fully paid ordinary share (2016 – 3.9 cents, fully franked), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2017 out of a positive net asset balance and retained profits at 31 December 2016, but not recognised as a liability at the end of the half-year, is

	<u>5,300</u>	<u>5,190</u>
	5,300	5,190

(c) Franked dividends

The franked portions of the interim dividend recommended after 31 December 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax.

10 Contingencies

(a) Contingent liabilities

There have been no material changes in contingent liabilities subsequent to the contingent liabilities disclosed in the last annual report for the year ended 30 June 2016.

11 Commitments

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

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
Within 6 months	27,409	16,525
Within 6 to 12 months	24,259	-
Within 12 – 24 months	10,636	-
Greater than 24 months	3,852	-
	<u>66,156</u>	<u>16,525</u>

On 23 December 2016, a contract was also entered into for the purchase of software, licencing and support in relation to our use of the ININ technology. The ININ technology solution will allow voice analytics and real time call monitoring, enabling us to ensure that our Account Representatives are compliant, are using our best practice call model, and will give them access to tailored and timely feedback and coaching. This contract involved an upfront capital commitment of \$2.03 million, and ongoing software licencing and support commitments of \$0.88 million to be incurred over a three year period.

12 Earnings per share

	Half-year Consolidated	
	31 December 2016 Cents	31 December 2015 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	<u>6.1</u>	<u>6.3</u>
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>6.1</u>	<u>6.3</u>

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	<u>6.0</u>	<u>6.2</u>
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>6.0</u>	<u>6.2</u>

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

	Half-year Consolidated	
	31 December 2016 \$'000	31 December 2015 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>8,189</u>	<u>8,315</u>
	<u>8,189</u>	<u>8,315</u>

Diluted earnings per share

Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>8,189</u>	<u>8,315</u>
	<u>8,189</u>	<u>8,315</u>

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

	Half-year Consolidated	
	31 December 2016 Number	31 December 2015 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	134,998,106	132,271,396
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>925,084</u>	<u>2,206,848</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>135,923,190</u>	<u>134,478,244</u>

13 Events occurring after the reporting period

A fully franked interim dividend has been declared of **3.9** cents per fully paid ordinary share for a total of \$5.3 million. No provision has been raised in these accounts.

Other than the above, the directors are not aware of any other material matter or circumstance that has occurred subsequent to half-year end that has significantly affected, or may significantly affect, the operations of the Group or economic entity, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Collection House Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer.

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

A handwritten signature in black ink, appearing to read 'K Daly', is positioned above the printed name and title.

Kerry Daly
Chairman

Brisbane, 21 February 2017

Independent Auditor's Review Report

To the members of Collection House Limited

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated balance sheet as at 31 December 2016
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The **Interim Period** is the six months ended on 31 December 2016.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Collection House Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



KPMG



Scott Guse

Partner

Brisbane

21 February 2017