

**Cash Converters
International
Limited**

—
ABN 39 069 141 546



HALF-YEAR REPORT

**FOR THE HALF-YEAR
ENDED 31 DECEMBER
2018**



Directors' report

For the half-year ended 31 December 2018

The directors of Cash Converters International Limited (the Company) submit the following report of the Company for the half-year ended 31 December 2018 in respect of the Company, its subsidiaries and entities controlled by the Company (the Group). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons held office as directors of the Company during or since the end of the half-year:

Mr Stuart Grimshaw	Non-Executive Chairman
Mr Peter Cumins	Executive Deputy Chairman
Mr Lachlan Given	Non-Executive Director
Mr Kevin Dundo	Non-Executive Director
Ms Ellen Comerford	Non-Executive Director (resigned 30 September 2018)
Ms Andrea Waters	Non-Executive Director (resigned 14 December 2018)

Dividends

On 27 August 2018 the directors of the Company announced that there would be no final dividend in respect of the financial year ended 30 June 2018.

The Board have resolved not to pay an interim dividend.

Review of operations

The net loss after tax for the half-year ended 31 December 2018 of \$5.236 million (half-year ended 31 December 2017 net profit after tax: \$9.360 million), belies the underlying successes of the business in terms of retail and pawnbroking growth across the corporate store network, increased demand in all loan products through personal finance, continued earnings uplift from Green Light Auto and increased returns on our investment in Cash Converters New Zealand. The results reflect a resurgence of lending through Cash Converters Personal Finance, where loan application volumes have increased by 28.1% compared to the previous corresponding period. Affecting the result for the period was the settlement of one of the two class actions in Queensland (the McKenzie Proceeding), with a gross settlement of \$16.400 million recognised in the period.

A summary of consolidated revenues and results by significant segment is set out below:

	Segment revenues		Segment EBITDA results	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
Franchise operations	9,638	9,504	6,447	5,763
Store operations	59,678	58,848	8,560	8,176
Personal finance	59,263	48,794	16,880	21,847
Vehicle financing	8,112	5,522	1,602	887
Totals before head office costs	136,691	122,668	33,489	36,673
Head office (i)	567	280	(32,121)	(15,196)
Totals after head office costs	137,258	122,948	1,368	21,477
Depreciation, amortisation and impairment			(3,872)	(3,854)
Finance costs			(5,151)	(4,287)
Profit / (loss) before income tax			(7,655)	13,336
Income tax (expense) / benefit			2,419	(3,976)
Profit / (loss) for the half-year			(5,236)	9,360

Directors' report

For the half-year ended 31 December 2018

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Operating cash (outflow) / inflow	(41,042)	(23,914)
Basic earnings / (loss) per share (cents)	(0.85 cents)	1.90 cents

- (i) Head office segment results for the half-year ended 31 December 2018 include a Class Action settlement of \$16.400 million.

In addition to the settlement amount, the Company also incurred additional legal expenses in defending the remaining class action (the Lynch Proceeding) which went to trial during the period. In order to provide a meaningful comparison to the prior period, the table below highlights these costs to show the underlying operational performance when compared to the previous corresponding period. Aside from the impact of the class actions, additional costs were incurred through change in the executive leadership of the Company, with the replacement of the Chief Executive Officer incurring termination payments, executive search fees and remuneration for the incoming CEO.

Further to these normalising adjustments which are non-recurring, the result for the period has also been impacted by the adoption of the new AASB 9 '*Financial Instruments*' accounting standard. As detailed in the notes to the financial statements, AASB 9 fundamentally changes the way in which companies account for the impairment of financial assets. For the Cash Converters Group, this impacts the provisioning for doubtful debts across its personal finance and vehicle finance businesses. As the current period is the first time the new standard is applicable, to provide comparison to the previous corresponding period, the impact of the change in the standard on the EBITDA for the period is shown below.

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
EBITDA from continuing operations	1,368	21,477
<i>Normalisation adjustments:</i>		
McKenzie Proceeding settlement	16,400	-
Class action legal fees	2,467	1,268
Restructure costs	1,148	-
Normalised EBITDA	21,383	22,745
Impact of adoption of AASB 9	3,447	-
Normalised EBITDA after adjusting for AASB 9 adoption	24,830	22,745

Divisional performance

Franchise operations

Cash Converters' franchise operations incorporate royalties and license fee income from approximately 380 international stores in 16 countries, as well as the master franchisor operation in the United Kingdom which supports a 196-strong franchise store network, and Australia's franchise operation with its 84 franchised stores. Also included is the 25% equity interest in Cash Converters New Zealand, which operates 27 stores (16 corporate and 11 franchise).

EBITDA from franchise operations was \$6.447 million, up \$683 thousand from the previous corresponding period, which included a contribution from the New Zealand operations of \$930 thousand (half-year ended 31 December 2017: \$541 thousand).

International revenues remained steady, whilst the UK contributed EBITDA of \$1.573 million (half-year ended 31 December 2017: \$1.421 million).

Directors' report

For the half-year ended 31 December 2018

Personal Finance operations

The personal finance operation showed increases in lending and in loan books for SACC and MACC products, and an increase in segment revenue over the previous corresponding period of 21.5% to \$59.263 million. However, segment EBITDA experienced a 22.7% decrease to \$16.881 million, due to increased net bad debt expenses of \$23.030 million (half-year ended 31 December 2017: \$10.428 million). This was partially attributable to the first-time adoption during the period of AASB 9 (refer to note 1(c)) which resulted in a provision for doubtful debts during the period that was greater by \$1.611 million for SACC loans and \$637 thousand for MACC loans than it would have been if calculated under AASB 139, the standard applicable to the previous corresponding period. Following a focus on improving the Group's responsible lending processes during the previous year, the Group looked to rebuild the customer experience and operational efficiency during the current period. Application volumes were up 28.1% on the previous corresponding period with operations now receiving an average of approximately 40,000 loan applications per month. The medium amount loans (MACC) showed the largest growth in applications, up 118.1% on the previous corresponding period. Following a period of growth, the business has begun to more critically assess the loan flow and as a result of the use of more advanced data analytics, the approval rate has dropped to below 30% for the period.

Total lending in personal finance remains evenly split between in store and online, with 50.7% of loan approvals from in store loans. However, of the overall 12.0% growth in lending, this has almost entirely come from the online channel. The SACC loan book has seen a net increase of 15.9% since 30 June 2018 to \$93.140 million, with an 11.9% increase in loans advanced over the previous corresponding period. The half-year saw an increase of 23.4% in the MACC loan book from 30 June 2018 to \$42.014 million at 31 December 2018, and an increase of 12.3% in loans advanced over the previous corresponding period.

There has been a disproportionate increase in the bad debt expense for personal finance in both SACC and MACC lending, exacerbated by the growth of the book and change to the provision methodology under AASB 9. The business has deployed a number of new credit measures during the period, which are already showing improvements to the early default rates and are expected to have a positive impact on bad debt expense in the second half of the year.

The income for administration of the Cash Advance products for the corporate and franchise store networks is down 3.2% on the previous corresponding period to \$3.613 million (half-year ended 31 December 2017: \$3.734 million). This reduction in revenue reflects the shift in in store lending to the longer term personal loans and an overall 15.3% reduction in Cash Advance lending across the network.

Store operations

The corporate store network in Australia produced a segment EBITDA of \$8.560 million, up 4.7% on the half-year ended 31 December 2017 segment EBITDA of \$8.177 million.

While many Australian retailers have experienced declining revenues, it is positive to see a small increase in retail sales of 2.1% to \$37.671 million compared to the previous corresponding period, with the December period, traditionally the busiest of the year, up 3.8%. Driving this growth is the stores' continued ability to provide a valuable service to customers to obtain cash for their unwanted items of value, with total buys up 8.9% to \$12.314 million. Also contributing to the ability of stores to continue to provide exceptional value through their second hand inventory is increased pawnbroking volumes, with a 7.3% increase over the period in pawn loans outstanding to \$11.396 million (30 June 2018 \$10.622 million). From the increased pawn loan book, a slight decrease in redemption rates during the period resulted in overall pawnbroking revenue up 3.2% on the previous corresponding period. This growth in buys and loans activity has been achieved through a renewed focus on value to the customer and the refreshed 'Flip it' advertising message, creating greater awareness and understanding of Cash Converters' services.

As a result of more restrictive lending requirements and the focus on more affordable repayments, in store Cash Advance lending has declined during the period, with the net contribution from the product down 14.2% on the previous corresponding period, reflecting a 13.4% drop in loan volumes.

Directors' report

For the half-year ended 31 December 2018

The overall increase in store profitability is encouraging, particularly considering the decline in Cash Advance income, demonstrating the ability to adapt and continually provide services to meet the customer need.

Vehicle financing

Green Light Auto is now in its third year of operating in the secured auto finance market and has continued to grow its business with a 38.2% increase in its loan book during the period to \$58.149 million, and an 80.7% increase in EBITDA to \$1.602 million (half-year ended 31 December 2017: \$887 thousand) and 58.7% increase in loans advanced compared to the previous corresponding period. The GLA product offering is now available through Cash Converters stores in addition to its expanded distribution channel, now with 206 accredited broker partners and 36 dealership locations across Australia, and has been diversified to include loans for motorcycles and private sale vehicles. The first-time adoption of AASB 9 during the period (refer to note 1(c)) resulted in a provision for doubtful debts during the period that was greater by \$1.200 million for motor vehicle loans than it would have been if calculated under AASB 139, the standard applicable to the previous corresponding period.

Operationally, the work to migrate GLA onto the Group's personal finance loan management platform is complete for the active loans and a project is underway to overhaul the application portal for an improved experience for direct and broker originations.

Financial position

Summarised financial position	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Cash at bank	74,312	139,991
Loan receivables	171,779	151,724
Other receivables	14,184	28,261
Inventories	20,765	20,673
Other assets and intangibles	178,663	168,480
Total assets	459,703	509,129
Borrowings	123,807	158,347
Other liabilities	22,573	28,374
Total liabilities	146,380	186,721
Total equity	313,323	322,408
Gearing (net debt/equity)	15.9%	6.1%

Receivables (trade and personal loans)

Outstanding loan receivables (personal loans and vehicle finance loans) for the period have increased 13.2% from \$151.724 million to \$171.779 million with growth in all loan products since 30 June 2018. Trade and other receivables include the run-off of the Carboodle leases, loans provided to franchisees in the UK for the purchase of corporate stores in 2016, and a loan to Cash Converters New Zealand of \$2.898 million, advanced in September 2018 following repayment of the previous loan of \$15 million.

Other assets and intangibles

The Company continues its investment in software development and the store network with capital expenditure of \$3.398 million during the period, down 40.2% from \$5.679 million in the previous corresponding period.

Borrowing

The Company paid out its \$60 million FIIG Securities Limited loan on maturity in September 2018, and has increased its draw down of its securitisation facility with Fortress Investment Group (Fortress) by \$25.500 million during the period. This facility now forms all of the borrowings held by the Group.

Directors' report

For the half-year ended 31 December 2018

Cash flows

Operating cash outflows during the period were \$41.042 million compared to \$23.914 million during the half-year ended 31 December 2017, reflecting continued growth across all loan books and the associated additional costs to fund this growth, as well as the settlement of the McKenzie Proceeding. As a result of the repayment of the \$60 million FIIG loan during the period, there were also financing cash outflows of \$34.500 million during the period, resulting in a decrease in cash and cash equivalents at period end to \$74.312 million (30 June 2018: \$99.443 million). Of these balances, \$11.954 million (30 June 2018: \$10.225 million) consists of restricted cash deposits held as security for the transactional banking facilities and held in trust for the securitisation facility.

Outlook

With the financial services industry under close scrutiny, including the Senate enquiry and Royal Commission into the banking and superannuation sector, Cash Converters continues to review its operating model to adapt and ensure it remains aligned to meeting its customers' need for cash whilst maintaining its ambition to be the most compliant and responsible lender in the industry. Already the Company has implemented enhancements resulting in a far more robust assessment of affordability for its lending than has been demonstrated by the banking sector generally and the Company has extended this beyond the requirements of the legislation for SACC lending, applying consistent rules to its MACC and vehicle finance lending.

The focus of the business moving forward will be in the utilisation of its data and data analytics to more effectively assess the credit risk of applications to make improved lending decisions, still ensuring all loan approvals are made following a manual review and assessment. In addition to this credit risk focus, the business will continue to diversify its product mix, placing less reliance upon the small amount 'pay-day' lending products.

With the appointment of a new CEO, due to commence with the business in March 2019, Cash Converters is positioning itself to capitalise on the ever-increasing demand from consumers and ensuring it has the range and quality of service to provide solutions for their cash needs. Embracing the Company's unique brand and combination of bricks and mortar retail stores and a continually enhanced online presence, the Company is expecting a stronger second half operating result as it builds into the new financial year.

Queensland class actions

Lynch Proceeding

On 31 July 2015, the Company was served with a statement of claim lodged with the New South Wales Registry of the Federal Court of Australia commencing a class action claim on behalf of borrowers resident in Queensland who took out personal loans from the Company's subsidiaries during the period from July 2009 to 30 June 2013 (Lynch Proceeding). The Company defended the proceeding and trial of the matter was completed in November 2018. The parties presently await judgement.

Given the current stage of the Lynch Proceeding, the financial impact of the action on Cash Converters cannot be reliably and accurately determined at this time. If Cash Converters does not successfully defend the Lynch Proceeding, the Company would likely be required to make a significant payment by way of damages or settlement, which could have a material adverse impact on the financial performance and position of the Company.

McKenzie Proceeding

On 27 April 2016, the Company was served with a statement of claim lodged with the New South Wales Registry of the Federal Court of Australia commencing a class action claim on behalf of borrowers resident in Queensland who took out cash advance loans during the period from 28 April 2010 to 30 June 2013 (McKenzie Proceeding). On 22 October 2018, the Company reached a settlement in relation to the McKenzie Proceeding. Under the terms of the settlement Cash Converters paid \$16.400 million into a fund for distribution to members of the class, legal, administration and other costs. The settlement scheme has now received the approval of the federal court and the full cost has been included in the financial results for the period.

Both these proceedings relate to the brokerage fee charged to customers in Queensland. The brokerage fee system has not been used since 30 June 2013.

Directors' report

For the half-year ended 31 December 2018

Subsequent events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the half-year, that has significantly affected or may significantly affect the operations of the Group.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of the half-year financial report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Stuart Grimshaw', is written over a faint circular stamp.

Stuart Grimshaw
Chairman

Perth, Western Australia
21 February 2019

Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
Franchise fee revenue		7,606	7,068
Financial services interest revenue	2	89,496	75,836
Sale of goods	2	38,205	37,740
Other revenues	2	1,951	2,304
Total revenue		137,258	122,948
Financial services cost of sales		(36,083)	(18,799)
Cost of goods sold		(21,562)	(21,048)
Other cost of sales		(1,056)	(1,963)
Total cost of sales		(58,701)	(41,810)
Gross profit		78,557	81,138
Employee expenses	3	(37,332)	(35,180)
Administrative expenses	3	(4,400)	(4,074)
Advertising expenses		(4,049)	(5,439)
Occupancy expenses	3	(7,634)	(7,663)
Class Action settlement expense	3	(16,400)	-
Other expenses	3	(12,176)	(11,700)
Finance costs	3	(5,151)	(4,287)
Share of net profit of equity accounted investments		930	541
Profit / (loss) before income tax		(7,655)	13,336
Income tax (expense) / benefit		2,419	(3,976)
Profit / (loss) for the period		(5,236)	9,360
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		422	62
Other comprehensive income / (loss) for the period		422	62
Total comprehensive profit / (loss) for the period		(4,814)	9,422
Profit / (loss) attributable to:			
Owners of the Company		(5,236)	9,360
Non-controlling interest		-	-
		(5,236)	9,360
Total comprehensive profit / (loss) attributable to:			
Owners of the Company		(4,814)	9,422
Non-controlling interest		-	-
		(4,814)	9,422
Earnings / (loss) per share			
Basic (cents per share)		(0.85)	1.90
Diluted (cents per share)		(0.84)	1.85

The accompanying notes form an integral part of the condensed consolidated statement of profit or loss and other comprehensive income.

Condensed consolidated statement of financial position
As at 31 December 2018

	Notes	31 December 2018 \$'000	30 June 2018 \$'000
Current assets			
Cash and cash equivalents	6	74,312	139,991
Trade and other receivables	7	6,681	22,701
Loan receivables	8	132,062	118,962
Inventories		20,765	20,673
Prepayments		9,481	6,828
Current tax receivable		1,677	-
Total current assets		244,978	309,155
Non-current assets			
Trade and other receivables	7	7,503	5,560
Loan receivables	8	39,717	32,762
Plant and equipment		7,768	9,141
Deferred tax assets		12,877	8,614
Goodwill	9	106,967	106,967
Other intangible assets		31,080	30,150
Prepayments		2,382	1,498
Investments in associates		6,431	5,282
Total non-current assets		214,725	199,974
Total assets		459,703	509,129
Current liabilities			
Trade and other payables		14,048	19,485
Borrowings	10	94,325	139,351
Provisions		6,670	6,572
Current tax payable		-	466
Total current liabilities		115,043	165,874
Non-current liabilities			
Borrowings	10	29,482	18,996
Provisions		1,855	1,851
Total non-current liabilities		31,337	20,847
Total liabilities		146,380	186,721
Net assets		313,323	322,408
Equity			
Issued capital	11	248,714	248,714
Reserves		7,827	7,007
Retained earnings		56,782	66,687
Total equity		313,323	322,408

The accompanying notes form an integral part of the condensed consolidated statement of financial position.

Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2018

	Issued capital	Foreign currency translation reserve	Share- based payment reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	210,203	5,335	1,871	43,430	260,839
Profit for the period	-	-	-	9,360	9,360
Exchange differences arising on translation of foreign operations	-	62	-	-	62
Total comprehensive income for the period	-	62	-	9,360	9,422
Share-based payments	-	-	730	-	730
Shares issued on exercise of performance rights	98	-	(98)	-	-
Balance at 31 December 2017	210,301	5,397	2,503	52,790	270,991
Balance at 1 July 2018	248,714	5,830	1,177	66,687	322,408
AASB 9 adjustment to opening retained earnings	-	-	-	(4,669)	(4,669)
Balance at 1 July 2018 after AASB 9 adjustment	248,714	5,830	1,177	62,018	317,739
Loss for the period	-	-	-	(5,236)	(5,236)
Exchange differences arising on translation of foreign operations	-	422	-	-	422
Total comprehensive income for the period	-	422	-	(5,236)	(4,814)
Share-based payments	-	-	398	-	398
Balance at 31 December 2018	248,714	6,252	1,575	56,782	313,323

The accompanying notes form an integral part of the condensed consolidated statement of changes in equity.

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2018

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities			
Receipts from customers		86,105	88,714
Payments to suppliers and employees		(97,252)	(94,990)
Payment for Class Action settlement	3	(16,400)	-
Interest received		815	885
Interest received from loans		32,142	30,267
Net (increase) in loans advanced		(37,140)	(40,070)
Interest and costs of finance paid		(7,344)	(4,561)
Income tax paid		(1,968)	(4,159)
Net cash flows (used in) operating activities		(41,042)	(23,914)
Cash flows from investing activities			
Acquisition of intangible assets		(2,774)	(3,771)
Purchase of plant and equipment		(624)	(1,908)
Loan repaid by associate		12,212	-
Instalment credit loans repaid by franchisees		913	687
Net cash flows provided by / (used in) investing activities		9,727	(4,992)
Cash flows from financing activities			
Proceeds from borrowings		106,250	98,250
Repayment of borrowings		(140,750)	(50,528)
Capital element of finance lease and hire purchase payment		-	(80)
Net cash flows provided by / (used in) financing activities		(34,500)	47,642
Net increase / (decrease) in cash and cash equivalents		(65,815)	18,736
Cash and cash equivalents at the beginning of the period		139,991	80,571
Effects of exchange rate changes on the balance of cash held in foreign currencies		136	136
Cash and cash equivalents at the end of the period	6	74,312	99,443

The accompanying notes form an integral part of the condensed consolidated statement of cash flows.

Notes to the condensed consolidated financial statements

For the half-year ended 31 December 2018

1. Significant accounting policies

(a) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(b) Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(c) Changes to accounting policies

Impact of changes to Australian Accounting Standards and Interpretations

AASB 9 'Financial Instruments'

AASB 9 has been applied from 1 July 2018 and replaces AASB 139 *'Financial instruments: Recognition and measurement'*. AASB 9 significantly changes the recognition of impairment on customer receivables with the standard introducing an expected credit loss model. Under this approach impairment provisions are recognised based on the life time expected loss on a loan. This differs from the previous incurred loss model under AASB 139 whereby impairment provisions were only recognised when there was objective evidence of impairment. The standard also includes a single approach for the classification and measurement of financial assets based on cash flow characteristics and the business model used for the management of the financial instruments. Of the changes that AASB 9 introduced, the Company has identified the impact of the revised credit provisioning approach, using the expected credit loss model, as having the most significant impact.

Under this expected credit loss model, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default:

- Stage 1 – Accounts at initial recognition. The expected loss is based on a 12 month probability of default, based on historic experience.
- Stage 2 – Accounts which have suffered a significant deterioration in credit risk. The expected loss is based on a lifetime probability of default (PD), based on historic experience.
- Stage 3 – Accounts which have missed payments and are significantly in arrears. Provisions are based on expected losses based on historic experience.

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

1. Significant accounting policies (continued)

The impact is that impairment losses under AASB 9 are recognised in the profit or loss earlier in the life of the respective loan. This has resulted in a one-off adjustment to provisions for loan receivables and retained earnings / reserves on adoption of AASB 9 as follows:

	AASB 139	AASB 9 adjustment	AASB 9 restated
	\$'000	\$'000	\$'000
Loan receivables (current and non-current)	151,724	(6,669)	145,055
Deferred tax assets	8,614	2,001	10,615
Total assets	509,129	(4,668)	504,461
Net assets	322,408	(4,668)	317,740
Retained earnings	66,687	(4,668)	62,019
Total equity	322,408	(4,668)	317,740

There have been no other changes in classification and subsequent measurement of the carrying amounts of financial assets and liabilities as a result of adopting AASB 9.

The key changes in significant accounting policies and impacts from the transition are summarised below:

Classification and subsequent measurement

Financial assets

AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss.

The classification is based on the business model under which the financial asset is managed and its contractual cash flows. Compared to AASB 139, the FVOCI and amortised cost categories have been added and the held-to-maturity, loans and receivables and available for sale classification categories have been removed.

Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the sole payment of principal and interest (SPPI) requirements.

Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if the following conditions are met:

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements.

Fair value through profit or loss

Financial assets that are not measured at amortised cost or FVOCI are measured at fair value through profit or loss.

Financial liabilities

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities. Financial liabilities are measured at amortised cost, except for those financial liabilities that are designated to be measured at fair value through profit or loss.

1. Significant accounting policies (continued)

Impairment

AASB 9 replaces the AASB 139's incurred loss model with an expected credit loss model. Whilst the ultimate credit loss under both AASB 9 and AASB 139 is the same over the lifetime of the asset, AASB 9's expected credit loss (ECL) requirements requires earlier recognition of credit impairments.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, amounts receivable from contracts with customers as defined in AASB 15, loan commitments, certain letters of credit and financial guarantee contracts.

In terms of AASB 9's ECL requirements, the Group applies a three-stage approach to measuring the ECL, as detailed above, based on changes in the financial asset's underlying credit risk and includes forward-looking or macroeconomic information as well as management overlays. The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions used involve uncertainty at the time that they are made. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The determination of the ECL is unbiased and probability weighted, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events, the time value of money and economic conditions at the reporting date.

The ECL is determined with reference to the following stages:

1. Stage 1: 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) or for those financial assets for which there has been an increase in credit risk but for which the credit risk is considered to be low, ECL is determined based on the probability of default (PD) over the next 12 months and the life time losses associated with such PD, adjusted for forward looking information (FLI). Interest income is determined with reference to the financial asset's effective interest rate (EIR) and gross carrying amount.

2. Stage 2: Lifetime ECL not credit-impaired

When there has been a SICR, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Group assesses whether there has been a SICR since initial recognition based on qualitative and quantitative factors including contracted days in arrears, requests for hardship assistance, loans not paying via direct debit, loans that have reached two times the loan amount and loans extended beyond contract terms. The Group also considers reasonable and supportable FLI which includes significant management judgment and use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised.

3. Stage 3: Lifetime ECL credit-impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired, based on the Group's definition of default which includes exposures that are at least 90 days past due. The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, Loss Given Default (LGD) and Exposure at Default (EAD), adjusted for FLI.

1. Significant accounting policies (continued)

AASB 15 'Revenue from Contracts with Customers'

AASB 15 has been applied from 1 July 2018 and replaces AASB 118 'Revenue', establishing a single, comprehensive five-step model to be applied to all contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group recognises revenue from the following major sources:

- Financial services interest revenue from the provision of short-term and motor vehicle finance loans
- Sales of second hand goods
- Franchise fee revenue

The Company's impact assessment of all material revenue streams noted no material difference in how they are recognised under AASB 15.

Revenue recognition - accounting policy

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Financial services interest revenue from the provision of short-term and motor vehicle finance loans

Interest revenue in relation to short-term and vehicle finance loans is recognised over the period to which the revenue relates by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sales of second hand goods

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the good at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Franchise fee revenue

Franchise fees and levies in respect of particular services are recognised as a performance obligation settled over time. Revenue is recognised on a straight-line basis over the period of the service.

Other categories of revenue

Other categories of revenue, such as financial services commission, are recognised when control of the goods has transferred to the buyer or as the performance obligation associated with services is satisfied over time. Bank interest is recognised as earned on an accruals basis.

(d) Rounding

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

2. Revenue

	31 December 2018 \$'000	31 December 2017 \$'000
<i>Financial services interest revenue</i>		
Personal loan interest and establishment fees	57,014	46,263
Pawnbroking fees	15,245	14,778
Cash advance fee income	9,561	10,057
Vehicle loan interest and establishment fees	7,191	3,557
Other financial services revenue	485	1,181
	<u>89,496</u>	<u>75,836</u>
 <i>Sale of goods</i>		
Retail sales	38,019	37,252
Vehicle trade sales	186	488
	<u>38,205</u>	<u>37,740</u>
 <i>Other revenue</i>		
Bank interest	567	280
Other vehicle revenue	609	1,033
Other revenue	775	991
	<u>1,951</u>	<u>2,304</u>

3. Expenses

<i>Employee expenses</i>		
Employee benefits	34,430	32,022
Share-based payments	398	730
Superannuation expense	2,504	2,428
	<u>37,332</u>	<u>35,180</u>
 <i>Administrative expenses</i>		
General administrative expenses	1,597	1,490
Communications expenses	680	767
IT expenses	1,661	1,377
Travel costs	462	440
	<u>4,400</u>	<u>4,074</u>
 <i>Occupancy expenses</i>		
Rent	5,562	5,661
Outgoings	945	928
Other	1,127	1,074
	<u>7,634</u>	<u>7,663</u>

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

3. Expenses (continued)

	31 December 2018 \$'000	31 December 2017 \$'000
<i>Other expenses</i>		
Legal fees	2,759	2,421
Professional and registry costs	2,749	2,525
Auditing expenses	283	283
Bank charges and borrowing costs	414	904
Other expenses from ordinary activities	2,099	1,713
Depreciation	1,443	1,512
Amortisation	2,412	2,195
Loss on write down of assets	17	147
	<hr/> 12,176	<hr/> 11,700
<i>Finance costs</i>		
Interest	5,151	4,285
Finance lease charge	-	2
	<hr/> 5,151	<hr/> 4,287

Class Action settlement expense

On 22 October 2018, the Company reached a settlement in relation to the McKenzie Class Action, under the terms of which the Company paid \$10.600 million into a fund for distribution to members of the class, and a further \$5.800 million of legal, administrative and other costs.

4. Segment information

The Group's operating segments are organised and managed separately according to the nature of their operations. Each segment represents a strategic business unit that provides different services to different categories of customer. The Chief Executive Officer (chief operating decision maker) monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's reportable segments under *AASB 8 Operating Segments* are therefore as follows:

Franchise operations

This involves the sale of franchises for the retail sale of second hand goods and the sale of master licenses for the development of franchises in countries around the world.

Store operations

This segment involves the retail sale of second hand goods, cash advance and pawnbroking operations at corporate owned stores in Australia.

Personal finance

This segment comprises the Cash Converters Personal Finance personal loans business and Mon-E, which is responsible for providing the internet platform and administration services for the Cash Converters network in Australia to offer small cash advance loans to customers.

Vehicle financing

This segment comprises Green Light Auto Group Pty Ltd, which provides motor vehicle finance since March 2016, and fully maintained vehicles through a lease product to customers for a term of up to 4 years (a product that the Group ceased to offer during the 2016 financial year).

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

4. Segment information (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

Segment profit represents the profit earned by each segment without the allocation of central administration costs and directors' salaries, interest income and expense in relation to corporate facilities and tax expense. This is the measure reported to the Chief Executive Officer (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance.

	Franchise operations \$'000	Store operations \$'000	Personal finance \$'000	Vehicle financing \$'000	Corporate head office \$'000	Total \$'000
Half-year ended 31 December 2018						
Interest revenue (i)	1,064	27,067	60,943	7,317	-	96,391
Other revenue	9,356	37,827	-	795	-	47,978
Gross revenue	10,420	64,894	60,943	8,112	-	144,369
Less inter-company sales	(782)	(5,216)	(1,680)	-	-	(7,678)
Segment revenue	9,638	59,678	59,263	8,112	-	136,691
External interest revenue (ii)	-	-	-	-	567	567
Total revenue	9,638	59,678	59,263	8,112	567	137,258
EBITDA (iii)	6,919	6,612	18,359	1,599	(32,121)	1,368
Less inter-company eliminations	(472)	1,948	(1,479)	3	-	-
Segment EBITDA	6,447	8,560	16,880	1,602	(32,121)	1,368
Depreciation and amortisation	(137)	(1,343)	(85)	(134)	(2,173)	(3,872)
EBIT	6,310	7,217	16,795	1,468	(34,294)	(2,504)
Interest expense	(166)	-	(3,325)	(1,031)	(629)	(5,151)
Profit / (loss) before income tax	6,144	7,217	13,470	437	(34,923)	(7,655)
Income tax benefit						2,419
Loss for the period						(5,236)

	Franchise operations \$'000	Store operations \$'000	Personal finance \$'000	Vehicle financing \$'000	Corporate head office \$'000	Total \$'000
Half-year ended 31 December 2017						
Interest revenue (i)	1,539	25,749	50,268	4,001	-	81,557
Other revenue	8,865	37,098	250	1,521	-	47,734
Gross revenue	10,404	62,847	50,518	5,522	-	129,291
Less inter-company sales	(900)	(3,999)	(1,724)	-	-	(6,623)
Segment revenue	9,504	58,848	48,794	5,522	-	122,668
External interest revenue (ii)	-	-	-	-	280	280
Total revenue	9,504	58,848	48,794	5,522	280	122,948
EBITDA (iii)	6,393	5,976	23,419	885	(15,196)	21,477
Less inter-company eliminations	(630)	2,200	(1,572)	2	-	-
Segment EBITDA	5,763	8,176	21,847	887	(15,196)	21,477
Depreciation and amortisation	(46)	(1,704)	(94)	(248)	(1,762)	(3,854)
EBIT	5,717	6,472	21,753	639	(16,958)	17,623
Interest expense	(130)	-	(1,733)	(290)	(2,134)	(4,287)
Profit / (loss) before tax	5,587	6,472	20,020	349	(19,092)	13,336
Income tax expense						(3,976)
Profit for the period						9,360

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

4. Segment information (continued)

- (i) Interest revenue comprises personal loan interest cash advance fee income, pawnbroking interest from customers and commercial loan interest from third parties
- (ii) External interest is interest received on bank deposits
- (iii) EBITDA is earnings before interest, tax, depreciation, amortisation and impairment

	31 December 2018 \$'000	30 June 2018 \$'000
<i>Group assets by reportable segment</i>		
Franchise operations	23,485	37,728
Store operations	81,918	80,822
Personal finance	257,935	219,941
Vehicle financing	26,397	47,129
Total of all segments	389,735	385,620
Unallocated assets	69,968	123,509
Consolidated total assets	459,703	509,129

Unallocated assets include various corporate assets including cash held at a corporate level that have not been allocated to the underlying segments.

Group liabilities by reportable segment

Franchise operations	5,210	5,663
Store operations	7,522	7,559
Personal finance	99,142	118,127
Vehicle financing	30,813	1,681
Total of all segments	142,687	133,030
Unallocated liabilities	3,693	53,691
Consolidated total liabilities	146,380	186,721

Unallocated liabilities include Group borrowings not specifically allocated to the underlying segments.

5. Dividends

	31 December 2018		31 December 2017
	Per share cents	Total \$'000	Per share Cents
		Total \$'000	
<i>Recognised and paid amounts</i>			
Final franked dividend	-	-	-
<i>Proposed and unrecognised amounts</i>			
Interim franked dividend	-	-	-

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

6. Cash and cash equivalents

	31 December 2018 \$'000	30 June 2018 \$'000
Cash on hand	2,644	2,700
Cash at bank	71,668	137,291
	<u>74,312</u>	<u>139,991</u>

Cash at bank includes restricted cash of \$6.224 million (30 June 2018: \$4.495 million) that is held in accounts controlled by the CCPF Receivables Trust No 1 that was established to operate the Company's securitisation facility with Fortress Finance, and a further \$5.730 million (30 June 2018: \$5.730 million) on deposit as security for banking facilities.

7. Trade and other receivables

Current

Trade receivables	1,096	1,537
Allowance for impairment losses	(93)	(136)
Total trade receivables (net)	<u>1,003</u>	<u>1,401</u>
Finance lease receivables	34	157
Vendor finance loans	1,952	2,068
Loan to associate	-	14,981
Other receivables	3,692	4,094
Total trade and other receivables	<u>6,681</u>	<u>22,701</u>

Non-current

Finance lease receivables	282	534
Vendor finance loans	4,301	5,014
Loan to associate	2,898	-
Other receivables	22	12
Total trade and other receivables	<u>7,503</u>	<u>5,560</u>

8. Loan receivables

Current

Personal short-term loans (unsecured)	147,045	128,575
Allowance for impairment losses	(27,417)	(18,358)
Total personal short-term loans (net)	<u>119,628</u>	<u>110,217</u>
Vehicle finance loans (secured)	15,971	10,765
Allowance for impairment losses	(2,670)	(1,506)
Deferred establishment fees	(867)	(514)
Total vehicle finance loans (net)	<u>12,434</u>	<u>8,745</u>
Total loan receivables	<u>132,062</u>	<u>118,962</u>

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

8. Loan receivables (continued)

	31 December 2018 \$'000	30 June 2018 \$'000
Non-current		
Personal loans (unsecured)	5,054	3,277
Allowance for impairment losses	(816)	(164)
Total personal loans (net)	4,238	3,113
Vehicle finance loans (secured)	42,179	31,305
Allowance for impairment losses	(2,291)	(162)
Deferred establishment fees	(4,409)	(1,494)
Total vehicle finance loans (net)	35,479	29,649
Total loan receivables	39,717	32,762

AASB 9 'Financial Instruments' has been applied from 1 July 2018, replacing AASB 139, materially changing the recognition of impairment on loan receivables. Refer to Note 1(c).

9. Goodwill

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units or groups of cash-generating units:

	31 December 2018 \$'000	30 June 2018 \$'000
Personal finance	90,561	90,561
Store operations	16,406	16,406
	106,967	106,967

Impairment testing

Half-year ended 31 December 2018

Impairment testing was completed at 30 June 2018, based on management's expectation of future performance, taking into account applicable legislative requirements at the date of the impairment testing, being 30 June 2018. No impairments were identified at 30 June 2018. Refer to note 3.5 of the 30 June 2018 annual financial statements for further information.

Impairment testing has been updated to reflect business performance in the half-year ended 31 December 2018. No impairments were identified based on expected future performance under legislative requirements at the date of the impairment testing, being 31 December 2018.

Impairment sensitivity disclosures

As disclosed in note 3.5 of the 30 June 2018 annual financial statements, on 28 November 2016 the Minister for Revenue and Financial Services issued a media release in response to the Final Report of the Small Amount Credit Contract (SACC) Law Review advising that the government supports most of the recommendations, in part or in full, of the Final Report.

Notes to the condensed consolidated financial statements

For the half-year ended 31 December 2018

9. Goodwill (continued)

Two Bills have been introduced to Parliament, the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2018 dated 26 February 2018 and 22 October 2018. Together the Bills propose to amend the National Consumer Credit Protection Act as follows:

- The protected earnings amount (PEA) for SACCs will be reduced from 20 per cent of a consumer's gross income in relation to Centrelink recipients, to 10 per cent of a consumer's net income for each payment period; and
- Extend the PEA cap to all borrowers (PEA and non-PEA), not just those receiving 50% or more of their income from Centrelink.

The Bills have not yet been passed into law. If passed however the Bills will have effect 12 months from the date of receiving Royal Assent.

No further action has been taken by the government at the date of this report and the Company is continuing discussions with the government around these recommendations, with no changes to the applicable SACC legislation having currently been enacted or substantially enacted.

Note 3.5 of the 30 June 2018 annual financial statements included details of the key assumptions applied in the impairment testing as at 30 June 2018, and also noted that the recoverable value of both the Personal Finance and Store operations businesses may be impacted by potential future legislative changes given the impact on both the Group's personal loan and cash advance operations.

Whilst ultimately the Group's business operations could potentially be adjusted to mitigate the impact of these changes, the likely impact of the legislation if enacted in its currently proposed form, would mean many customers would no longer have access to cash from loans issued on or after 1 July 2020. Based on the current profile of the loan book and with reasonably possible changes to other key assumptions being taken into account, may result in a non-cash impairment within a range of \$45 million to \$60 million.

As outlined above, this estimate is subject to significant variability due to both the ultimate form and enactment date of the legislation, both of which are uncertain, as well as the profile of the loan book when any applicable legislative changes were to come into effect.

Additionally, at both the date of impairment testing and the date of this report there is no certainty that any change to applicable legislation will be made or the timing of any such change.

10. Borrowings

		31 December 2018 \$'000	30 June 2018 \$'000
Current			
Securitisation facility	(i)	94,325	79,393
Bonds	(ii)	-	59,958
		<u>94,325</u>	<u>139,351</u>
Non-current			
Securitisation facility	(i)	<u>29,482</u>	<u>18,996</u>

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2018

10. Borrowings

- (i) The securitisation facility represents a liability owed by CCPF Receivables Trust No 1, a consolidated subsidiary established as part of the borrowing arrangement with the Fortress Investment Group. This liability is secured against eligible receivables which have been assigned to the Trust. Collections from Trust receivables are used to pay interest of the securitisation facility, with the remainder remitted to the Group twice per month. In November 2017 the Company secured an amendment to the facility. As part of the amendment, the eligibility of receivables to act as security was extended to include Medium Amount Loans issued by Cash Converters Personal Finance and secured vehicle loans provided by Green Light Auto. (Under the original facility only Small Amount Credit Contracts were eligible.) Receivables have maturities of up to 5 years and the facility has accordingly been presented as current and non-current liabilities in line with the maturities of the underlying receivables. The facility limit was also increased under the amendment from \$100 million to a total facility of \$150 million. The amendment also extended the term to another three years with an option to extend for a further two years. In the ordinary course of business, the Group currently expects to utilise this facility until at least 10 November 2020.
- (ii) Represented a September 2013 issue of \$60 million of senior unsecured 7.95% notes which matured in September 2018 and was repaid in full to FIIG Securities Limited. Direct borrowing costs were capitalised and offset against the liability.

11. Issued capital

	31 December 2018 Number	31 December 2017 Number	31 December 2018 \$'000	31 December 2017 \$'000
Balance at beginning of half-year	616,437,946	493,047,424	248,714	210,203
Issued during half-year				
Shares issued on exercise of performance rights	-	102,166	-	98
Balance at end of half-year	616,437,946	493,149,590	248,714	210,301

12. Contingent liabilities

Lynch Proceeding

On 31 July 2015, the Company was served with a statement of claim lodged with the New South Wales Registry of the Federal Court of Australia commencing a class action claim on behalf of borrowers resident in Queensland who took out personal loans from the Company's subsidiaries during the period from July 2009 to 30 June 2013 (Lynch Proceeding). The Company defended the proceeding and trial of the matter was completed in November 2018. The parties presently await judgement.

Given the current stage of the Lynch Proceeding, the financial impact of the action on Cash Converters cannot be reliably and accurately determined at this time. If Cash Converters does not successfully defend the Lynch Proceeding, the Company would likely be required to make a significant payment by way of damages or settlement, which could have a material adverse impact on the financial performance and position of the Company.

The directors are not aware of any other material contingent liabilities in existence as at 31 December 2018 requiring disclosure in the financial statements.

13. Subsequent events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the half-year, that has significantly affected or may significantly affect the operations of the Group.

Directors' declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Stuart Grimshaw', written over a light blue circular stamp.

Stuart Grimshaw
Chairman

Perth, Western Australia
21 February 2019

The Board of Directors
Cash Converters International Limited
Level 18 Citibank House
37 St Georges Terrace
Perth WA 6000

21 February 2019

Dear Directors

Cash Converters International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cash Converters International Limited.

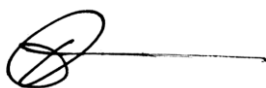
As lead audit partner for the review of the financial statements of Cash Converters International Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Cash Converters International Limited

We have reviewed the accompanying half-year financial report of Cash Converters International Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 24.

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 Cash Converters International Limited's financial position as at 31 December 2018 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 Cash Converters International 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cash Converters International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

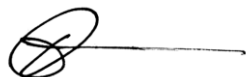
Conclusion

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 Cash Converters International Limited 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 2018 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles

Partner

Chartered Accountants

Perth, 21 February 2019