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## **Collection House Limited**

### **ASX Half Year information - 31 December 2017**

Lodged with the ASX under Listing Rule 4.2A.  
This information should be read in conjunction with the  
30 June 2017 Annual Report

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**Collection House Limited**  
**For the half-year ended 31 December 2017**  
**(Previous corresponding period: Half-year ended 31 December 2016)**

**Results for announcement to the market**  
**31 December 2017**

		%		\$'000
<b>Revenue</b> from continuing operations	Down	(4.0%)	to	63,427
<b>Profit / (loss)</b> from continuing activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	Up	0.5%	to	8,232
<b>Net profit / (loss)</b> for the period attributable to members <i>(Appendix 4D item 2.3)</i>	Up	0.5%	to	8,232

<b>Dividends / distributions</b> <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
<b>Current period</b>		
Final dividend (year ended 30 June 2017 - paid 27 October 2017)	3.9	3.9
Interim dividend (year ended 30 June 2018 - to be paid 29 March 2018)	3.9	3.9
<b>Previous corresponding period</b>		
Final dividend (year ended 30 June 2016 - paid 21 October 2016)	3.9	3.9
Interim dividend (year ended 30 June 2017 - paid 31 March 2017)	3.9	3.9

<b>Key Ratios</b>	<b>2017</b>	2016
	<b>December</b>	December
Basic earnings per share (cents)	<b>6.1</b>	6.1
Diluted earnings per share (cents)	<b>5.9</b>	6.0
Net tangible assets per share (cents)	<b>115.9</b>	109.1
Return on Equity (%)	<b>4.3</b>	4.4

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

6 March 2018
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**Payment date** for interim dividend

29 March 2018
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**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)*

The DRP will be active in respect of the interim dividend for the period to 31 December 2017. The last date for receipt of applications to participate in the 2018 interim DRP is Wednesday 7 March 2018. The payment date is Thursday 29 March 2018.

The issue price offered to the eligible shareholders will be an amount equal to the volume weighted average price of the Company's shares sold during the 10 trading days on and from the ex-dividend date, namely Monday 5 March 2018, less an attractive 2.5% discount.

The DRP offer will be made to all Australian and New Zealand Resident shareholders who hold ordinary shares in the Group on the record date.

## 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 2017.

## DIRECTORS

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

Leigh Berkley	Chairman (Non-Executive)
Michael Knox	Director (Non-Executive)
Anthony Rivas	Managing Director/CEO (Executive) (Appointed 24 November 2017)
Kerry Daly	Chairman (Non-Executive) (Resigned 28 November 2017)
Philip Hennessy	Director (Non-Executive) (Resigned 28 November 2017)

## 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.

## 1H18 HIGHLIGHTS

- Profit before tax for the half year was \$11.9 million (1H17: \$12.2 million)
- Earnings per share (EPS) was 6.1 cents (1H17: 6.1 cents)
- Shareholders equity was \$192.0 million (30 June 2017: \$188.6 million)
- Interim fully franked dividend of 3.9 cents to be paid 29 March 2018 (1H17: 3.9 cents fully franked)
- Improved collection methodologies, reduced costs and client wins have allowed the Board to increase earnings per share guidance from 14.0 - 14.5 cents to 14.5 – 15.0 cents for fiscal year 2018
- PDL pricing competitive, but rational, with \$63 million in PDLs already committed and full year estimate increased to \$70 - \$75 million (up from \$63 - \$65m)
- \$50m available in additional banking facility to enhance our market opportunities for purchasing PDLs.
- Sales initiatives have delivered new client contracts to commence from Q3
- 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.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The consolidated Net Profit After Tax (NPAT) was \$8.2 million for the six months to 31 December 2017 (31 December 2016: \$8.2 million). Total revenue for the Group was \$63.4 million, a decrease of 4% compared to 31 December 2016 as explained in the next section.

Total employee numbers across Australia and New Zealand now stand at 718, compared to 730 in the previous corresponding period. An additional 79 employees are based in the Philippines.

Looking ahead, the focus remains on lifting revenue through further increases in employee productivity, implementing the various initiatives identified and continuing to win more corporate customers. The improvement in operating efficiency in 2017 and cost savings achieved, should continue to lift our performance during 2018.

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

	Collection Services		Purchased Debt Ledgers		Consolidated	
	1H	1H	1H	1H	1H	1H
	2018	2017	2018	2017	2018	2017
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Revenue</b>						
Sales	33,112	33,431	111	146	33,223	33,577
Interest income			30,217	32,306	30,217	32,306
Total segment revenue	33,112	33,431	30,328	32,452	63,440	65,883
All other segment revenue					(13)	157
Consolidated revenue	33,112	33,431	30,328	32,452	63,427	66,040
<b>Results</b>						
Segment result	5,470	6,094	12,440	12,020	17,910	18,114
Interest expense & borrowing costs					(2,633)	(2,865)
All other segment expenses					(3,364)	(3,064)
Profit before income tax					11,913	12,185
Income tax expense					(3,681)	(3,996)
<b>Profit for the half-year</b>					<b>8,232</b>	<b>8,189</b>

**Collection Services**

Collection Services reported flat revenue in the first half due to the deferment of revenue by some customers into the second half and a number of new customer contracts not being initiated until the third quarter.

Previously incurred costs have enabled the elimination of duplicated roles, streamlined collectors' workflow and enhanced functionality by the application of voice analytics and real-time call monitoring. A number of expanded client contracts including our newly developed Portal and Business Services offerings will contribute to second half. The benefits of these efficiencies and the improved revenue outlook are expected to become apparent in second half of the current fiscal year, when we expect to report a much stronger profit performance.

The ThinkMe Finance and Safe Horizons business have been reclassified from Collection Services to the Purchase Debt Ledger segment during the period as most business for these divisions is originated from Lion Finance.

**Purchased Debt Ledgers (PDL)**

PDL collections were down 3.9% to \$50.4 million as we continue to be affected by the period of lower purchases during FY15 and FY16. Management has been, and continues to, implement changes to improve the Company's approach to PDL purchasing and collections. We are confident the results of these changes will become apparent in the second half and future periods. A revised PDL operating model has been implemented including the re-engineering of processes, roles and training. Similarly, an end-to-end review of PDL legal processes has led to a "firmer but fair" position with customers who refuse to meet their obligations, generating an increase in the pool of actionable accounts.

PDL investments already committed in the year to date were \$63 million and following a \$50 million expansion in our debt facility we have increased our full year expenditure guidance from \$63 – 65 million to \$70 - \$75 million. Market prices are competitive, but rational and there is sound evidence we are 'buying better' than in prior periods.

Turning around four previous periods of decline, the Company had \$320 million under active repayment arrangements as at 31 December 2017, up from \$317 million at the end of FY17. We expect this improvement to continue.

**DIVIDENDS**

The directors recommended payment of an interim fully franked dividend of 3.9 cents per fully paid ordinary share (2017 interim – 3.9 cents fully franked) to be paid on 29 March 2018.

**EARNINGS PER SHARE**

Basic earnings per share for the financial half year were 6.1 cents (2016 – 6.1 cents).

**BOARD RECRUITMENT**

Heidrick & Struggles have been engaged to undertake a rigorous recruitment process to source high calibre non-executive directors, with appointments to be announced in the near future.

#### **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 29 March 2018 out of retained profits as at 31 December 2017.

Other than the matter discussed above, no matter or circumstance has arisen since 31 December 2017 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**



**Leigh Berkley**  
Chairman  
28 February 2018



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

To the Directors of Collection House Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Collection House Limited for the half-year ended 31 December 2017 there have been:

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

*KPMG*

KPMG

*Scott Guse*

Scott Guse  
Partner

Brisbane  
28 February 2018

**Collection House Limited**  
**Income statement**  
**For the half-year ended 31 December 2017**

		<b>Half-year Consolidated</b>	
	Notes	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
Revenue	4	<u>63,427</u>	66,040
<b>Revenue from continuing operations</b>		<b>63,427</b>	66,040
Direct collection costs		(11,479)	(13,124)
Employee expenses		(26,140)	(27,801)
Depreciation and amortisation expense		(2,176)	(1,834)
Operating lease rental expense		(3,727)	(4,347)
Restructuring expenses		(485)	(150)
Other expenses		(4,874)	(3,734)
Finance costs		<u>(2,633)</u>	<u>(2,865)</u>
<b>Profit before income tax</b>		<b>11,913</b>	12,185
Income tax expense	5	<u>(3,681)</u>	<u>(3,996)</u>
<b>Profit from continuing operations for the half-year</b>		<b>8,232</b>	8,189
Profit is attributable to:			
Equity holders of Collection House Limited		<u>8,232</u>	8,189
		<u>8,232</u>	8,189

		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	12	<b>6.1</b>	6.1
Diluted earnings per share	12	<b>5.9</b>	6.0

*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 2017**

	<b>Half-year Consolidated</b>	
	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
<b>Profit for the half-year</b>	<b>8,232</b>	8,189
<b>Other comprehensive income, net of income tax</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(81)</u>	<u>(85)</u>
<b>Other comprehensive income for the half-year, net of income tax</b>	<u>(81)</u>	<u>(85)</u>
<b>Total comprehensive income for the half-year</b>	<u><b>8,151</b></u>	<u>8,104</u>
Total comprehensive income for the half-year is attributable to:		
Equity holders of Collection House Limited	<u><b>8,151</b></u>	<u>8,104</u>
	<u><b>8,151</b></u>	<u>8,104</u>

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



**Collection House Limited**  
**Balance sheet**  
**As at 31 December 2017**

		<b>Consolidated</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
	Cash and cash equivalents	322	1,151
	Receivables	13,710	11,188
	Purchased debt ledgers	54,885	47,334
6	Other current assets	1,165	1,225
	Loan receivables	397	-
	<b>Total current assets</b>	<b>70,479</b>	<b>60,898</b>
<b>Non-current assets</b>			
	Purchased debt ledgers	245,571	236,319
6	Property, plant and equipment	2,157	3,062
	Intangible assets	35,728	36,336
7	Receivables	886	1,378
	Loan receivables	558	-
	<b>Total non-current assets</b>	<b>284,900</b>	<b>277,095</b>
	<b>Total assets</b>	<b>355,379</b>	<b>337,993</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
	Bank overdraft	10,577	-
	Payables	13,263	10,937
	Current tax liabilities	449	498
	Provisions	3,206	3,431
	Other financial liabilities	1,929	1,833
	Other non-financial liabilities	572	572
	<b>Total current liabilities</b>	<b>29,996</b>	<b>17,272</b>
<b>Non-current liabilities</b>			
	Borrowings	125,000	123,200
	Deferred tax liabilities	1,264	1,139
	Provisions	169	224
	Other financial liabilities	1,792	2,337
	Other non-financial liabilities	5,193	5,188
	<b>Total non-current liabilities</b>	<b>133,418</b>	<b>132,088</b>
	<b>Total liabilities</b>	<b>163,414</b>	<b>149,360</b>
	<b>Net assets</b>	<b>191,965</b>	<b>188,633</b>
<b>EQUITY</b>			
	Contributed equity	112,099	112,079
8	Reserves	(235)	(615)
	Retained profits	80,101	77,169
	<b>Total equity</b>	<b>191,965</b>	<b>188,633</b>

*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 2017**

<b>Consolidated</b>	<b>Attributable to members of Collection House Limited</b>			
	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2016</b>	<b>111,006</b>	<b>(1,029)</b>	<b>70,328</b>	<b>180,305</b>
Profit for the half-year	-	-	8,189	8,189
Other comprehensive income	-	(85)	-	(85)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(85)</b>	<b>8,189</b>	<b>8,104</b>
<b>Transactions with owners in their capacity as owners:</b>				
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
	<u>1,352</u>	<u>295</u>	<u>(5,245)</u>	<u>(3,598)</u>
<b>Balance at 31 December 2016</b>	<b>112,358</b>	<b>(819)</b>	<b>73,272</b>	<b>184,811</b>
<b>Balance at 1 July 2017</b>	<b>112,079</b>	<b>(615)</b>	<b>77,169</b>	<b>188,633</b>
Profit for the half-year	-	-	8,232	8,232
Other comprehensive income	-	(81)	-	(81)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(81)</b>	<b>8,232</b>	<b>8,151</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity net of transaction costs	-	-	-	-
Release of treasury shares	20	(20)	-	-
Dividends provided for or paid	-	-	(5,300)	(5,300)
Employee share rights - value of employee services	-	481	-	481
	<u>20</u>	<u>461</u>	<u>(5,300)</u>	<u>(4,819)</u>
<b>Balance at 31 December 2017</b>	<b>112,099</b>	<b>(235)</b>	<b>80,101</b>	<b>191,965</b>

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

**Collection House Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2017**

	<b>Half-year Consolidated</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	83,936	90,749
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(48,500)</u>	<u>(55,769)</u>
	35,436	34,980
Income taxes paid	<u>(3,607)</u>	<u>(5,772)</u>
<b>Net cash inflow from operating activities</b>	<u><b>31,829</b></u>	<u><b>29,208</b></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(24)	(252)
Payments for purchased debt ledgers	(35,919)	(26,067)
Payments for intangible assets	<u>(570)</u>	<u>(1,097)</u>
<b>Net cash (outflow) from investing activities</b>	<u><b>(36,513)</b></u>	<u><b>(27,416)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	-	1,617
Purchase of treasury shares	-	(265)
Proceeds from borrowings	1,800	-
Repayment of borrowings	(496)	(154)
Borrowing costs	(602)	(712)
Interest paid	(2,087)	(2,283)
Dividends paid to Company's shareholders	<u>(5,300)</u>	<u>(5,245)</u>
<b>Net cash inflow (outflow) from financing activities</b>	<u><b>(6,685)</b></u>	<u><b>(7,042)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,369)</b>	<b>(5,250)</b>
Cash and cash equivalents at the beginning of the half-year	1,151	8,938
Effects of exchange rate changes on cash and cash equivalents	<u>(37)</u>	<u>-</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>(10,255)</b></u>	<u><b>3,688</b></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 2017 (the Group).

These interim financial statements were authorised for issue on 28 February 2018 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 2017 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 2017 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 2017, with the exception of the following:

- During the period, management reassessed the estimated forecast amortisation rate applied to Purchased Debt Ledgers ('PDLs'). For the half-year ended 31 December 2017, the company has estimated that PDLs amortise at a rate of 46% per annum (30 June 2017: 43%).

### 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 2017	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
<b>Segment revenue</b>				
Sales to external customers	32,974	111	-	33,085
Intersegment sales	138	-	(13)	125
<b>Total sales revenue</b>	<b>33,112</b>	<b>111</b>	<b>(13)</b>	<b>33,210</b>
Interest income	-	30,217	-	30,217
<b>Total segment revenue</b>	<b>33,112</b>	<b>30,328</b>	<b>(13)</b>	<b>63,427</b>
<b>Segment result</b>				
Segment result	<b>5,470</b>	<b>12,440</b>	<b>(3,364)</b>	<b>14,546</b>
Interest expense and borrowing costs			(2,633)	(2,633)
Profit before income tax				11,913
Income tax expense			(3,681)	(3,681)
<b>Profit for the half-year</b>				<b>8,232</b>
<b>Segment assets and liabilities</b>				
Segment assets	186,082	302,933	(133,032)	355,983
Segment liabilities	37,681	135,807	(9,468)	164,020

31 December 2016	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
<b>Segment revenue</b>				
Sales to external customers	33,236	146	-	33,382
Intersegment sales	195	-	157	352
<b>Total sales revenue</b>	<b>33,431</b>	<b>146</b>	<b>157</b>	<b>33,734</b>
Interest income	-	32,306	-	32,306
<b>Total segment revenue</b>	<b>33,431</b>	<b>32,452</b>	<b>157</b>	<b>66,040</b>
<b>Segment result</b>				
Segment result	<b>6,094</b>	<b>12,020</b>	<b>(3,064)</b>	<b>15,050</b>
Interest expense and borrowing costs			(2,865)	(2,865)
Profit before income tax				12,185
Income tax expense			(3,996)	(3,996)
<b>Profit for the half-year</b>				<b>8,189</b>
<b>Segment assets and liabilities</b>				
Segment assets	164,095	271,362	(108,684)	326,772
Segment liabilities	24,030	109,423	8,508	141,961

The ThinkMe Finance (financing broking) and Safe Horizons (financial hardship services) business have been reclassified from Collection Services to the Purchase Debt Ledger segment during the period, with comparatives re-stated above.

**4 Revenue**

	<b>Half-year Consolidated</b>	
	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
Interest income	29,353	32,306
Commission	33,009	33,441
Call option income	864	-
Other revenue	201	293
	<u>63,427</u>	<u>66,040</u>
<b>Revenue from continuing operations</b>	<b>63,427</b>	<b>66,040</b>

**5 Income tax expense**

	<b>Half-year Consolidated</b>	
	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<u>11,913</u>	12,185
	<b>11,913</b>	<b>12,185</b>
Tax at the Australian tax rate of 30% (2016 - 30%)	3,574	3,656
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	144	11
Non-deductible expenses	18	12
Tax exempt income/loss	-	-
Sundry items	14	-
	<u>3,750</u>	3,679
Adjustments for current tax of prior periods	<u>(69)</u>	317
Income tax expense	<u><b>3,681</b></u>	<u>3,996</u>

## 6 Purchased debt ledgers

### Other financial assets subsequently measured at amortised cost

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	54,885	47,334
Non-current	<u>245,571</u>	<u>236,319</u>
Total other financial assets subsequently measured at amortised cost	<u><b>300,456</b></u>	<u><b>283,653</b></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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill	19,719	19,727
Computer software	13,908	13,603
Customer contracts	1,187	1,307
Other intangible assets	32	51
Work-in-progress	<u>882</u>	<u>1,648</u>
Total intangible assets	<u><b>35,728</b></u>	<u><b>36,336</b></u>

## 8 Contributed equity

	Company		Company	
	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares - Fully paid	135,889,764	135,889,764	112,614	112,614
Treasury shares	<u>(398,353)</u>	<u>(412,833)</u>	<u>(515)</u>	<u>(535)</u>
Total contributed equity	<u>135,491,411</u>	<u>135,476,931</u>	<u>112,099</u>	<u>112,079</u>

### (a) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
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	-	(9)
30 June 2017	Closing Balance	<u>135,889,764</u>	<u>112,614</u>
1 July 2017	Opening balance	135,889,764	112,614
	Less: Transaction costs arising on share issues	-	-
31 December 2017	Closing Balance	<u>135,889,764</u>	<u>112,614</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 2017 \$'000	31 December 2016 \$'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 2017 and 2016 were as follows:

Paid in cash	5,300	3,628
Satisfied under the Dividend Reinvestment Plan	-	1,617
	5,300	5,245

### (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 (2017 – 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 29 March 2018 out of a positive net asset balance and retained profits at 31 December 2017, but not recognised as a liability at the end of the half-year, is

	5,300	5,300
	5,300	5,300

### (c) Franked dividends

The franked portions of the interim dividend recommended after 31 December 2017 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 2017.

## 11 Commitments

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

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2017</b>	2017
	<b>\$'000</b>	\$'000
Within one year	44,179	36,347
Later than one year, not later than five years	-	5,000
	<u>44,179</u>	<u>41,347</u>

## 12 Earnings per share

	Half-year Consolidated	
	31 December 2017 Cents	31 December 2016 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	6.1	6.1
Total basic earnings per share attributable to the ordinary equity holders of the Company	6.1	6.1
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	5.9	6.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	5.9	6.0
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	Half-year Consolidated	
	31 December 2017 \$'000	31 December 2016 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	8,232	8,189
	8,232	8,189
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	8,232	8,189
	8,232	8,189
<b>(d) Weighted average number of shares used as the denominator</b>		
	Half-year Consolidated	
	31 December 2017 Number	31 December 2016 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	135,480,683	134,998,106
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,255,167	925,084
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	138,735,850	135,923,190

### **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 2017 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.



Leigh Berkley

Chairman

Brisbane, 28 February 2018



# Independent Auditor's Review Report

To the shareholders of Collection House Limited

## Report on the Half-year Financial Report

### Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 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 2017;
- 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; and
- the Directors' Declaration.

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



## 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 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Collection House Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Scott Guse  
Partner

Brisbane  
28 February 2018