



**Collection House Limited**  
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## **Collection House Limited**

### **ASX Half Year information - 31 December 2018**

Lodged with the ASX under Listing Rule 4.2A.  
This information should be read in conjunction with the  
30 June 2018 Annual Report

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**Collection House Limited**  
**For the half-year ended 31 December 2018**  
**(Previous corresponding period: Half-year ended 31 December 2017)**

**Results for announcement to the market**  
**31 December 2018**

		%		\$'000
<b>Revenue</b> from continuing operations	Up	4.1%	to	66,006
<b>Profit / (loss)</b> from continuing activities after tax attributable to members (Appendix 4D item 2.2)	Up	3.2%	to	8,499
<b>Net profit / (loss)</b> for the period attributable to members (Appendix 4D item 2.3)	Up	3.2%	to	8,499

<b>Dividends / distributions</b> (Appendix 4D item 2.4)	Amount per security	Franked amount per security
<b>Current period</b>		
Final dividend (year ended 30 June 2018 - paid 26 October 2018)	3.9	3.9
Interim dividend (year ended 30 June 2019 - to be paid X March 2019)	4.1	4.1
<b>Previous corresponding period</b>		
Final dividend (year ended 30 June 2017 - paid 27 October 2017)	3.9	3.9
Interim dividend (year ended 30 June 2018 - paid 29 March 2018)	3.9	3.9

<b>Key Ratios</b>	<b>2018</b>	<b>2017</b>
	<b>December</b>	<b>December</b>
Basic earnings per share (cents)	6.2	6.1
Diluted earnings per share (cents)	6.0	5.9
Net tangible assets per share (cents)	128.79	115.9
Return on Equity (%)	4.0	4.3

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

**Payment date** for interim dividend

5 March 2019

28 March 2019

**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 2018. The last date for receipt of applications to participate in the 2019 interim DRP is Wednesday 6 March 2019. The payment date is Thursday 28 March 2019.

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 4 March 2019, 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 2018.

## 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)
Sandra Birkenleigh	Director (Non-Executive) (Appointed 17 September 2018)
Catherine McDowell	Director (Non-Executive) (Appointed 17 September 2018)

## 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.

## 1H19 HIGHLIGHTS

- Profit before tax for the half year was \$12.3 million (1H18: \$11.9 million)
- Earnings per share (EPS) was 6.2 cents (1H18: 6.1 cents)
- Shareholders equity was \$211.3 million (30 June 2018: \$206.6 million)
- Interim fully franked dividend of 4.1 cents to be paid 28 March 2019 (1H18: 3.9 cents fully franked)

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The consolidated Net Profit After Tax (NPAT) was \$8.5 million for the six months to 31 December 2018 (31 December 2017: \$8.2 million). Total revenue for the Group was \$66.0 million, an increase of 4% compared to 31 December 2017 as explained in the next section.

Total employee numbers (Full Time Equivalents - FTE) across Australia and New Zealand now stand at 672, compared to 696 in the previous corresponding period as at 30 June 2018. An additional 94 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 clients. The improvement in operating efficiency in 2018 and cost savings achieved, should continue to lift our performance during 2019.

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

	<b>Collection Services</b>		<b>Purchased Debt Ledgers</b>		<b>Consolidated</b>	
	1H 2019 \$ '000	1H 2018 \$ '000	1H 2019 \$ '000	1H 2018 \$ '000	1H 2019 \$ '000	1H 2018 \$ '000
<b>Revenue</b>						
Sales	32,230	33,112	250	111	32,480	33,223
Interest income			33,780	30,217	33,780	30,217
Total segment revenue	32,230	33,112	34,030	30,328	66,260	63,440
All other segment revenue					(254)	(13)
Consolidated revenue	32,230	33,112	34,030	30,328	66,006	63,427
<b>Results</b>						
Segment result	5,027	5,470	14,693	12,440	19,720	17,910
Interest expense & borrowing costs					(3,268)	(2,633)
All other segment expenses					(4,197)	(3,364)
Profit before income tax					12,255	11,913
Income tax expense					(3,756)	(3,681)
<b>Profit for the half-year</b>					8,499	8,232

**Collection Services**

Collection Services reported flat revenue in the first half due to the deferment of revenue by some clients into the second half.

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 revenues. 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, lifting our full year performance into line with FY18.

**Purchased Debt Ledgers (PDL)**

PDL collections were up 9% to \$54.9 million due to increase in PDL purchases, better quality PDL portfolios being acquired, a more highly skilled collection team and the contribution made by our self-service online Portal. Management continues to implement changes to improve the Company's approach to PDL purchasing and collections. The improved collections lifted revenue 12% on the same period last year and the segment result by 18%.

PDL investments already committed in the year to date were \$65 million prior to the RML (NZ) acquisition and we have increased our full year PDL expenditure guidance to \$87 - \$92 million. Market prices are competitive, but rational and there is sound evidence that we are continuing to 'buy better' than in prior periods.

**DIVIDENDS**

The directors recommended payment of an interim fully franked dividend of 4.1 cents per fully paid ordinary share (2018 interim – 3.9 cents fully franked) to be paid on 28 March 2019.

**EARNINGS PER SHARE**

Basic earnings per share for the financial half year were 6.2 cents (2018 – 6.1 cents), were flat on last year despite the better segment result, predominantly due to some one-off costs and the higher interest costs incurred financing the expansion in the PDL portfolio.

**BOARD RECRUITMENT**

Heidrick & Struggles have completed the recruitment process to source high calibre non-executive directors with the appointment of Sandra Birkenleigh and Catherine McDowell to the CLH Board on 17 September 2018.

#### MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The directors have recommended the payment of an interim fully franked ordinary dividend of \$5.7 million (4.1 cents per fully paid share) to be paid on 28 March 2019 out of retained profits as at 31 December 2018.

The Group has announced on 22 January 2019 an \$8.5 million equity investment in Volt Corporation Ltd (Volt), the holding company of Australia's digital bank, Volt Bank Ltd (Volt Bank). The Group has acquired a stake of approximately 4.5% in Volt through its investment.

On 31 January 2019, the Group has announced an acquisition of New Zealand-based Receivables Management (NZ) Limited ("RML") for a total cash consideration of NZ\$14.1m (approximately A\$13.4m). The consideration was funded from the Group's existing finance facilities.

Other than the matters discussed above, no matter or circumstance has arisen since 31 December 2018 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

27 February 2019



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

To the Directors of Collection House Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Collection House Limited for the half-year ended 31 December 2018 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  
27 February 2019

**Collection House Limited**  
**Income statement**  
**For the half-year ended 31 December 2018**

		<b>Half-year Consolidated</b>	
		<b>31 December 2018</b>	<b>31 December 2017</b>
	Notes	<b>\$'000</b>	<b>\$'000</b>
Revenue	4	<u>66,006</u>	63,427
<b>Revenue from continuing operations</b>		<b>66,006</b>	63,427
Direct collection costs		(11,145)	(11,479)
Employee expenses		(26,813)	(26,140)
Depreciation and amortisation expense		(2,146)	(2,176)
Operating lease rental expense		(3,950)	(3,727)
Restructuring expenses		(116)	(485)
Other expenses		(6,313)	(4,874)
Finance costs		<u>(3,268)</u>	<u>(2,633)</u>
<b>Profit before income tax</b>		<b>12,255</b>	11,913
Income tax expense	5	<u>(3,756)</u>	(3,681)
<b>Profit from continuing operations for the half-year</b>		<b>8,499</b>	8,232
Profit is attributable to:			
Equity members of Collection House Limited		<u>8,499</u>	8,232
		<u>8,499</u>	8,232
		<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>6.2</b>	6.1
Diluted earnings per share	12	<b>6.0</b>	5.9

*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 2018**

	<b>Half-year Consolidated</b>	
	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
<b>Profit for the half-year</b>	<b>8,499</b>	8,232
<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>(223)</u>	<u>(81)</u>
<b>Other comprehensive income for the half-year, net of income tax</b>	<u>(223)</u>	<u>(81)</u>
<b>Total comprehensive income for the half-year</b>	<u><b>8,276</b></u>	<u>8,151</u>
Total comprehensive income for the half-year is attributable to:		
Equity members of Collection House Limited	<u><b>8,276</b></u>	<u>8,151</u>
	<u><b>8,276</b></u>	<u>8,151</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 2018**

		<b>Consolidated</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2018</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
Notes			
<b>ASSETS</b>			
<b>Current assets</b>			
		<b>5,879</b>	509
		<b>16,526</b>	20,382
	6	<b>52,994</b>	52,663
		<b>5,140</b>	1,594
		<b>80,539</b>	75,148
<b>Total current assets</b>			
<b>Non-current assets</b>			
	6	<b>273,188</b>	259,192
		<b>2,135</b>	2,084
	7	<b>33,832</b>	34,041
		<b>222</b>	498
		<b>309,377</b>	295,815
<b>Total non-current assets</b>			
<b>Total assets</b>		<b>389,916</b>	370,963
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		-	2,601
		<b>12,676</b>	14,404
		<b>1,437</b>	2,714
		<b>3,212</b>	3,290
		<b>2,352</b>	2,660
		<b>19,677</b>	25,669
<b>Total current liabilities</b>			
<b>Non-current liabilities</b>			
		<b>153,000</b>	131,900
		<b>533</b>	616
		<b>280</b>	190
		<b>5,174</b>	6,011
		<b>158,987</b>	138,717
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>178,664</b>	164,386
<b>Net assets</b>		<b>211,252</b>	206,577
<b>EQUITY</b>			
	8	<b>114,911</b>	113,727
		<b>498</b>	157
		<b>95,843</b>	92,693
<b>Total equity</b>		<b>211,252</b>	206,577

*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 2018**

	<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>Consolidated</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>				
Release of treasury shares	20	(20)	-	-
Dividends provided for or paid	-	-	(5,300)	(5,300)
Employee share rights - value of employee services	-	481	-	481
	20	461	(5,300)	(4,819)
<b>Balance at 31 December 2017</b>	<b>112,099</b>	<b>(235)</b>	<b>80,101</b>	<b>191,965</b>
<b>Balance at 1 July 2018</b>	<b>113,727</b>	<b>157</b>	<b>92,693</b>	<b>206,577</b>
Profit for the half-year	-	-	8,499	8,499
Other comprehensive income	-	(223)	-	(223)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(223)</b>	<b>8,499</b>	<b>8,276</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity net of transaction costs	1,460	-	-	1,460
Acquisition of treasury shares	(300)	-	-	(300)
Release of treasury shares	24	(24)	-	-
Dividends provided for or paid	-	-	(5,349)	(5,349)
Employee share rights - value of employee services	-	588	-	588
	1,184	564	(5,349)	(3,601)
<b>Balance at 31 December 2018</b>	<b>114,911</b>	<b>498</b>	<b>95,843</b>	<b>211,252</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 2018**

	<b>Half-year Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	93,460	83,936
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(55,149)</u>	<u>(48,500)</u>
	38,311	35,436
Income taxes paid	<u>(5,116)</u>	<u>(3,607)</u>
<b>Net cash inflow from operating activities</b>	<u>33,195</u>	<u>31,829</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(682)	(24)
Payments for purchased debt ledgers	(36,570)	(35,919)
Payments for intangible assets	<u>(1,113)</u>	<u>(570)</u>
<b>Net cash (outflow) from investing activities</b>	<u>(38,365)</u>	<u>(36,513)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	1,460	-
Purchase of treasury shares	(300)	-
Proceeds from borrowings	21,100	1,800
Repayment of borrowings	(411)	(496)
Borrowing costs	(852)	(602)
Interest paid	(2,533)	(2,087)
Dividends paid to Company's shareholders	<u>(5,349)</u>	<u>(5,300)</u>
<b>Net cash inflow (outflow) from financing activities</b>	<u>13,115</u>	<u>(6,685)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	7,945	(11,369)
Cash and cash equivalents at the beginning of the half-year	(2,092)	1,151
Effects of exchange rate changes on cash and cash equivalents	<u>26</u>	<u>(37)</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u>5,879</u>	<u>(10,255)</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 2018 (the Group).

These interim financial statements were authorised for issue on 27 February 2019 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 2018 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 2018 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.

Except as described below, the accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

### **a) New and amended standards adopted by the Group**

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

#### **(i) AASB 9 *Financial Instruments***

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

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

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

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

#### *Impairment of financial assets*

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

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

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

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

Due to the characteristics of the Group's investment in PDLs, they are considered POCI assets under AASB 9. The Group measures ECLs for PDLs at an amount equal to lifetime expected credit losses and are incorporated into the calculation of the Effective Interest Rate ("EIR"). Where the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original EIR, the Group recognises an impairment loss. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the favourable changes are more than the amount previously recognised in profit or loss as an impairment loss. The estimation of ECL's includes an assessment of forward-looking economic assumptions which are determined on a probability-weighted basis based on reasonable and supportable forecasts.

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

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

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

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

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

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

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

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

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

#### *(ii) AASB 15 Revenue from Contracts with Customers*

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

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

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

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

b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Group in this financial report. These new standards and amendments, apart from AASB 16 which is discussed below, when applied in future periods, are not expected to have a material impact on the Group's financial statements.

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

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

The Group is undergoing an assessment of the potential impact on its consolidated financial statements. The Group's operating lease commitments reported in the last annual report (year ended 30 June 2018) are materially expected to represent the impact on adoption of the new standard. The impact to net assets is expected to be immaterial. To date, the most significant impact identified is that the Group will recognise new assets and liabilities for the operating lease agreements in place for its office premises. In addition, the nature of expenses related to those leases will now change, as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The full extent of the impact is unable to be reliably determined until closer to application date, once the mix and maturity of leases held by the Group at that point is able to be determined.

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

## 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 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of AASB 9 and AASB 15 as outlined in the note 1.

### 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 Group 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 2018	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
<b>Segment revenue</b>				
Sales to external customers	31,857	250	-	32,107
Other revenue	1	-	30	31
Intersegment sales	372	-	(284)	88
Total sales revenue	32,230	250	(254)	32,226
Interest and call option income	-	33,780	-	33,780
<b>Total segment revenue</b>	<b>32,230</b>	<b>34,030</b>	<b>(254)</b>	<b>66,006</b>
<b>Segment result</b>				
Segment result	5,027	14,693	(4,197)	15,523
Interest expense and borrowing costs				(3,268)
Profit before income tax				12,255
Income tax expense				(3,756)
<b>Profit for the half-year</b>				<b>8,499</b>
<b>Segment assets and liabilities</b>				
Segment assets	202,904	339,655	(152,643)	389,916
Segment liabilities	28,794	150,865	(995)	178,664

**Collection House Limited**  
**Notes to the financial statements**  
**31 December 2018**  
**(continued)**

<b>31 December 2017</b>	<b>Collection services \$'000</b>	<b>Purchased debt ledgers \$'000</b>	<b>All other segments \$'000</b>	<b>Consolidated \$'000</b>
<b>Segment revenue</b>				
Sales to external customers	32,974	111	-	33,085
Intersegment sales	138	-	(13)	125
Total sales revenue	33,112	111	(13)	33,210
Interest and call option 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	5,470	12,440	(3,364)	14,546
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

#### 4 Revenue

	<b>Half-year Consolidated</b>	
	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
Interest income	33,283	29,353
Commission	32,059	33,009
Call option income	497	864
Other revenue	167	201
<b>Revenue from continuing operations</b>	<b>66,006</b>	<b>63,427</b>



## 5 Income tax expense

	<b>Half-year Consolidated</b>	
	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<u>12,255</u>	<u>11,913</u>
	<b>12,255</b>	<b>11,913</b>
Tax at the Australian tax rate of 30% (2017 - 30%)	<b>3,677</b>	3,574
Tax effect of amounts which are assessable in calculating taxable income:		
CFC income	<b>20</b>	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	-	144
Non-deductible expenses	<b>16</b>	18
Sundry items	<u>-</u>	<u>14</u>
	<b>3,713</b>	<b>3,750</b>
Adjustments for current tax of prior periods	<u>43</u>	<u>(69)</u>
Income tax expense	<u><b>3,756</b></u>	<u><b>3,681</b></u>

## 6 Purchased debt ledgers

Other financial assets subsequently measured at amortised cost

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Current	52,994	52,663
Non-current	<u>273,188</u>	<u>259,192</u>
Total other financial assets subsequently measured at amortised cost	<u>326,182</u>	<u>311,855</u>

### Current and Non-current

At beginning of year	311,855
Net additions*	35,441
Gross PDL Collections	(54,894)
Interest income	33,283
Call Options	<u>497</u>
At end of year	<u>326,182</u>

\*Net additions are represented by total additions for the year net of stamp duty and accrued PDL purchases from 30 June 2018 (\$1,127,603).

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.

## 7 Intangible assets

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Goodwill	19,727	19,722
Computer software	11,863	12,806
Customer contracts	722	810
Work-in-progress	<u>1,520</u>	<u>703</u>
Total intangible assets	<u>33,832</u>	<u>34,041</u>

## 8 Contributed equity

	<b>31 December 2018 Shares</b>	30 June 2018 Shares	<b>31 December 2018 \$'000</b>	30 June 2018 \$'000
Ordinary shares - Fully paid	<b>138,170,257</b>	137,152,058	<b>115,655</b>	114,195
Treasury shares	<b>(516,030)</b>	(354,286)	<b>(744)</b>	(468)
Total contributed equity	<b><u>137,827,412</u></b>	<u>136,797,772</u>	<b><u>114,911</u></b>	<u>113,727</u>

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

Date	Details	Number of shares	\$'000
1 July 2017	Opening balance	135,889,764	112,614
29 March 2018	Dividend reinvestment plan issues	1,262,294	1,589
	Less: Transaction costs arising on share issues	-	(8)
30 June 2018	Closing Balance	<u>137,152,058</u>	<u>114,195</u>
1 July 2018	Opening balance	137,152,058	114,195
26 October 2018	Dividend reinvestment plan issues	1,018,199	1,468
	Less: Transaction costs arising on share issues	-	(8)
31 December 2018	Closing Balance	<u>138,170,257</u>	<u>115,655</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 2018 \$'000	31 December 2017 \$'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 2018 and 31 December 2017 were as follows:

Paid in cash	3,881	5,300
Satisfied under the Dividend Reinvestment Plan	<u>1,468</u>	-
	<u>5,349</u>	<u>5,300</u>

### (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 4.1 cents per fully paid ordinary share (2018 – 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 28 March 2019 out of a positive net asset balance and retained profits at 31 December 2018, but not recognised as a liability at the end of the half-year, is

<u>5,665</u>	<u>5,300</u>
<u>5,665</u>	<u>5,300</u>

### (c) Franked dividends

The franked portions of the interim dividend recommended after 31 December 2018 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 has been an increase in contingent liabilities subsequent to the contingent liabilities disclosed in the last annual report for the year ended 30 June 2018.

- Bank Guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to \$11,113,627 (30 June 2018: \$6,032,045). During the period, the Group obtained additional Bank Guarantees to secure contract performance in the normal course of business.

## 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>2018</b>	2018
	<b>\$'000</b>	\$'000
Within one year	<b>63,974</b>	32,040
Later than one year, not later than five years	<b><u>4,600</u></b>	<u>210</u>
	<b><u>68,574</u></b>	<u>32,250</u>

## 12 Earnings per share

	Half-year Consolidated	
	31 December 2018 Cents	31 December 2017 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	<u>6.2</u>	6.1
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>6.2</u>	6.1

<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	<u>6.0</u>	5.9
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>6.0</u>	5.9

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

	Half-year Consolidated	
	31 December 2018 \$'000	31 December 2017 \$'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>8,499</u>	8,232
	<u>8,499</u>	8,232
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>8,499</u>	8,232
	<u>8,499</u>	8,232

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

	Half-year Consolidated	
	31 December 2018 Number	31 December 2017 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<b>137,061,925</b>	135,480,683
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>3,548,339</u>	3,255,167
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>140,610,264</u>	138,735,850

### **13 Events occurring after the reporting period**

A fully franked interim dividend has been declared of 4.1 cents per fully paid ordinary share for a total of \$5.7 million. No provision has been raised in these accounts.

The Group has announced on 22 January 2019 an \$8.5 million equity investment in Volt Corporation Ltd (Volt), the holding company of Australia's digital bank, Volt Bank Ltd (Volt Bank). The Group has acquired a stake of approximately 4.5% in Volt through its investment.

On 31 January 2019, the Group has announced an acquisition of New Zealand-based Receivables Management (NZ) Limited ("RML") for a total cash consideration of NZ\$14.1m (approximately A\$ 13.4m). The consideration was funded from the Group's existing finance facilities.

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 23 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 2018 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, 27 February 2019





# 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 2018 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 2018
- 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 2018 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  
27 February 2019