Trading Update

The directors of Cash Converters International Limited ("Cash Converters" or "the Company") provide the following trading performance and operational update based on the first quarter of the 2014 financial year.

Overall trading conditions have remained subdued as the transition to the new regulatory regime in Australia (Consumer Credit Legislation Amendment (Enhancements) Bill 2012) continues to impact customer credit behaviour.

Personal Loans

The transition to the new regulatory regime from 1 July 2013 has impacted our personal loan business in terms of how interest revenue is recognised.

Prior to the new rate cap system interest revenue was recognised on a diminishing basis with principal repayment weighted to the back end of the loan term. Under the new regulatory regime principal repayment and interest revenue are recognised on an equal straight line accounting basis over a longer loan term. This has significantly impacted our interest revenue for the first quarter but over the full length of the loan term the return on the principal loan will be similar.

The value of the Australian personal loan book as at 30 September 2013 was $85.1m, slightly down on the 30 June 2013 closing balance of $91.5m. This is due to seasonal factors as well as our customers adjusting to the new credit completion requirements under the new regulatory regime. Total loans made for the September quarter were $31.3m, with rising monthly outgoings - July $9.9m, August $10.3m and September $11.1m.

The unaudited revenue for the personal loan products for the September quarter decreased from $31.1m to $27.0m (down $4.1m or 13%) compared to the 2013FY fourth quarter.

Cash Advance

The cash advance business is stabilising with the value and the number of new loans beginning to recover to pre-legislation figures. There has been an 11% increase in the value of cash advance loans made this quarter compared to the last quarter (4Q FY2013) from $49.1m to $54.5m. A total of 138,005 cash advance loans were made in the September quarter compared to 131,334 made in the June FY2013 quarter, of which 19% were new customers. The returns are being impacted by the longer lending period required under the new legislation. The demand for the online cash advance product is continuing to grow.

UK Operations

We have experienced an increase in new loans made for our personal loan products in the UK (£4.6m compared to £4.0m for the previous corresponding period) while the bad debt levels remain stable.

The first quarter cash advance loans made were £9.6m compared to £10.0m for the previous corresponding period. This follows a period where customers have been adjusting to increased identification requirements pursuant to the Anti-Money Laundering ("AML") legislation in the UK. The cash advance product has experienced an increase in new loans made in October and overall we are seeing signs of improvement in demand for our financial products in the UK.

We have implemented new underwriting procedures and collections procedures and we are continuing to focus to bring down the level of bad debts in the UK.

The UK corporate stores are making steady progress in building a profitable cash advance business and increased the amount of personal loans made over the quarter. The UK corporate stores EBITDA for the quarter was $539,683.

Green Light Auto - Carboodle

Cash Converters now holds an 80% equity interest in Green Light Auto Group Pty Ltd ("GLA") (trading as Carboodle). The results for GLA will be consolidated into the Cash Converters accounts from 1 July 2013. The Carboodle business has continued its strong growth over the quarter.

- Active leases increased over the quarter by 148 to 676 (FY2013: 528)
- Forward contracted lease payments increased to $24.1 million (FY2013: $21.2 million)
- Total revenue for the September quarter of $1.86 million (FY2013: $5.5 million)

Unaudited - Management Accounts	**Q4 FY2013**	**Q1 FY2014**	**Variance**
Total Revenue	$71.9m	$70.9m	-$1.0m
EBITDA Divisional Contributions			
Franchise Operations	$0.9m	$1.0m	$0.1m
Store Operations	$1.4m	$2.1m	$0.7m
Financial Services – Administration	$3.2m	$2.7m	-$0.5m
Financial Services – Personal Loans	$12.0m	$7.2m	-$4.8m
Corporate Head Office	($3.3m)	($5.1m)	-$1.8m
Normalisation: Store purchases stamp duty	-	$1.8m	$1.8m
EBITDA *(unaudited, normalised)*	**$14.2m**	**$9.7m**	**-$4.5m**

Outlook

The certainty provided by the new regulatory regime is a positive for our business over the long term. Cash Converters has previously discussed the potential for the new legislation to spark a period of rationalisation across our industry. Overall the industry is struggling with the regulatory regime transition and we have recently seen a chain of short term credit providers close down along with the sale of a chain by a foreign competitor exiting the Australian market. This rationalisation will provide opportunities for Cash Converters because we have a strong compliance culture with systems and procedures in place and critical mass in terms of stores and financing capability.

Cash Converters Managing Director Mr Peter Cumins said “There remains a strong demand in the community for short term credit products. The current volatility we are experiencing in the business, as our customers adapt to the new regulatory regime, is expected to continue in the short term. Cash Converters is closely analysing customer behaviour and adapting products and systems to meet the new requirements and training staff to manage the process. We are experiencing an improvement across the business in October and I’m confident that the September quarter was the low point in the regulatory transitionary period”.

Ralph Groom
Company Secretary
Cash Converters International Limited
31 October 2013