



Collection House Limited
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Collection House Limited

ASX Half Year information - 31 December 2014

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2014 Annual Report

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Collection House Limited
For the half-year ended 31 December 2014
(Previous corresponding period: Half-year ended 31 December 2013)

Results for Announcement to the Market
31 December 2014

		%		\$'000
Revenue from continuing operations	up	22.7%	to	63,778
Profit / (loss) from continuing activities after tax attributable to members (Appendix 4D item 2.2)	up	19.1%	to	11,163
Net profit / (loss) for the period attributable to members (Appendix 4D item 2.3)	up	19.1%	to	11,163

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Current period		
Final dividend (year ended 30 June 2014 - paid 17 October 2014)	4.1	4.1
Interim dividend (year ended 30 June 2015 - to be paid 27 March 2015)	4.4	4.4
Previous corresponding period		
Final dividend (year ended 30 June 2013 - paid 30 October 2013)	3.6	3.6
Interim dividend (year ended 30 June 2014 - paid 28 March 2014)	3.9	3.9

Key Ratios	2014	2013
	December	December
Basic earnings per share (cents)	8.6	7.6
Diluted earnings per share (cents)	8.5	7.5
Net tangible assets per share (cents)	99.8	90.8
Return on Equity (%)	6.8	6.3

Record date for determining entitlements to the interim dividend

Payment date for interim dividend

5 March 2015

27 March 2015

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, \$1.42m was raised under the Collection House Limited (Group) Dividend Reinvestment Plan (DRP). The DRP remains active in respect of the interim dividend for the period to 31 December 2014. The last date for receipt of applications to participate in the 2015 interim year DRP is 6 March 2015. The payment date is 27 March 2015.

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, Tuesday 3 March 2015, less an attractive 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.

ASX ANNOUNCEMENT

11 February 2015

Collection House reports continued solid earnings growth in first half results

Collection House Limited (ASX Code: CLH) today announced a first half Net Profit After Tax of \$11.2m, an increase of 19.1 percent, on its prior half results. Revenue is reported at \$63.8m – an increase of 22.7 percent on the prior half.

Annualised Return on Equity also increased to 14 percent, a ten year high.

An interim fully franked dividend of 4.4 cents per share was declared, being a 12.8 percent increase on the previous interim dividend (3.9 cents).

Other highlights of the report include Purchased Debt Ledger (PDL) collections growth of 25.2 percent to \$64.4m and record first-half PDL acquisitions of \$40.5m.

Key Financial Highlights

\$m	1H11	1H12	1H13	1H14	1H15	%
Revenue	38.7	44.4	47.3	52.0	63.8	22.7
Profit Before Tax (including significant items)	7.4	9.2	11.6	13.3	15.9	19.4
Taxation	(2.3)	(2.9)	(3.5)	(3.9)	(4.7)	
Nat Profit After Tax	5.1	6.4	8.1	9.4	11.2	19.1
PDL Cash Collections	39.7	43.9	48.7	51.5	64.4	25.2
EPS (c)	5.3	6.4	7.3	7.6	8.6	13.7
DPS (c)	3.1	3.2	3.6	3.9	4.4	12.8
EBIT Margin	26.1%	27.7%	31.2%	30.8%	29.5%	
Return on Equity (Annualised)	10.5%	11.9%	12.6%	13.2%	14.0%	
Net Debt/Net Debt + Equity	43.8	44.7	45.5	36.9	40.4	

Managing Director and CEO Matthew Thomas said the Company was satisfied with the results, which demonstrate that investments made in asset growth during 2014 are achieving their expected return.

“We’re in a robust financial position at mid-year and we have made significant achievements in all areas of the business,” Mr Thomas said.

“Investments in IT enhancements to our C5 platform have resulted in greater operational efficiencies across the organisation.”

As previously announced, Collection House has secured almost 8,000 square metres of prime office space for a new Head Office, with relocation expected to commence in June 2015.

Overseas, continued improved productivity within the expanded Manila operations has reaffirmed the Company’s intention to continue expansion in the Philippines.

Collection House Group Chair Mr David Liddy said, “The first-half results demonstrate successful strategic execution of the Company’s growth strategy.

“This will continue as we further leverage our core strengths in compliance, innovation and data analytics. We are in a secure position and the Company is on track to deliver continued strong growth and stable returns for shareholders into the second half of 2015.” Mr Liddy said.

Collection House remains on track to achieve its earnings guidance (NPAT within range of \$21-22m).

Teleconference

A teleconference will be held on Thursday 12 February 2015 at 10.00am (Brisbane time).

The teleconference will be hosted by Matthew Thomas, MD and CEO and Adrian Ralston, CFO.

Contact details to join the teleconference are as follows:

The Australian toll free number is 1800 908 299

The New Zealand toll free number is 0800 452 795

The USA toll free number is 1855 624 0077

For more information please contact:

Matthew Thomas

Managing Director and CEO

Collection House Limited

Ph: 07 3100 1245

Disclaimer

This information should be considered along with the information disclosed in the Appendix 4D, Financial Reports and Results presentation.

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 ending 31 December 2014.

DIRECTORS

The following persons were directors of Collection House Limited during the whole of the financial period and up to the date of this report, unless stated otherwise:

David Liddy (Chairman)	Dennis Panches (Deputy Chairman)
Matthew Thomas (Managing Director/CEO)	Tony Coutts
Kerry Daly	David Gray
Philip Hennessy	Julie-Anne Schafer

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 FY2015 HIGHLIGHTS

- Profit before tax for the half year was \$15.9 million (1H14: \$13.3 million)
- Earnings per share (EPS) 8.6 cents, increased 13.7% (1H14: 7.6 cents)
- Shareholders equity was \$163.5 million (30 June 2014: \$156.0 million)
- Interim fully franked dividend of 4.4 cents to be paid 27 March 2015, up 12.8% (1H14 3.9 cents)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The consolidated Net Profit After Tax (NPAT) of \$11.2 million for the six months to 31 December 2014 increased 19.1% from \$9.4 million at 31 December 2013 demonstrating that FY14 investments are producing the expected return. Total revenue for the Group was \$63.8 million, an increase of 22.7% compared to 31 December 2013.

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

	Collection Services		Purchased Debt Ledgers		Consolidated	
	1H	1H	1H	1H	1H	1H
	2015	2014	2015	2014	2015	2014
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revenue						
Sales	23,409	21,682			23,409	21,682
Interest income			40,290	30,394	40,290	30,394
Total segment revenue	23,409	21,682	40,290	30,394	63,699	52,076
Intersegment elimination					79	(81)
Consolidated revenue	23,409	21,682	40,290	30,394	63,778	51,995
Results						
Segment result	4,586	4,212	16,704	13,477	21,290	17,689
Interest expense & borrowing costs					(2,908)	(2,697)
Unallocated revenue less unallocated expenses					(2,495)	(1,692)
Profit before income tax					15,887	13,300
Income tax expense					(4,724)	(3,926)
Profit for the half-year					11,163	9,374

Collection Services

- Collection Services margin increased to 19.6% and Revenue increased 8% year on year, due to winning additional business from existing and new clients in a competitive market place as a result of the Company's high performance, reputation and sustainability
- Improvement in productivity within expanded Manila operations reaffirming intentions to continue Philippine-based expansion

Purchased Debt Ledgers (PDL)

- PDL collections up 25.2% to \$64.4 million
- \$40.5 million invested in PDLs during first half, plus over \$30.4 million committed for the remainder of FY15
- Repayment Arrangements and Litigated Account Portfolio grew to \$389 million face value as at 31 December 2014

Review of financial position

- The consolidated entity's net assets increased 4.8% to \$163.5 million from \$156.0 million at 30 June 2014
- Total net borrowings increased to \$110.6 million, from \$99.4 million at 30 June 2014
- The Board has confirmed its confidence in the Group's future prospects and have recommended the payment of an interim fully franked dividend of 4.4 cents
- The rate of expensing PDL assets (Implied Amortisation rate) has reduced to 41% in 1H15, reflecting continued improvement in the portfolio's yield, reflected in higher interest income

Business strategies and prospects for future financial years

1H15 growth demonstrates our successful strategic execution of the following:

- Organic growth, driven by leveraging of core strengths in compliance, innovation and depth of experience and data
- Prior year investments have provided extra collection capacity to increase liquidation rates from PDL assets
- Ongoing focus on building long-term value of PDL book, particularly in a growing and high quality arrangement book, underpins operational consistency and efficiency
- Improving returns from our Manila operation, which was expanded in late FY14 by 40% to 110 seats, as a transitional step towards a larger facility

The Company's longer term growth will be driven by the following:

- Organic growth and increased scale by growing in existing and new markets
- Product development of new debt solutions for both clients and customers
- Ongoing investment in innovation, technology and analytics
- Pioneering new debt purchase markets and models
- Exploring acquisition or partnership opportunities in adjacent service areas

Also, in preparation for ongoing expansion the Company secured almost 8,000 sqm of prime office space for its new Head Office.

The Group's guidance of its Net Profit After Tax for the financial year ended 30 June 2015 is between \$21 million and \$22 million. PDL investment in FY15 is not expected to exceed FY14 levels. \$70 million plus has already been transacted or committed under contract.

DIVIDENDS

The directors recommended payment of an interim fully franked dividend of 4.4 cents per fully paid ordinary share (2013 – 3.9 cents fully franked) to be paid on 27 March 2015.

EARNINGS PER SHARE

Basic earnings per share for the financial half year were 8.6 cents (2013 – 7.6 cents): an increase of 13.7%.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The directors have recommended the payment of an interim fully franked ordinary dividend of \$5.7 million (4.4 cents per fully paid share) to be paid on 27 March 2015 out of retained profits and a positive net asset balance as at 31 December 2014.

Other than the matter discussed above, no matter or circumstance has arisen since 31 December 2014 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 Class Order 98/100, 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 Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PKF Hacketts Audit continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



David Liddy
Chairman

11 February 2015

**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, during the half-year ended 31 December 2014, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF Hacketts

PKF HACKETTS AUDIT



**Shaun Lindemann
Partner**

Brisbane, 11 February 2015

Collection House Limited
Income statement
For the half-year ended 31 December 2014

		Half-year Consolidated	
		31 December 2014	31 December 2013
		\$'000	\$'000
Notes			
Revenue	3	<u>63,778</u>	51,995
Revenue from continuing operations		63,778	51,995
Depreciation and amortisation expense		(1,222)	(638)
Other expenses		(3,907)	(3,036)
Employee expenses		(28,728)	(23,486)
Direct collection costs		(8,161)	(6,575)
Operating lease rental expense		(2,965)	(2,263)
Finance costs		<u>(2,908)</u>	<u>(2,697)</u>
Profit before income tax		15,887	13,300
Income tax expense	4	<u>(4,724)</u>	(3,926)
Profit from continuing operations for the half-year		11,163	9,374
Profit is attributable to:			
Equity holders of Collection House Limited		<u>11,163</u>	9,374
		<u>11,163</u>	9,374

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	13	8.6	7.6
Diluted earnings per share	13	8.5	7.5

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 2014

	Half-year Consolidated	
	31 December 2014	31 December 2013
Notes	\$'000	\$'000
Profit for the half-year	11,163	9,374
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	<u>(375)</u>	<u>80</u>
Other comprehensive income for the half-year, net of income tax	<u>(375)</u>	<u>80</u>
Total comprehensive income for the half-year	<u>10,788</u>	<u>9,454</u>
Total comprehensive income for the half-year is attributable to:		
Equity holders of Collection House Limited	<u>10,788</u>	<u>9,454</u>
	<u>10,788</u>	<u>9,454</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 2014

		Consolidated	
		31 December	30 June
		2014	2014
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		594	704
Receivables		9,483	9,574
Purchased debt ledgers	6	52,406	51,669
Other current assets		1,145	1,044
Total current assets		<u>63,628</u>	<u>62,991</u>
Non-current assets			
Purchased debt ledgers	6	197,378	182,581
Property, plant and equipment		5,551	5,436
Intangible assets	7	35,239	34,222
Total non-current assets		<u>238,168</u>	<u>222,239</u>
Total assets		<u>301,796</u>	<u>285,230</u>
LIABILITIES			
Current liabilities			
Payables		14,858	13,628
Borrowings		1,243	323
Current tax liabilities		2,819	7,071
Provisions		2,806	2,906
Other current financial liabilities		2,047	1,600
Total current liabilities		<u>23,773</u>	<u>25,528</u>
Non-current liabilities			
Borrowings	8	110,000	99,800
Deferred tax liabilities		1,910	1,331
Provisions		363	356
Other non-current financial liabilities		2,264	2,226
Total non-current liabilities		<u>114,537</u>	<u>103,713</u>
Total liabilities		<u>138,310</u>	<u>129,241</u>
Net assets		<u>163,486</u>	<u>155,989</u>
EQUITY			
Contributed equity	9	103,700	102,285
Reserves		2,196	1,959
Retained profits		57,590	51,745
Total equity		<u>163,486</u>	<u>155,989</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 2014

Consolidated	Notes	Attributable to members of Collection House Limited			
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2013		80,095	489	42,683	123,267
Profit for the half-year		-	-	9,374	9,374
Other comprehensive income		-	80	-	80
Total comprehensive income for the half-year		-	80	9,374	9,454
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs		20,878	-	-	20,878
Dividends provided for or paid		-	-	(4,613)	(4,613)
Employee share options - value of employee services		-	391	-	391
		20,878	391	(4,613)	16,656
Balance at 31 December 2013		100,973	960	47,444	149,377
Balance at 1 July 2014		102,285	1,959	51,745	155,989
Profit for the half-year		-	-	11,163	11,163
Other comprehensive income		-	(375)	-	(375)
Total comprehensive income for the half-year		-	(375)	11,163	10,788
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs		1,415	-	-	1,415
Dividends provided for or paid		-	-	(5,318)	(5,318)
Employee share options - value of employee services		-	612	-	612
		1,415	612	(5,318)	(3,291)
Balance at 31 December 2014		103,700	2,196	57,590	163,486

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 2014

	Half-year Consolidated	
	31 December 2014	31 December 2013
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	90,194	74,364
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(46,242)</u>	<u>(39,730)</u>
	43,952	34,634
Interest received	1	15
Income taxes paid	<u>(6,197)</u>	<u>(8,126)</u>
Net cash inflow from operating activities	<u>37,756</u>	<u>26,523</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(691)	(371)
Payments for purchased debt ledgers	<u>(40,452)</u>	<u>(38,390)</u>
Proceeds from sale of purchased debt ledgers	-	-
Payments for intangible assets	<u>(1,071)</u>	<u>(2,022)</u>
Net cash (outflow) from investing activities	<u>(42,214)</u>	<u>(40,783)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	1,415	20,878
Proceeds from borrowings	10,319	16,000
Repayment of borrowings	(500)	(20,138)
Borrowing costs	(701)	(864)
Interest paid	(1,795)	(1,431)
Dividends paid to Company's shareholders	<u>(5,318)</u>	<u>(4,613)</u>
Net cash inflow (outflow) from financing activities	<u>3,420</u>	<u>9,832</u>
Net increase (decrease) in cash and cash equivalents	(1,038)	(4,428)
Cash and cash equivalents at the beginning of the half-year	381	2,400
Effects of exchange rate changes on cash and cash equivalents	<u>8</u>	<u>26</u>
Cash and cash equivalents at end of the half-year	<u>5</u> (649)	<u>(2,002)</u>

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

1 Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2014 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 2014 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than the ones noted below.

(a) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The Group has adopted all of the relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The adoption of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

(b) Other financial assets

The Group classifies financial assets as subsequently measured at either amortised costs or fair value on the basis of both:

- The Group's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

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

(i) *Financial assets subsequently measured at amortised cost - Purchased debt ledgers (PDL's)*

Classification

Purchased debt ledgers have been included in this category of financial assets from 1 July 2013 as the Group's business model for managing the PDLs and the characteristics of the contractual cash flows of the financial asset are consistent with this measurement approach.

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

Subsequent Measurement

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

Net gains on financial assets are disclosed in the income statement as interest income net of any change in value of the ledgers.

Impairment

The carrying amount of the PDLs is continuously reviewed to ensure that the carrying amount is not impaired. PDLs are collectively assessed for impairment as they are not considered to be individually significant within the portfolio and they have similar credit risk characteristics.

A PDL is considered to be impaired if the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the income statement. When a subsequent change in estimated future cash flows causes the amount of impairment loss to reverse, the reversal in impairment is recognised in the income statement to the initial of the original impairment loss.

2 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 (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.

(b) Segment information provided to the Board of Directors

31 December 2014	Collection Services \$'000	Purchased Debt Ledgers \$'000	Total continuing operations \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	23,168	-	23,168	23,168
Intersegment sales	241	-	241	241
Total sales revenue	23,409	-	23,409	23,409
Interest income	-	40,290	40,290	40,290
Interest income	-	40,290	40,290	40,290
Total segment revenue	23,409	40,290	63,699	63,699
Intersegment elimination			79	79
Consolidated revenue			63,778	63,778
Segment result				
Segment result	4,586	16,704	21,290	21,289
Interest expense and borrowing costs			(2,908)	(2,908)
Unallocated revenue less unallocated expenses			(2,495)	(2,494)
Profit before income tax			15,887	15,887
Income tax expense			(4,724)	(4,724)
Profit for the half-year			11,163	11,163
Segment assets				
Segment assets	165,140	248,678	413,818	413,818
Intersegment elimination			(112,022)	(112,022)
Total assets			301,796	301,796

2 Segment information (continued)

31 December 2013	Collection Services \$'000	Purchased Debt Ledgers \$'000	Total continuing operations \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	21,342	-	21,342	21,342
Intersegment sales	340	-	340	340
Total sales revenue	21,682	-	21,682	21,682
Interest income	-	30,394	30,394	30,394
Interest income	-	30,394	30,394	30,394
Total segment revenue	21,682	30,394	52,076	52,076
Intersegment elimination			(81)	(81)
Consolidated revenue			51,995	51,995
Segment result				
Segment result	4,212	13,477	17,689	17,689
Interest expense and borrowing costs			(2,697)	(2,697)
Unallocated revenue less unallocated expenses			(1,692)	(1,692)
Profit before income tax			13,300	13,300
Income tax expense			(3,926)	(3,926)
Profit for the half-year			9,374	9,374
Segment assets				
Segment assets	150,688	214,607	365,295	365,295
Intersegment elimination			(104,195)	(104,195)
Total assets			261,100	261,100

3 Revenue

	Half-year Consolidated	
	31 December 2014 \$'000	31 December 2013 \$'000
Interest income	40,290	30,394
Commission	23,220	21,400
Other revenue	<u>268</u>	<u>201</u>
Revenue from continuing operations	<u>63,778</u>	<u>51,995</u>

Adjustments to the carrying amount of purchased debt ledgers as a result of changes in estimated cash flows were immaterial during the reporting period. These have been included in interest revenue above.

4 Income tax expense

	Half-year Consolidated	
	31 December 2014 \$'000	31 December 2013 \$'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	<u>15,887</u>	<u>13,300</u>
Tax at the Australian tax rate of 30% (2013 - 30%)	4,766	3,990
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	184	117
Non-deductible expenses	30	22
Tax exempt income/loss	(89)	(49)
Sundry items	<u>24</u>	<u>25</u>
	4,915	4,105
Adjustments for current tax of prior periods	<u>(191)</u>	<u>(179)</u>
Income tax expense	<u>4,724</u>	<u>3,926</u>

5 Reconciliation of cash at the end of the year

The cash at the end of the financial period as shown in the statement of cash flows is reconciled to cash and cash equivalents as shown in the balance sheet as follows:

	Consolidated	
	31 December	31 December
	2014	2013
	\$'000	\$'000
Cash at bank and in hand	594	325
Bank overdrafts included in current borrowings	<u>(1,243)</u>	<u>(2,327)</u>
Balances per statement of cash flows	<u>(649)</u>	<u>(2,002)</u>

6 Purchased debt ledgers

(a) Other financial assets subsequently measured at amortised cost

	Consolidated	
	31 December	30 June
	2014	2014
	\$'000	\$'000
Current	52,406	51,669
Non-current	<u>197,378</u>	<u>182,581</u>
Total other financial assets subsequently measured at amortised cost	<u>249,784</u>	<u>234,250</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	30 June
	2014	2014
	\$'000	\$'000
Goodwill	19,724	19,721
Computer software	3,588	1,200
Customer contracts	2,174	2,339
Other intangible assets	148	165
Work-in-progress	<u>9,605</u>	<u>10,797</u>
Total intangible assets	<u>35,239</u>	<u>34,222</u>

8 Non-current liabilities - Borrowings

	Consolidated	
	31 December	30 June
	2014	2014
	\$'000	\$'000
Secured - bank loans	<u>110,000</u>	<u>99,800</u>
Total non-current borrowings	<u>110,000</u>	<u>99,800</u>

(a) Varied Syndicated Loan Facility

In December 2014, the Company's Syndicated Loan Facility with Westpac Banking Corporation and Commonwealth Bank of Australia was varied by an increase in the term debt facility limit to \$125,000,000 in support of additional growth.

9 Contributed equity

	Company		Company	
	31 December	30 June	31 December	30 June
	2014	2014	2014	2014
	Shares	Shares	\$'000	\$'000
Ordinary shares				
Fully paid	<u>130,443,227</u>	<u>129,717,785</u>	<u>103,700</u>	<u>102,285</u>
	<u>130,443,227</u>	<u>129,717,785</u>	<u>103,700</u>	<u>102,285</u>

(a) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2013	Opening balance	115,437,740	80,095
30 August 2013	Employee options exercised	414,000	287
3 September 2013	Share issue	7,878,780	13,000
4 September 2013	Employee options exercised	177,200	123
1 October 2013	Share issue	4,242,478	7,000
30 October 2013	Dividend reinvestment plan issues	818,950	1,323
28 March 2014	Dividend reinvestment plan issues	748,637	1,305
	Less: Transaction costs arising on share issues	-	(848)
30 June 2014	Closing Balance	<u>129,717,785</u>	<u>102,285</u>
1 July 2014	Opening balance	129,717,785	102,285
17 October 2014	Dividend reinvestment plan issues	725,442	1,424
17 October 2014	Less: Transaction costs arising on share issues	-	(9)
31 December 2014	Closing Balance	<u>130,443,227</u>	<u>103,700</u>

10 Dividends

Half-year Parent entity	
31 December 2014 \$'000	31 December 2013 \$'000

(a) Ordinary shares

Fully franked final dividend for the year ended 30 June 2014 of 4.1 cents (2013 - 3.6 cents, fully franked) per fully paid share paid on 17 October 2014.
Dividends satisfied under the Dividend Reinvestment Plan

5,318	4,613
(1,424)	(1,323)
<u>3,894</u>	<u>3,290</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 4.4 cents per fully paid ordinary share (2013 - 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 27 March 2015 out of a positive net asset balance and retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is

<u>5,740</u>	<u>5,030</u>
<u>5,740</u>	<u>5,030</u>

(c) Franked dividends

The franked portions of the interim dividend recommended after 31 December 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax.

11 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 2014.

12 Commitments

Subsequent to 30 June 2014, the Company signed an agreement to lease new premises. The lease will commence on 1 June 2015 and is for a period of 11 years.

13 Earnings per share

	Half-year Consolidated	
	31 December 2014 Cents	31 December 2013 Cents

(a) Basic earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	<u>8.6</u>	<u>7.6</u>
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>8.6</u>	<u>7.6</u>

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	<u>8.5</u>	<u>7.5</u>
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>8.5</u>	<u>7.5</u>

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

	Half-year Consolidated	
	31 December 2014 \$'000	31 December 2013 \$'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>11,163</u>	<u>9,374</u>
	<u>11,163</u>	<u>9,374</u>
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>11,163</u>	<u>9,374</u>
	<u>11,163</u>	<u>9,374</u>

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

	Half-year Consolidated	
	31 December 2014 Number	31 December 2013 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<u>130,013,481</u>	124,104,981
Adjustments for calculation of diluted earnings per share:		
Options	-	1,279,981
Performance rights	<u>837,536</u>	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>130,851,017</u>	<u>125,384,962</u>

14 Events occurring after the reporting period

A fully franked interim dividend has been declared of 4.4 cents per fully paid ordinary share for a total of \$5.7 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 9 to 22 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 2014 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 Managing Director & Chief Executive Officer and Chief Financial Officer.

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



David Liddy
Chairman

Brisbane
11 February 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF COLLECTION HOUSE LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Collection House Limited ("the Company"), which comprises the consolidated balance sheet as at 31 December 2014, the 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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* and 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

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 consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Collection House Limited and its controlled entities, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Conclusion

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 and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.



PKF HACKETTS AUDIT



Shaun Lindemann
Partner

Brisbane, 11 February 2015