

CASH CONVERTERS
INTERNATIONAL LIMITED



2016



— ABOUT CASH CONVERTERS

Cash Converters International Limited is an ASX listed company with leading Australian and international franchise, second hand goods and financial services businesses.

The Company has a worldwide network of 737 stores in 21 countries. In Australia, there are more than 150 Cash Converters outlets with over 2,500 employees.

The core business of Cash Converters is the ownership and franchising of retail and financial services stores.

The Company has built unique brand strength in Australia and internationally. This has enabled it to successfully position its corporate and franchised stores as leading alternative retail and financial services outlets.

Cash Converters has also successfully developed online channels for retailing and financial services. The revenue of these channels is growing rapidly through the attraction of new customers, and increased sales to existing clients.

Cash Converters strategy is to maximise the value of its brand and store network through a focus on high return businesses.

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HIGHLIGHTS

- Strategy reset and restructuring to build on Company strengths
- Underlying profit growth
- High brand recognition and customer satisfaction

FINANCIAL RESULTS

In 2015/16 Cash Converters International Limited's underlying profit (normalised EBITDA) rose 14.5 per cent to \$71.9 million. This was earned on higher revenue of \$379.3 million.

These increases were achieved while the Company began implementation of a new corporate strategy and needed to manage major sectoral and regulatory change in Australia and the United Kingdom.

Over \$33 million in restructuring costs were booked for the year. After these and other significant 'one off' costs, the 2016 full year net loss was \$5.3 million compared with a net loss of \$21.5 million previously.

AUSTRALIA

Continued to perform well. Core operations produced \$72.3 million underlying EBITDA profit.

UNITED KINGDOM

Operational efficiency and cost reduction efforts successful. Latest underlying loss of \$4.0 million compared with \$9.0 million previously.

ONLINE

Online channels are delivering a growing volume of sales. In Australia, Webshop sales were up 38 per cent and online personal loans rose 34 per cent. In the United Kingdom online sales rose over 34 per cent.

CHAIRMAN'S REPORT

This has been a year of challenges for the Company and has clearly tested the patience and commitment of shareholders. After trading as high as 66.5 cents per share after our half yearly result, the impact of a number of external actions resulted in the reduction of the share price to as low as 29.5 cents per share in September 2016. We do not believe this position reflects the inherent value in the business, and management, and your Board, are working tirelessly to ensure the unrealised value is achieved as rapidly as possible in a responsible manner.

As disclosed at last year's AGM, the decision to review and reset the strategy of Cash Converters was the first step in our Company's transformation into a financial services leader, better aligned with ongoing market and regulatory changes. The early pace and efficiency of the implementation of the strategy announced in March 2016 has been good. However, this strategic review was overtaken by the impacts of a new Class Action against the Company in Queensland. Parallel to that, the Company has been cooperating with an investigation by ASIC into responsible lending practices in relation to its small amount credit contracts. The Company is engaged in negotiations aimed at an Enforceable Undertaking with ASIC and has provisioned for a payment of \$12.5 million as announced to the ASX on 26 August 2016.

An integral part of our DNA is to serve a large number of customers who are forgotten by banks. Banks have deliberately shied away from this growing customer segment and while the financial services providers to this customer segment adhere to the requirements as established by Federal legislation, it appears the banks not only refuse credit to this growing customer segment but have also determined that we are persona non grata as they refuse to accept that this customer base has any relevance to the wider economy. We have seen this first hand with the refusal of banks to even allow us to open transactional facilities with them despite our legitimacy as provided under regulatory and legislative principles. It is somewhat disappointing that the concentration of the banking industry dictates which industries can survive in a national environment and which cannot.

The potential final implications of this approach being driven firmly by the banking industry do not reflect what we believe are core principles that drive our business:

1. We respect our customers and without us they have to borrow from friends and families or worse the bottom of the shadow finance industry. Borrowing from these sources is firstly embarrassing and further not reflective of the independence and respect sought by this customer base. Shrinking the avenues of opportunity for credit for these customers is not the correct approach;

2. We are transparent on pricing which is governed by regulatory and legislative conditions, unlike services provided by other financial institutions to other customer segments. We believe we will be the most compliant provider of financial services to our customers and will work closely with the regulatory bodies to ensure the appropriate outcomes for the customer and these stakeholders. We must ensure that we create sustainable profits and this can only be achieved by respecting the interests of all parties and operating in a responsible manner;

3. We believe that investing in technology and analytics can only enhance our underwriting capabilities. The continued investment in the online channels, backed by flexible technology, will also develop economies of scale that will prove beneficial to shareholder returns;

4. The demand for credit from this non-prime market will not disappear. There is much discussion around how the provision of credit to this segment should be constrained and to a degree eliminated. However, demand for credit from this segment is not disappearing and will not disappear. These customers demand immediacy of access to credit and this is driving your Company to continually innovate in the provision of credit services.

We are proud of the way we serve these customers and are committed to a course of excellence in service that will reinforce our standing as the preferred provider of credit to this customer segment.

The Company has some way to go before the value within our unique portfolio of businesses is fully realised. Yet, there is no doubt strategic clarity and disciplined execution are prerequisites for business stability and earnings predictability.

In the United Kingdom Cash Converters has successfully returned to operating as a master franchise. This will maximise the returns received from the capital invested there and enable a return to profitability in 2017.

In Australia, the Company has addressed issues with its vehicle finance business model, assessed the long term viability of some segments of the Australian small amount credit contract (SACC) market and is set to enter the medium amount credit contract market (MACC) in late 2016.

The strategy driving the transformation has been aptly described by Cash Converters as 'building on our strengths'. The many challenges the Company has faced recently can distract from the reality that it has unmatched brand and business strengths.



Cash Converters is one of a select few Australian companies that has reshaped a traditional business - in our case, the retailing of second hand goods - and then leveraged that success to build a nationally and internationally recognised brand.

Today, our Company has over 730 franchised and corporate stores operating in 21 countries. During the past three decades, Cash Converters innovations in second hand goods' retailing are now industry standard.

Similarly, our Company has helped build the small amount lending sector in Australia. This is a sector that is not without significant operational, regulatory and reputational challenges - yet it still provides an essential financial service each year for nearly one million consumers in Australia.

The continued high levels of customer loyalty and satisfaction recorded in the service quality surveys we conduct each year are confirmation of the value our customers assign to the various lending products Cash Converters provides.

Our strategy is to build on the strengths of our brand, store network and financial services product range. We will invest for sustainable market leadership and profitable growth in Australia and operate solely as a master franchise in the United Kingdom.

During the past year the Company's earnings were impacted by planned restructuring costs and unforeseen regulatory and legal expenses. While underlying profit was higher at \$71.9 million, the full year net loss was \$5.3 million - an improvement on the previous year net loss of \$21.5 million - however still a loss.

The Board has declared a final dividend of 1.0 cent per share bringing the total dividend for the year to 3.0 cents fully franked.

The transformation of Cash Converters is at an early stage; however, we are confident the changes underway and planned for the coming year will return the Company to profitable growth.

We understand that market credibility comes from performance consistency and our strategic focus includes increased attention to risk management.

It is clear we need to work more closely in Australia with government and regulators to achieve a better balance between financial inclusion, responsible lending and corporate profitability objectives. As part of that

we accept our Company will need to continually improve our compliance systems and procedures to keep pace with regulatory change and expectations.

Corporate transformations inevitably require substantial cultural change and the Board acknowledges the efforts of Cash Converters' people in delivering early gains for the Company's new strategy and committing to further progress.

Retaining the loyalty of our customers and shareholders is central to our ongoing success and will continue to be a primary objective of Cash Converters' ongoing transformation.

We remain confident in our ability to provide responsible and innovative solutions to our non-prime customers and continue to recognise them as important members of the success of your Company. While the financial year behind us has been tough we remain confident that we are building a sustainably successful Company.

Stuart Grimshaw
Chairman



MANAGING DIRECTOR'S REPORT

Our full year results are creditable given we have been concurrently managing the financial performance of our various businesses and the execution of a new corporate strategy.

We have also needed to adapt to substantial sectoral and regulatory change in Australia and the United Kingdom.

Cash Converters' 2016 full year revenue and underlying profit were both higher than the previous year. Australia continued to be the standout performer with an underlying profit of just over \$72 million and good contributions across all key business segments. The work begun last year to increase efficiency and reduce costs in the United Kingdom resulted in an underlying loss of \$4.1 million - less than half the loss of the previous year.

The unique market positioning of our corporate and franchise store networks has facilitated the necessary strategic changes they required - primarily, in the United Kingdom. We have been able to efficiently transition to a master franchise business model and introduce a new organisational structure there. With the closure of our lending book by the end of 2016, the United Kingdom will operate profitably in 2017.

In Australia we have changed the strategy and business model of our vehicle finance business. We closed Carboodle and started Green Light Auto Finance marketing a principal and loan interest product tailored to current motor industry requirements. Initial demand has been encouraging and the loan book already stands at \$3.3 million, since the product launch in March 2016.

The reshaping of our financial services operations in Australia has also involved our reviewing the operational complexity and service delivery costs of some of our small amount credit contract (SACC) customer segments. We will continue to be active in the overall SACC sector. However, we will focus on the segments where we believe we can better meet customer, regulator and company risk/return requirements.

This is not a matter specific to Cash Converters - it is a wider social, political and business issue. National Credit Providers Association research shows two million applications were received from new and existing customers for SACC loans in 2014 -15 and nearly \$670 million in credit advanced. With major banks having no interest in the sector, there is obviously substantial consumer demand that needs to be met. Our financial services strategy is to leverage our brand strength to remain active in the SACC market while progressively building our presence in medium amount credit contract (MACC) lending and vehicle finance. MACC loans range from \$2K to \$5K and we will begin marketing in November 2016.



Another key aspect of our strategy is channel and revenue stream diversification to offset the full earnings impact of market volatility and structural change. Our successful investment in online facilities is an example with Webshop sales up 38 per cent and online personal loans up 34 per cent in Australia; and online sales rising over 34 per cent in the United Kingdom.

We have a 25 per cent interest in the Cash Converters master franchise in New Zealand that is at a relatively early stage in terms of strategic diversification and earnings potential. We believe there are good prospects for growth and additional corporate and franchised stores are planned for 2017.

Our priorities for the year ahead will be to continue to efficiently execute our strategy and complete the associated restructuring of our organisation and businesses. We will need to continue to manage our planned corporate initiatives and broader industry sectoral change. Government and regulatory requirements in regard to responsible lending in Australia are becoming clearer and we are better placed to market small and medium amount loans.

Our Company is focussed on improvement in three broad areas: strategic clarity; comprehensive and effective governance and risk management; and effective stakeholder engagement. These are the prerequisites for the conduct of our business in a responsible manner.

Our profit outlook for 2017 reflects the reality that we will be in the second year of a corporate transformation we have planned to run for a full three years. We expect a 2017 net profit in the range of \$20 to \$23 million. Importantly, we have the balance sheet strength to finance our growth initiatives and underpin the structural and business segment changes we need to make.

The capabilities and commitment of my colleagues throughout Cash Converters, as well as the ongoing support of our franchisees, have been instrumental in our achievements during the past year. I thank them and look forward to future collective success.

Peter Cumins
Managing Director



FINANCIAL RESULTS SUMMARY

	SEGMENT REVENUES (i)		SEGMENT RESULTS	
	2016	2015	2016	2015
	\$	\$	\$	\$
Franchise operations	22,995,799	18,951,232	7,270,483	5,965,054
Store operations				
- continuing (iv)	140,443,673	130,068,174	17,419,605	19,705,552
- discontinued	56,278,291	60,254,507	(4,388,217)	(4,698,908)
Financial services – administration (iv)	14,247,529	14,728,956	8,135,335	8,262,594
Financial services – personal loans				
- continuing (iv)	144,644,225	138,352,217	57,402,016	30,002,676
- discontinued	18,188,783	25,972,345	(344,045)	(6,006,045)
Vehicle leasing	8,146,368	8,731,185	(4,598,838)	(2,687,167)
Inter-segment elimination of revenues	(25,669,441)	(24,374,301)	-	-
EBITDA totals (ii)	379,275,227	372,684,315	80,896,339	50,543,756
Head office – UK & Australia (iii)	51,345	2,208,324	(60,543,234)	(41,422,107)
EBITDA totals after head office costs (ii)	379,326,572	374,892,639	20,353,105	9,121,649
Depreciation and amortisation			(8,441,154)	(9,038,058)
Impairment			(2,247,551)	(7,587,315)
Finance costs			(9,659,027)	(9,072,074)
Income tax expense			(5,277,453)	(5,109,292)
(Loss) after income tax			(5,272,080)	(21,685,090)
Loss attributable to non-controlling interest			98	201,372
(Loss) attributable to members of Cash Converters International Limited			(5,271,982)	(21,483,718)

(i) Segment revenues include external interest revenue

(ii) EBITDA is earnings before interest, tax, depreciation, amortisation and impairment (non IFRS unaudited measure)

(iii) 2016 segment result includes the UK restructure costs of \$22,667,967 and compliance provision of \$12,500,000; 2015 segment result includes class action settlement expense of \$23,000,000

(iv) 2015 segment results includes contract termination expense of \$824,670 in store operations, \$4,256,000 in financial services – administration and \$24,547,600 in financial services – personal loans



A summary of normalised results is presented below:

	2016	2015
	\$	\$
Statutory EBITDA including controlling interest	20,353,105	9,121,649
Add losses attributable to non-controlling interest	98	201,372
EBITDA attributable to members of Cash Converters International Limited	20,353,203	9,323,021
<i>Normalisation adjustments</i>		
Restructure costs	33,331,472	-
Other costs outside normal operating costs	3,246,299	-
Compliance provision	12,500,000	-
Class action legal fees	2,441,962	1,844,903
Stamp duty on store acquisitions	-	388,663
Ausgroup provision	-	(2,927,229)
Kentsleigh agency termination payment	-	29,628,270
Termination fees – bank facility (GLA)	-	700,000
NSW class action settlement provision	-	23,000,000
Redundancy costs – CCUK	-	787,751
EBITDA normalised	71,872,936	62,745,379

== REVIEW OF OPERATIONS



CHANNEL DIVERSITY

Cash Converters has a variety of revenue streams that continue to provide solid earnings. This channel diversity assists our ability to strategically respond to market and regulatory changes.

Another unique advantage our Company continues to leverage is the inherent strength of its brand recognition and associated customer loyalty and satisfaction. Cash Converters engages independent research annually with the resulting brand awareness and customer satisfaction levels being amongst the highest in the financial services sector.

In the latest financial year ending 30 June 2016, the total corporate store (continuing) and franchise segments contributed a steady \$25.4 million to the normalised EBITDA total. Total store (continuing) and franchise operations revenues were higher at \$140.4 million (2015: \$130.1 million) and \$22.9 million (2015: \$18.9 million) respectively.



Financial services (continuing) contributed over \$65.9 million in normalised EBITDA compared with \$67.1 million the previous year. Total revenue from personal loans (continuing) was at \$144.6 million (2015: \$138.4 million).

AUSTRALIA

Cash Converters continues to have a leading presence in short term lending. The financial services contribution to Australia's total underlying profit was \$64.8 million (2015: \$66.0 million). Corporate stores (continuing) and franchise operations contributed \$21.8 million compared with \$22.5 million previously.

Green Light Auto Finance began operations in March providing a principal and loan interest product. The loan book was \$3.3 million by 30 June 2016.

UNITED KINGDOM

The operational focus in the United Kingdom during the past year has been to deliver the benefits of a cost reduction and efficiency improvement program. The results were evident from a significantly reduced underlying loss of \$4.1 million (2015: loss of \$9.0 million).

Franchise operations reported an underlying profit of \$3.0 million - a pleasing result given Cash Converters' transition to a master franchise business model.



ONLINE CHANNELS

Cash Converters' ongoing investment in online channels continues to attract new customers as well as increase sales for corporate and franchise stores.



Webshop provides a unique platform for stores to display inventory items. In Australia, for example, over 70,000 products are listed for sale online and the platform is rapidly growing into a challenger for long established online marketplaces.

In Australia, Webshop sales rose nearly 38 per cent in corporate stores, and online personal loans were up 34 per cent. In the United Kingdom, online retail sales rose 34 per cent.

FINANCE AND BANKING ARRANGEMENTS

During the year, Cash Converters successfully negotiated new financing and banking arrangements.

A five year loan securitisation facility was arranged with Fortress Investment Group on market competitive terms. Another five year agreement was signed with a service provider for transactional banking facilities.

Cash Converters is now well positioned to grow the business through its new financial product range including MACC products and car loan products.

ASIC

Cash Converters has been engaging with ASIC on matters pertaining to its small amount credit contracts. In particular, engagement has been in relation to compliance with responsible lending provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth).

At the date of this report, discussions between Cash Converters and ASIC as to the most appropriate resolution of the matter are continuing. It appears likely that the matter will result in an enforceable undertaking involving consumer remediation and payment of fines.

Accordingly, Cash Converters has made a provision as at 30 June 2016 in respect of potential compliance issues in its credit assessment processes. The provision is based on Cash Converters' estimate of the likely outcome of discussions with ASIC, which at the date of this report is expected to be \$12.5 million.

GOVERNMENT INQUIRY

The Government released in April 2016 the final report of the independent review of small amount credit contract laws. Cash Converters has been active in the review process lodging submissions as well as meeting with Government representatives, agencies and the review panel. Our Company supports most of the report's recommendations and we continue to consult with Government on regulations that meet consumer interests and are commercially viable.

RESPONSIBLE APPROACH

Cash Converters' growth has brought commercial success and industry leadership. It has also created operational and reputational risk challenges - primarily in achieving balance between responsible lending and commercial viability.

To meet these challenges our Company is focussed on improvement in three broad areas: strategic clarity; comprehensive and effective governance and risk management; and effective stakeholder engagement. We regard these as the prerequisites for the conduct of our businesses in a responsible manner.

We have made a good start to a corporate transformation to maximise the benefits of Cash Converters' unique brand and network assets through sustainable growth.

We now have a clear strategic direction summarised as 'building on our strengths' and are restructuring our businesses to deliver sustainable and predictable earnings.

We have commissioned an external review of our compliance policies, procedures and processes. This is part of our ongoing effort to ensure we have comprehensive and effective corporate governance and risk management.

We recognise that the operational improvement the Cash Converters transformation will bring needs to proceed in tandem with continuous improvement in relationships with our customers, employees, investors, government, regulators and the communities in which we conduct business. They are our key stakeholders.

We already have a number of initiatives underway. We regularly survey customers to provide insights into service delivery improvements and associated needs. We have also introduced an online financial literacy channel called Common Cents to assist customers and the broader community with matters such as budgeting, savings and home renovations.

Our engagement during the past year with government and regulator representatives on industry and specific Cash Converters matters have been instructive and helpful in building ongoing working relationships. These will continue to be essential if we are to resolve issues associated with the interpretation and application of responsible lending regulations.

CORPORATE STRATEGIC DIRECTION

FOCUS. BUILD. LEAD

The new strategy we announced in early 2016 is to focus our investment and operations; build on our current strengths; and lead our industry in customer service and satisfaction.

We will maximise the value of our brand and our franchise network through a focus on high return businesses. The key strategic initiatives are:

- Invest for sustainable market leadership and profitable growth in Australia
- Operate in the United Kingdom solely as a master franchise Close Carboodle. Build a new specialist vehicle finance company better suited to current market needs in Australia
- Assess short and medium term lending options, including entering the MACC market
- Build our brand presence in New Zealand
- Continue to operate as a master franchise internationally

CHANGES MADE THIS YEAR

The strategic changes we have already made in 2016 include:

- Exited corporate stores in the United Kingdom. We now service 201 franchise stores held between 50 franchisees
- Winding down the United Kingdom personal loan book. Expect to have the book closed by the end of 2016
- Carboodle business closed. New motor vehicle finance company Green Light Auto Finance - successfully launched
- Booked \$33.3 million in restructuring costs (slightly below anticipated costs)

CHANGES PLANNED FOR THE COMING YEAR

The strategic changes we will make over the next 12 months include:

- Enter the MACC market with a new product in November 2016
- Focus on SACC market segments with better opportunities to meet customer, regulator and Company risk/return requirements
- Increase investment in our online retail capability and enhanced Webshop
- Add corporate and franchised stores in New Zealand
- Improve our already high levels of customer service and satisfaction
- Strengthen our compliance and responsible lending systems, policies and procedures
- Streamline our organisational structure



DIRECTORS' PROFILES

STUART GRIMSHAW

NON-EXECUTIVE CHAIRMAN

Mr Grimshaw joined the board on 1 November 2014 and was appointed Non-Executive Chairman on 10 September 2015.

Mr Grimshaw was recently the Managing Director and Chief Executive Officer of Bank of Queensland Limited (BOQ). During his tenure at BOQ he initiated fundamental changes to BOQ's culture, operating model and strategic direction and established a strong track record of execution. In addition, a strong capital and provisioning strategy resulted in two credit rating upgrades to A-, and BOQ has been well supported by the equity markets with two global equity offerings successfully raising close to \$800 million. In Mr Grimshaw's time at the bank, BOQ attracted and developed exceptional talent across the top four management levels and a unique culture and brand that is now well recognized by the market. During his 30-year career in financial services, Mr Grimshaw has held a wide variety of other roles across many functions of banking and finance, including eight years at the Commonwealth Bank of Australia (CBA). At CBA, he started as Chief Financial Officer and over time became Group Executive, responsible for core business lines including Institutional and Business Banking as well as Wealth Management (Asset Management and Insurance). Prior to joining CBA, he worked for the National Australia Bank and was the Chief Executive Officer of Great Britain, with responsibility for large UK consumer banks Yorkshire Bank and Clydesdale Bank.

Mr Grimshaw is currently the Chief Executive Officer of EZCORP Inc.

Mr Grimshaw represented New Zealand at the 1984 Olympics in Field Hockey and has a Bachelor of Commerce and Administration (Victoria University, Wellington, New Zealand) and an MBA (Melbourne University, Australia). He has also completed the Program for Management Development at Harvard Business School.

PETER CUMINS

MANAGING DIRECTOR

Mr Cumins is an Australian national. He is the Managing Director of Cash Converters International Limited. He joined the Group in August 1990 as Finance and Administration Manager when the Company had just 23 stores, becoming General Manager in March 1992. He became Group Managing Director in April 1995.

Mr Cumins is a qualified accountant, and has overseen the major growth in the number of franchisees in Australia as well as the international development of the Cash Converters franchise system. His experience in the management of large organisations has included senior executive positions in the government health sector, specifically with the Fremantle Hospital Group, where he was Finance and Human Resources Manager.

Mr Cumins is also a director of board of EZCORP Inc. (a substantial shareholder in the Company) following his appointment on 28 July 2014

REGINALD WEBB

NON-EXECUTIVE DIRECTOR

Mr Webb has been the Non-Executive Chairman since January 1995 and to assist in the transition of the Chairman role, Mr Stuart Grimshaw was appointed as Non-Executive Chairman on 10 September 2015.

Mr Webb has been a Non-Executive Director for many years. He is a Fellow of the Institute of Chartered Accountants of Australia and was for many years a Partner of PricewaterhouseCoopers (previously Price Waterhouse). In that position he worked in both North America and Europe as well as Australia. He was a partner for 20 years and served on the Policy Board of that firm. He is also a Director of D'Orsogna Limited.

== DIRECTORS' PROFILES

LACHLAN GIVEN

NON-EXECUTIVE DIRECTOR

Mr Given joined the board on 22 August 2014. He is the Executive Chairman of EZCORP Inc. (a substantial shareholder in the Company) and also a Director of The Farm Journal Corporation, a 134 year old pre-eminent US agricultural media company; Senetas Corporation Limited (ASX: SEN), the world's leading developer and manufacturer of certified, defence-grade encryption solutions; CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and Tab.com, a leading provider of physical and digital records management solutions in the US, Canada and Europe.

Mr Given began his career working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney where he specialised in the origination and execution of a variety of M&A, equity and equity-linked and fixed income transactions.

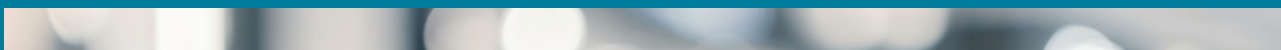
Mr Given graduated from the Queensland University of Technology with a Bachelor of Business majoring in Banking and Finance (with distinction).

KEVIN DUNDO

NON-EXECUTIVE DIRECTOR

Mr Dundo joined the board on 20 February 2015. Mr Dundo practises as a lawyer and specialises in the commercial and corporate field, with experience in the mining sector, the service industry and the financial services industry. He is a member of the Law Society of Western Australia, Law Council of Australia, Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practising Accountants.

Mr Dundo is currently a Non-Executive Director and Chairman of the Audit Committee of ASX-listed Imdex Limited (ASX:IMD) and Non-Executive Chairman of ASX-listed Red 5 Limited (ASX:RED).





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These financial statements have been organised into the following six sections to make them less complex and more relevant to shareholders:

1. Basis of preparation
2. Financial performance
3. Assets and liabilities
4. Capital structure and financing costs
5. Group structure
6. Other items

Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used or information required to understand the note. The purpose of this format is to provide readers with a clearer understanding of what drives the financial performance and financial position of the Group.

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2016

Following a review of the Group operations, the results of which were announced in February 2016, the Company has taken the opportunity to restructure its operations, with major changes to our UK and Carboodle businesses. These changes included the sale of 44 corporate stores, the closure of a further 15 stores and the wind-down of the personal loan book in the UK, with the aim to have the book collected and closed off by November 2016.

The review of the Carboodle business resulted in the closure of the Carboodle outlets in Melbourne, Sydney and Brisbane and a change to the product offering for this business, moving from an operating lease to a traditional car loan, principal and interest product. This car loan product is more readily accepted and understood by the traditional car broker network and as a result the loan book is growing strongly since the product launch in March 2016.

These restructure changes have put the Company into a far stronger position going forward, however the cost has been high with total charges relating to the restructure being \$33,331,472. If the Group's results are adjusted for these costs and other normalised expenses, the Group has achieved earnings before tax, depreciation, amortisation and impairment (EBITDA) of \$71,872,936, up 14.5% on the prior year figure of \$62,745,379. This result has been derived from a 1.2% growth in revenue, up \$4,433,933 to \$379,326,572 (2015: \$374,892,639) with strong revenue growth coming from store operations, which has increased by \$10,375,499 for continuing operations.

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

	Segment revenues (i)		Segment results	
	2016	2015	2016	2015
	\$	\$	\$	\$
Franchise operations	22,995,799	18,951,232	7,270,483	5,965,054
Store operations				
- continuing (iv)	140,443,673	130,068,174	17,419,605	19,705,552
- discontinued	56,278,291	60,254,507	(4,388,217)	(4,698,908)
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Inter-segment elimination of revenues	(25,669,441)	(24,374,301)	-	-
EBITDA totals (ii)	379,275,227	372,684,315	80,896,339	50,543,756
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Depreciation and amortisation			(8,441,154)	(9,038,058)
Impairment			(2,247,551)	(7,587,315)
Finance costs			(9,659,027)	(9,072,074)
Income tax expense			(5,277,453)	(5,109,292)
(Loss) after income tax			(5,272,080)	(21,685,090)
Loss attributable to non-controlling interest			98	201,372
(Loss) attributable to members of Cash Converters International Limited			(5,271,982)	(21,483,718)

(i) Segment revenues include external interest revenue

(ii) EBITDA is earnings before interest, tax, depreciation, amortisation and impairment (non IFRS unaudited measure)

(iii) 2016 segment result includes the UK restructure costs of \$22,667,967 and compliance provision of \$12,500,000; 2015 segment result includes class action settlement expense of \$23,000,000

(iv) 2015 segment results includes contract termination expense of \$824,670 in store operations, \$4,256,000 in financial services – administration and \$24,547,600 in financial services – personal loans.

EBITDA was \$20,353,105 (2015: \$9,121,649) and the statutory net loss after tax was \$5,271,982 (2015: net loss of \$21,483,718).

A summary of normalised results is presented below:

	2016	2015
	\$	\$
EBITDA including controlling interest	20,353,105	9,121,649
Add losses attributable to non-controlling interest	98	201,372
EBITDA attributable to members of Cash Converters International Limited	20,353,203	9,323,021

Normalisation adjustments

Restructure costs	33,331,472	-
Other costs outside normal operating costs	3,246,299	-
Compliance provision	12,500,000	-
Class action legal fees	2,441,962	1,844,903
Stamp duty on store acquisitions	-	388,663
Ausgroup provision	-	(2,927,229)
Kentsleigh agency termination payment	-	29,628,270
Termination fees – bank facility (GLA)	-	700,000
NSW class action settlement provision	-	23,000,000
Redundancy costs – CCUK	-	787,751
EBITDA normalised	71,872,936	62,745,379

Comments on the operations and results of these operations are set out below.

FRANCHISE OPERATIONS

The EBITDA for the franchise operations rose \$1,305,429 (21.9%) during the 2016 financial year to \$7,270,483 (2015: \$5,965,054). The UK franchise operations performed well delivering an EBITDA of \$3,189,001, which was up \$1,424,500 (80.7%) against last year's result of \$1,764,501. This was partly due to the fact that the 2016 financial year for the UK had no bad debt write-downs that amounted to \$448,000 in the previous year.

The Australian business contributed an EBITDA of \$3,633,302 down against the previous year's EBITDA of \$3,698,348.

Normalised EBITDA from the international franchise operations was \$448,180 (2015: \$502,205). This division included a write-down of the Mexican franchise investment amounting to \$764,331, following a decision taken by EZCORP Inc to close this operation early in 2016. EBITDA has been normalised for this charge.

The total number of franchised stores globally now stands at 666, with 201 stores in the UK, 82 in Australia and 383 throughout the rest of the world. The Company continues to look for opportunities to expand its franchise network, both in Australia and internationally.

In January 2014 Cash Converters International Limited, through a subsidiary company, acquired a 25% equity interest in all aspects of the New Zealand Cash Converters Master Franchisor, including corporate stores, franchise contracts and financial services. This interest was acquired for \$5.5 million, which reflects the pro-rata share of the actual investment cost incurred to date by the New Zealand Master Franchisor. Since the acquisition in January 2014, 13 stores have been opened – 11 corporate and two franchised – taking the total number to 15 corporate and 12 franchised stores as at 30 June 2016. During the 2017 financial year it is planned to open one franchised store taking the total store number to 28. This subsidiary contributed a loss of \$1,392,037 for the period, which has been included in the head office costs in the previous table.

During the year new franchised stores were also opened in France, South Africa and Spain.

CORPORATE STORES OPERATIONS

Corporate stores generate their revenue through the operation of retail premises across Australia and the UK, and also through online retail sales via the Cash Converters Webshop. The stores also receive commission from Cash Converters Personal Finance business for personal loans generated in the stores. The stores offer a mixture of 'buys and loans' (traditional pawn broking and second hand goods buying), personal finance (in the form of personal loans and cash advance) and the retailing of new and second hand goods.

The strategic review of the business identified the corporate store division in the UK as requiring a significant restructure and recommended the sale of the store network or the closure of poor performing stores. Since March 2016, 44 stores have been sold to the existing franchise network and a further 15 stores have been closed. The cost of this restructure has been \$22.7 million and is detailed below.

	\$ MILLION
Goodwill / asset write offs	9.5
Redundancies	1.1
Lease commitments on closed stores	9.1
Personal loan write offs	3.0
Total restructure costs	<u>22.7</u>

Following this restructure the UK business is in a far stronger position to generate ongoing profit following its repositioning back to a franchisor with a 201 franchised store network.

AUSTRALIA

The corporate store network in Australia produced a normalised EBITDA contribution of \$18,181,543 (2015: \$20,530,222), down \$2,348,679 (11.4%) on the prior year.

A mixed result for year on year KPIs, on a like for like basis, with retail sales (including scrap gold and Webshop sales) up 8.4% on the previous corresponding period, however pawn broking interest was slightly flat, only achieving a marginal growth of 1.1% compared to the same period last year. Both cash advance and personal loan products performed worse than last year with outgoings down 6.3% and 4.8% respectively on the previous corresponding period.

The total number of corporate stores in Australia as at 30 June 2016 was 71.

Revenue from online sales via the Cash Converters Webshop increased by 39.2% to \$5,448,178 (2015: \$3,910,341) as the site has become more widely known for high quality second hand products. With over 70,000 products listed, most people find the site interesting and good value for money.

UNITED KINGDOM

EBITDA for the UK corporate stores reported a normalised loss of £2,144,884 (\$4,388,217) (2015: loss £1,498,066 (\$2,960,609)), after normalising for costs associated with the UK restructure.

WEBSHOP

The Cash Converters Webshop was initially launched in early 2008 and expands Cash Converters' online presence. Not only generating revenue in its own right, Webshop is proving to be an essential ingredient in introducing people to the Cash Converters brand, with many 'in-store' experiences being borne from an initial search of the online store. Customers who searched the online store and later went into a store to complete the purchase generated retail sales of \$3,115,540 during the financial year ending 30 June 2016 (2015: \$1,946,274).

Webshop was initially only servicing the corporate store network, but has since been expanded to allow the franchise network to utilise the platform and list their items for sale. The Company receives a commission based on an agreed percentage of retail sales for the provision of the site and payment services. Each store is responsible for its own item listings and despatch.

Items listed for sale on the site can be purchased through auction or a fixed price 'buy it now' option. Online sales have increased 37.4% in the UK and 37.6% in Australia over the last 12 months.

Some key online statistics:

	UK	AUSTRALIA
Registered users	313,000	103,636
Unique visitors	3,610,744	4,001,191
Total page views	63,553,121	39,432,732
Retail sales	£4,789,717	\$6,488,220

FINANCIAL SERVICES OPERATIONS

These divisions incorporate the trading results of Mon-E Pty Ltd (Australia), Cash Converters Personal Finance Pty Ltd (CCPF) (Australia) and the UK Finance Division.

Mon-E Pty Ltd is responsible for providing the administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers (average loan size of approximately \$403). The cash advance principal loaned is financed by the corporate stores and the individual franchisees for the cash advances provided by their stores. Mon-E receives commission from the store network for each cash advance processed through their systems.

CCPF provides small, largely unsecured loans through the franchise and corporate store networks in Australia and online. The principal is funded by CCPF, which pays a commission to the stores (both corporate and franchise) for the generation of the lead and processing the application in store.

The UK Finance Division utilises the software developed in Australia, for both cash advances and personal loans. The UK Finance Division ceased issuing new loans in May 2016, and therefore does not form part of the Group's continuing operations.

During the period under review the normalised EBITDA for the continuing operations in this division was \$65,855,220 (2015: \$67,068,870), down \$1,213,650 (1.8%) on last year. CCPF contributed an EBITDA of \$57,719,885 (2015: \$54,550,276), Mon-E \$7,062,113 (2015: \$11,483,175) and the UK Cash Advance Division a profit of £525,341 (\$1,073,222) (2015: £554,401 (\$1,035,419)).

PERSONAL LOANS - AUSTRALIA

The Australian personal loan book has fallen from \$119,448,669 at 30 June 2015 to \$113,036,461 at 30 June 2016, a drop of 8.1%. During the year, 77,955 (2015: 55,902) online loans were advanced totalling \$85,162,510 (2015: \$63,400,900), representing an increase in value of 34.3% over the previous year. Online lending now represents 45.4% of the total principal advanced during the year.

For Australia, bad debt levels have increased to 7.6% (2015: 7.0%) of the net principal written off to the total principal advanced. The total bad debts written off value has fallen from \$45,126,911 in FY 2015 to \$38,805,911 in FY 2016.

The Christmas period is one of the busiest periods for the personal loan product and this year was no exception with an amount of \$24,105,300 advanced in Australia during December 2015 (December 2014: \$23,008,250). The December 2015 value is the highest amount ever lent during a month and just eclipsed the December 2014 value.

Some key operating statistics for the Australian personal finance division:

- Total number of approved loans increased by 5.3% to 186,565
- Total number of active customers increased by 2.8% to 140,635
- Personal loans EBITDA up 5.8% to \$57,719,885 (2015: \$54,550,276)

PERSONAL LOANS — UNITED KINGDOM

The strategic review of the UK business identified legislation as a key risk associated with operating a UK personal loan book and as a result recommended the wind-down of the loan book. In May 2016 the UK business stopped advancing principal in regard to personal loans. The UK collections team are now actively collecting the book with the aim to have the majority of the book collected by November 2016.

The UK personal loan book at 30 June 2016 was £6,434,593 (\$11,595,951) (2015: £9,285,480 (\$19,058,925)).

During the year bad debts of £6,402,728 (\$13,107,752) (2015: £8,715,133 (\$16,327,227)) have been written off, which is significantly lower than the previous year.

The EBITDA for the UK personal loan book was a loss of £230,207 (\$344,045) (2015: Loss £2,815,508 (\$6,006,044)).

CASH ADVANCE - AUSTRALIA

The Company derives income from the cash advance product in multiple ways. Mon-E Pty Ltd receives a commission from all stores (both franchise and corporate stores) for the provision of the online software platform and administrative services. In addition, the corporate store network generates interest and loan establishment income from the loans provided to their customers.

A review of the cash advance online product was conducted in the third quarter of FY 2016 and a decision was made to cease offering this product. This decision was based on the availability of appropriate information required from customers, the time taken to process an application and the overall profitability of the product. During the FY2016 over \$14.6 million was advanced, compared to \$11.2 million in FY2015.

The EBITDA for the Australian cash advance business was \$7,062,113 (2015: \$11,483,175). No normalisation adjustments were made.

Key performance indicators for Cash Advance – Australia:

- Total principal advanced down 5.6% to \$235,530,880 (2015: \$249,547,610)
- Average loan amount \$403 (2015: \$411)
- Total customer numbers decreased by 2.1% to 585,110 (2015: 597,891)

CASH ADVANCE – UNITED KINGDOM

Following the sale of the majority of the corporate store network to franchisees, the cash advance product is now only offered through the franchise network in the UK. The normalised EBITDA for the 2016 financial year of £525,341 (\$1,073,222) (2015: £554,401 (\$1,035,419)) represented an increase of 3.7% on the previous period.

Key performance indicators for the UK Cash Advance product are:

- Total principal advanced down by 18.1% to £27,820,840 (2015: £33,960,004)
- Average loan amount up from £147 to £173
- Total customer numbers increased by 9.3% to 196,176 (2015: 179,534)

In July 2014 the Financial Conduct Authority (FCA) published its paper on the proposed rate cap in regard to high-cost short-term credit in the UK. Following consultation the FCA published their final paper in November 2014, with the introduction of the rate cap on 2 January 2015. Along with the rate cap and the assumption of regulatory responsibility by the FCA on 1 April 2014, further companies have announced their intention to restrict the level of services they currently offer under the high-cost short-term credit industry in the UK.

VEHICLE FINANCING – GREEN LIGHT AUTO

Following the strategic review of the Carboodle business, the operating lease product is being phased out progressively and replaced with a principal and interest loan product. The new product is a more traditional car loan product and is more readily accepted by the finance broker network, through which the business is being promoted. The new product has been offered since March 2016 with some success. There are 170 active loans and the loan book stands at \$3,326,511 as at 30 June 2016 and is anticipated to grow by approximately \$1 million per month.

As at 30 June 2016, 781 active operating leases were in place with forward contracted lease payments of \$19,615,624. Total revenue for the 2016 financial year was \$9,283,610.

The normalised EBITDA for the business was a loss of \$2,352,823 compared to a loss of \$1,987,167 for last year, after normalising for costs associated with the restructure of \$2,227,773.

CORPORATE OFFICE COSTS

These costs represent the corporate office costs for both Australia and the UK and are shown separately because these costs cannot be allocated to any specific division/segment, and to calculate an arbitrary split of the costs would not be appropriate in obtaining an accurate contribution from each of the divisions.

The normalised costs for the year ended 30 June 2016 were \$14,580,878 (FY 2015 \$15,400,790). The Australian corporate office incurred additional legal fees during FY 2016 of \$2,441,962 in relation to the ongoing Queensland Class Action, additional professional fees in regard to the business strategic review and a review by PWC in regard to compliance and the culture of the business amounting to \$1,506,044. The corporate office costs have both been adjusted to normalise for these expenses.



FINANCING AND INVESTMENT ACTIVITIES

BANKING SERVICES

In August 2015 Westpac Banking Corporation informed the Company that Westpac has taken the decision to cease to provide banking and financial products and services to its customers who provide Short Term Credit Contracts (STCCs) or Small Amount Credit Contracts (SACCs) under section 5(1) of the National Consumer Credit Protection Act 2009 (Cth). Cash Converters is a licenced provider of financial services under the terms of this Act.

Westpac assured the Company that they would implement this decision in accordance with the Company's contractual agreements with Westpac, and in a considered and consultative way so as to allow the Company to establish alternative banking arrangements. The Company replaced the securitisation facility with Westpac with a securitisation facility with Fortress Investment Group in March 2016. The Fortress facility covers a five year term, with an initial three year loan period and an option for a two year extension at the Company's discretion. It allows for a drawdown of up to \$100 million, compared to \$70 million under the Westpac facility, with the drawdown criteria being less restrictive than the Westpac facility.

The Company has also signed a five year agreement with a service provider to replace its Westpac transactional banking facilities. It has been progressively transitioning its existing facilities in a measured and deliberate manner, to ensure no disruption is experienced by its customers, franchisees, employees and suppliers. The transition to a replacement transactional banking service provider was finalised in August 2016.

OUTLOOK

Following the strategic review of the Group, a number of changes have been made to the operations, both in the UK and to the Green Light Auto business, along with other operational changes. These changes will deliver a stronger business going forward. The Company expects demand for the products and services in Australia, the United Kingdom and New Zealand to continue to grow. The Company is also expected to deliver underlying profit growth.

The short-term lending industry will continue to receive a lot of attention from government and regulators. As a result, the Company will work closely with ASIC and the Federal Government to ensure their view of responsible lending requirements is achievable without making the entire short-term lending business unattractive for the Company and others in the industry. The Company will be making a concerted effort to continually improve internal compliance and responsible lending systems, policies and procedures.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors of Cash Converters International Limited (the Company) submit the following report of the Company for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

INFORMATION ABOUT DIRECTORS

The following persons held office as directors of the Company during the whole of the financial year and until the date of this report:

Mr Stuart Grimshaw – Non-Executive Chairman

Appointed director 1 November 2014

Appointed Chairman 10 September 2015

Mr Grimshaw joined the board in 2014 and was appointed Non-Executive Chairman on 10 September 2015. Mr Grimshaw is currently the Chief Executive Officer of EZCORP Inc. Prior to joining EZCORP in November 2014, Mr Grimshaw was the Managing Director and Chief Executive Officer of Bank of Queensland Limited (BOQ).

During his tenure at BOQ he initiated fundamental changes to BOQ's culture, operating model and strategic direction and established a strong track record of execution. In addition, a strong capital and provisioning strategy resulted in two credit rating upgrades to A-, and BOQ has been well supported by the equity markets with two global equity offerings successfully raising close to \$800 million. In Mr Grimshaw's time at the bank, BOQ attracted and developed exceptional talent across the top four management levels and a unique culture and brand that is now well recognised by the market.

During his 30 year career in financial services, Mr Grimshaw has held a wide variety of other roles across many functions of banking and finance, including eight years at the Commonwealth Bank of Australia (CBA). At CBA, he started as Chief Financial Officer and over time became Group Executive, responsible for core business lines including Institutional and Business Banking as well as Wealth Management (Asset Management and Insurance). Prior to joining CBA, he worked for the National Australia Bank and was the Chief Executive Officer of Great Britain, with responsibility for large UK consumer banks Yorkshire Bank and Clydesdale Bank.

Mr Grimshaw represented New Zealand at the 1984 Olympics in Field Hockey and has a Bachelor of Commerce and Administration (Victoria University, Wellington, New Zealand) and an MBA (Melbourne University, Australia). He has also completed the Program for Management Development at Harvard Business School.

Mr Grimshaw is a member of the Company's Remuneration / Nomination Committee.

Over the past three years Mr Grimshaw has held directorships with the following listed companies:

Company	Commenced	Ceased
Bank of Queensland Limited	1 November 2011	31 August 2014
EZCORP Inc	3 November 2014	-

Mr Peter Cumins – Managing Director

Appointed April 1995

Mr Cumins joined the Group in August 1990 as Finance and Administration Manager when the Company had just 23 stores, becoming General Manager in March 1992. He became Group Managing Director in April 1995.

Mr Cumins is a qualified accountant, and has overseen the major growth in the number of franchisees in Australia as well as the international development of the Cash Converters franchise system. His experience in the management of large organisations has included senior executive positions in the government health sector, specifically with the Fremantle Hospital Group, where he was Finance and Human Resources Manager.

Over the past three years Mr Cumins has held directorships with the following listed company:

Company	Commenced	Ceased
EZCORP Inc	28 July 2014	-



Mr Reginald Webb – Non-Executive Director

Appointed 1997

Retired as Non-Executive Chairman 9 September 2015

Mr Webb joined the board as a director in 1997 and was the Non-Executive Chairman from 2005 until he retired from that position on 10 September 2015. Mr Webb has advised the Company that he intends to retire from the Board following the completion of the 2016 financial year. Mr Webb has made a very significant contribution in helping to guide the Company towards the stable and successful state that it now enjoys.

Mr Webb is a Fellow of Chartered Accountants Australia and New Zealand and was for many years a Partner of PricewaterhouseCoopers (previously Price Waterhouse). In that position he worked in both North America and Europe as well as Australia. He was a partner for 20 years and served on the Policy Board of that firm. He is also a director of D’Orsogna Limited.

Mr Webb is a member of the Company’s Audit and Risk Committee and Remuneration / Nomination Committee.

Over the past three years Mr Webb has not held directorships with any listed companies other than Cash Converters International Limited.

Mr Lachlan Given – Non-Executive Director

Appointed 22 August 2014

Mr Given joined the board in 2014. He is the Executive Chairman of EZCORP Inc (a major shareholder in the Company) and also a Director of The Farm Journal Corporation, a 134 year old pre-eminent US agricultural media company; Senetas Corporation Limited (ASX: SEN), the world’s leading developer and manufacturer of certified, defence-grade encryption solutions; CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and RateCity.com Pty Ltd, one of Australia’s largest Internet based financial services comparison organisations.

Mr Given began his career working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney where he specialised in the origination and execution of a variety of M&A, equity and equity-linked and fixed income transactions.

Mr Given graduated from the Queensland University of Technology with a Bachelor of Business majoring in Banking and Finance (with distinction).

Mr Given is a member of the Company’s Audit and Risk Committee and Remuneration / Nomination Committee.

Over the past three years Mr Given has held directorships with the following listed companies:

Company	Commenced	Ceased
Senetas Corporation Limited	20 March 2013	-
EZCORP Inc	18 July 2014	-

Mr Kevin Dundo – Non-Executive Director

Appointed 20 February 2015

Mr Dundo joined the board on 20 February 2015. Mr Dundo practises as a lawyer and specialises in the commercial and corporate field, with experience in the mining sector, the service industry and the financial services industry. He is a member of the Law Society of Western Australia, Law Council of Australia, Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practising Accountants.

Mr Dundo is currently a Non-Executive Director and Chairman of the Audit Committee of ASX-listed Imdex Limited (ASX: IMD) and Non-Executive Chairman of ASX-listed Red 5 Limited (ASX: RED).

Mr Dundo is Chair of the Company’s Audit and Risk Committee and Chair of the Remuneration / Nomination Committee.

Over the past three years Mr Dundo has held directorships with the following listed companies:

Company	Commenced	Ceased
Imdex Limited	14 January 2004	-
Red 5 Limited	29 March 2010	-

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the Cash Converters International Limited as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number
S Grimshaw	-	-
P Cumins	8,578,405	3,730,000
R Webb	1,012,500	-
L Given	-	-
K Dundo	-	-

COMPANY SECRETARY

Mr Ralph Groom

Appointed 1995

Mr Groom joined Cash Converters in August 1995. Previously he was the Finance Director and Company Secretary of Tony Barlow Australia Limited, a publicly listed retailer, where he was responsible for all financial and secretarial matters.

Mr Groom is a Fellow of the Chartered Institute of Management Accountants (UK) (ACMA), a Fellow of Certified Practising Accountants (FCPA) and a Fellow of the Chartered Institute of Secretaries and Administrators (FCIS). Mr Groom is also the Chief Financial Officer of the Group.

PRINCIPAL ACTIVITIES

The consolidated entity's principal activity is that of a franchisor of second hand goods and financial services stores, a provider of secured and unsecured loans and the operator of a growing number of corporate stores, all of which trade under the Cash Converters name.

Country master franchise licences are also sold to licensees to allow the development of the Cash Converters brand but without the need for support from Cash Converters International Limited.

REVIEW OF OPERATIONS

The consolidated entity's net loss attributable to members of the parent entity for the year ended 30 June 2016 was \$5,271,982 (2015: \$21,483,718) after a charge for income tax of \$5,277,453 (2015: \$5,109,292).

A review of the consolidated entity's operations and financial performance has been provided on pages 14 to 19.

CHANGES IN STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than those referred to elsewhere in this financial report and the notes thereto.

SUBSEQUENT EVENTS

Cash Converters has been co-operating with an investigation by ASIC into its compliance with the responsible lending provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth).

Discussions between Cash Converters and ASIC as to the most appropriate resolution to the matter are continuing. Accordingly, the Company has booked a provision of \$12.5 million in respect of any potential compliance issues in its credit assessment processes.

FUTURE DEVELOPMENTS

Following the strategic review of the Group, a number of changes have been made to the operations, both in the UK and to the Green Light Auto business, along with other operational changes. These changes will deliver a stronger business going forward. The Company expects demand for the products and services in Australia, the United Kingdom and New Zealand to continue to grow. The Company is also expected to deliver underlying profit growth for its continuing operations.

DIVIDENDS

The directors of the Company paid a fully franked interim dividend of two cents per share on 29 April 2016.

On 30 August 2016 the Company announced that it would pay a fully franked final dividend of one cent per share in respect of the financial year ended 30 June 2016. The dividend will be fully franked and will be paid on 28 October 2016 to those shareholders on the register at the close of business on 14 October 2016. The Company Dividend Reinvestment Plan (DRP) will apply to this dividend, providing shareholders with the option to reinvest all or part of their eligible dividends at a discount of 2.5% to the 5 day VWAP up to and including the record date.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cash Converters International Limited	124,166	Ordinary	Nil	15 Sep 2017
Cash Converters International Limited	6,634,152	Ordinary	Nil	30 Jun 2018

The performance rights above are in substance share options with an exercise price of nil, which vest and are immediately exercised into ordinary shares once certain performance / vesting conditions are met.

The holders of these performance rights do not have the right, by virtue of the performance right, to participate in any share issue or interest issue of the Company or of any other body corporate.

Shares issued as a result of the exercise of share options or performance rights during or since the end of the financial year are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cash Converters International Limited	583,500	Ordinary	Nil	15 Sep 2015

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

The number of meetings of directors and meetings of committees of directors held during the year and the number of meetings attended by each director were as follows:

Directors	Board of directors		Audit and risk committee		Remuneration / nomination committee	
	Held	Attended	Held	Attended	Held	Attended
Mr S Grimshaw	16	15	-	-	3	3
Mr P Cumins	16	16	-	-	-	-
Mr R Webb	16	16	2	2	3	3
Mr L Given	16	15	-	-	3	3
Mr K Dundo	16	15	2	2	3	3

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services during the year by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001, as the nature of the services was limited to income tax and indirect tax compliance, transaction/compliance related matters and generic accounting advice. All non-audit services have been reviewed and approved to ensure they do not impact the integrity and objectivity of the auditor, and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6.6 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 93.



REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cash Converters International Limited's key management personnel for the financial year ended 30 June 2016. The term "key management personnel" (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Details for each person covered by this report are presented under the following headings:

1. Key management personnel
2. Remuneration policy
3. Relationship between remuneration policy and company performance
4. Remuneration of key management personnel
5. Key terms of employment contracts

1. KEY MANAGEMENT PERSONNEL

The directors and other KMP of the consolidated entity during or since the end of the financial year were:

Non-executive directors

	Position
Mr Stuart Grimshaw	Chairman (appointed 1 September 2015) Non-executive director Remuneration / Nomination Committee member
Mr Reginald Webb	Non-executive director Audit and Risk Committee member Remuneration / Nomination Committee member
Mr Lachlan Given	Non-executive director Remuneration / Nomination Committee Member Audit and Risk Committee member (appointed 1 August 2016)
Mr Kevin Dundo	Non-executive director Chairman of Audit and Risk Committee Chairman of Remuneration / Nomination Committee

Executive director

Mr Peter Cumins	Managing Director
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Executive officers

	Position
Mr Ralph Groom	Chief Financial Officer and Company Secretary
Mr Mark Reid	Chief Executive Officer – Australia Appointed 2 November 2015
Mr Glen Fee	Chief Information Officer
Mr Martyn Jenkins	General Manager UK
Mr Shane Prior	Chief Operating Officer – Stores Became member of KMP 1 July 2016
Mr Sam Budiselik	Chief Operating Officer – Financial Services Australia Appointed 15 February 2016 Resigned 30 June 2016
Mr Michael Cooke	Group Legal Counsel Retired 31 August 2016
Mr Ian Day	General Manager, Australia Retired 31 August 2015

2. REMUNERATION POLICY

2.1 EXECUTIVE REMUNERATION POLICY

The following outlines the policy that applies to executive KMP (and does not apply to non-executive directors):

- Remuneration should be composed of:
 - * Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements),
 - * Short term incentive (STI) which provides a reward for performance against annual objectives, and
 - * Long term incentive (LTI) which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a three year period, and
 - * In total the sum of the elements will constitute a total remuneration package (TRP).
- Both internal relativities and external market factors should be considered,
- Total remuneration packages (TRPs, which include base package and incentives) should be structured with reference to market practices and the circumstances of the Company at the time,
- Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice,
- TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be set with reference to P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long term,
 - * The Board believes that Senior Executives (other than the CEO) should receive a similar mix of remuneration (Base Package relative to STI and LTI) to ensure that there are similar interests in and focus upon group objectives and therefore TRPs may depart from role specific P75 market benchmarks to a minor extent to ensure this outcome,
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role (a range of +/- 20% is specified in line with common market practices),
- Exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired (“Red circle” exceptions),
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

The Group’s remuneration policies were revised at the commencement of the 2016 financial year, and it should be noted that it will take some time for all new practices to be fully migrated into alignment with the Remuneration Policy as some previous practices have been identified as out of alignment with this policy and changes need to be made carefully so as to ensure the Company retains key talent. However base packages currently fall within the policy range outlined, based on benchmarking undertaken during the reporting period.

2.2 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

The non-executive director remuneration policy applies to non-executive directors (NEDs) of the Company in their capacity as directors and as members of committees, and can be summarised as follows:

- Remuneration may be composed of:
 - * Board fees,
 - * Committee fees,
 - * Superannuation,
 - * Other benefits (if appropriate), and
 - * Equity (if appropriate at the time, currently not applicable).
- Remuneration will be managed within the aggregate fee limit (AFL) or fee pool approved by shareholders of the Company – currently \$800,000 in accordance with shareholder approval on 18 November 2015. Fees payable to Directors, as set out in the schedule below, are inclusive of statutory superannuation contributions by the Company.
- Termination benefits will not be paid to NEDs by the Company,



- A policy level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation and exclusive of committee fees) will be set with reference to the P50 (median or middle) of the market of comparable ASX listed companies,
- Committee fees may be used to recognise additional contributions to the work of the Board by members of committees and the inclusion of these should result in outcomes that, when combined with Board Fees, should cluster around the P50 of the market of comparable ASX listed companies,
 - * In relation to the Board Chair, a higher positioning in the market, such as P75, is appropriate for the Company,
- Any NED remuneration package that contains equity shall be set with reference to P75 of the comparable ASX listed company market, with equity representing the gap between P50 orientation and P75 orientation based on relevant market data. This creates consistency between the NED remuneration policy and the remuneration policy applicable to Senior Executives,
 - * Equity was not a component of NED remuneration during FY 2016 and will not apply for FY 2017.

During the year ended 30 June 2016 reporting period the following fees were applicable:

Function	Role	Fee including superannuation
Main board	Chair	\$170,000
	Member	\$95,000
Audit and risk committee	Chair	\$15,000
	Member	\$0
Remuneration committee	Chair	\$15,000
	Member	\$0

2.3 SHORT TERM INCENTIVE (STI) POLICY

The short term incentive policy of the Company, since the commencement of FY 2016 and beyond, is that an annual component of executive remuneration should be at-risk and allow the Company to modulate the cost of employment to align with individual and Company performance while motivating value creation for shareholders:

- The STI should be paid in cash,
- The STI should have a weighting in the remuneration mix that is no greater than the LTI to ensure that executives are focussed on long term value creation,
- STI deferral should not apply since the weighting of STI in the remuneration mix is sufficiently low as to make STI deferral unnecessary and short-term risk taking is managed by overlapping annual grants of LTI.

KPIs selected should address the main drivers of value creation at the Group, business unit or individual level, as may be appropriate to the role, with weightings that reflect the importance of each outcome. It is generally expected that the majority of the STI (highest weighting) will be linked to Group profitability, since this is the main annual outcome that shareholders focus on and for which senior executives are accountable.

2.4 LONG TERM INCENTIVE (LTI) POLICY

The long term incentive policy of the Company, since the commencement of FY 2016 and beyond, is that an annual component of remuneration of executives should be at-risk and based on equity in the Company to ensure that executives hold a stake in the Company to align their interests with those of shareholders and share risk with shareholders:

- The LTI should be based on Performance Rights that vest based on an assessment of performance against objectives,
- The measurement period should be three years,
- There should be two measures of long term performance, one which best reflects internal measures of performance and one which best reflects external measures of performance:

2.4 LONG TERM INCENTIVE (LTI) POLICY (CONTINUED)

- * The measure that has strongest alignment with shareholders is Total Shareholder Return (TSR), however it is now recognised that absolute TSR is influenced by overall economic movements. Therefore future grants of LTI will be offered to executives that vest based on indexed TSR (iTSR) which removes market movements irrelevant to the performance of the Company from assessments of the Company's TSR performance and avoids windfall gains from changes in broad market movements in share prices. More information on iTSR and its reasons for use is given below,
- * The internal measure of performance that is understood to be well accepted by stakeholders and which the Board encourages management to focus on, is earnings per share (EPS), which will be assessed on a growth rate basis against a vesting scale. Earnings per share links to the Company's ability to satisfy its dividend policy and is therefore highly relevant.

2.5 VARIABLE EXECUTIVE REMUNERATION — SHORT TERM INCENTIVE (STI)

The Company replaced its STI plan with one that it believes is better aligned with market best practices, effective 1 July 2015. The new STI plan has the following features:

- Cash based (no deferral due to the mix of STI and LTI being appropriately weighted, with overlapping measurement periods that mitigate the risk of short termism),
- Performance period aligned with the financial year (12 months),
- Majority weighting (60%) on a Normalised EBITDA KPI with a target of 110% of budget, a threshold of 95% of budget and a stretch of 140% of budget,
- The remainder of the STI is weighted across:
 - * Minor weighting (10% to 20%) on strategic objective achievements (milestones that contribute to the delivery of 3 year plans) where appropriate to the individual,
 - * Business unit budget delivery for individuals with responsibility for business units (10% to 20%), and
 - * No more than 10% weighting on individual performance assessment as determined by the Board in the case of the CEO and by the CEO in conjunction with the Board in the case of other Senior Executives,
- Weightings are adjusted as appropriate to the scope and responsibilities of each Senior Executive role,
- A gate of 90% of budget normalised EBITDA applies such that no STI will be payable in relation to any measure if this condition is not exceeded,
- Target STI opportunities for FY 2017 are as follows:
 - * MD/CEO – 50% of Base Package, and
 - * Other Senior Executives – 30% of Base Package.

2.6 VARIABLE EXECUTIVE REMUNERATION — LONG TERM INCENTIVE (LTI) RIGHTS PLAN

The Company replaced its LTI plan with one that it believes is better aligned with market best practices, effective 1 July 2015. The LTI plan that applied for FY 2016 can be summarised as follows:

- The financial instrument is indeterminate performance rights, which is a right to the value of a share to be paid either in cash or Company shares (at the sole discretion of the Board; necessary to address termination benefits for good-leavers, however it would generally be expected that vested Rights would be satisfied in the form of Company shares),
- The measurement period is to be not less than three years in respect of Performance Rights granted under the plan,
- Retesting will not apply,
- The vesting conditions/performance metrics for Performance Rights will be as follows and are intended to address both internal and external measures of Company performance over the long term:

-
-
-
- * A gate of Company TSR being positive for the measurement period will apply before performance against the vesting conditions is assessed to ensure that the LTI will not reward executives when shareholders have lost value,
 - * Grants of LTI are to be made each year in accordance with the remuneration policy,
 - * 50% of the grant (tranche 1) will vest based on a comparison of the Company's TSR of the measurement period against the All Ordinaries Accumulation Index (XAOAI), referred to as an indexed TSR (iTSR) vesting scale:
 - 25% of the tranche will vest when the Company's TSR is equal to the TSR of the index (threshold),
 - 50% of the tranche will vest when the Company's TSR is equal to 150% of the TSR of the index (target), and
 - 100% of the tranche will vest when the Company's TSR is equal to 200% of the TSR of the index (stretch),
 - Outcomes between these levels will be calculated on a pro-rata basis,
 - * 50% of the grant (tranche 2) will vest based on earnings per share (EPS) compound annual growth over the measurement period:
 - 25% of the tranche will vest when the EPS growth rate has been 12% (threshold),
 - 50% of the tranche will vest when the EPS growth rate has been 16% (target), and
 - 100% of the tranche will vest when the EPS growth rate has been 20% or more (stretch),
 - Outcomes between these levels will be calculated on a pro-rata basis,
 - * In the case of a termination for other than special circumstances, unvested Performance Rights will be forfeited,
 - * In the case of a termination in special circumstances (death, disability, redundancy), the grant of Performance Rights made in the year of the termination will be pro-rata forfeited for the period with remaining unvested rights to be tested at the end of the measurement period along with other participants,
 - * In the case of a change of control or major return of capital to shareholders, unvested Performance Rights will vest in the proportion that the share price has risen since the date of grant, and
 - * Target LTI opportunities for FY 2017 are as follows:
 - MD/CEO – 75% of Base Package,
 - Other Senior Executives – 30% of Base Package

Previous grants of LTI were made infrequently, which were intended to vest each year over a number of years, however the previous grants will cease to become available for vesting after FY 2017. The first grant of LTI under the new plan will become available for vesting at the completion of FY 2018, ensuring an appropriate transition to the new LTI and granting structure.

In addition to facilitating the LTI component of remuneration, the new Rights Plan includes the facility to grant Service Rights (which vest based on the completion of a period of service, and which are not intended to be used as part of any LTI arrangement), as well as Deferred Rights which would be suitable for use in the case of deferred STI (currently not applicable) or salary sacrifice arrangements (currently not applicable).

2.7 SECURITIES HOLDING POLICY

The Board currently sees a securities holding policy as unnecessary since executives receive a significant component of remuneration in the form of equity.

2.8 CLAWBACK POLICY

The Board currently holds the view that a clawback policy is not appropriate since the intention of such policies is to return funds to shareholders in the case of an employee causing material misstatements in the financial reports of the Company. The cost and complexity of implementing arrangements that would make it possible for the Company to recover such funds therefore outweigh the unlikely benefit.

3. RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration of executive KMP is composed of three parts as outlined earlier, being:

- Base Package, which is not intended to vary with performance but which tends to increase as the scale of the business increases (i.e. following success),
- STI which is intended to vary with indicators of annual Company and individual performance, and
- LTI which is also intended to deliver a variable reward based on long-term measures of Company performance and aligns the interests of management to shareholders.

The STI payable in relation to the completion of the year ended 30 June 2016 was paid in September 2016. On average 12% of the award opportunity available (i.e. of the maximum opportunity) was paid. This level of award was considered appropriate under the STI scheme that was in place during the year ended 30 June 2016.

4. REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

4.1 PERFORMANCE AND REWARD OUTCOMES FOR YEAR ENDED 30 JUNE 2016

The following outlines the performance of the Company over the year ended 30 June 2016 and the previous four financial years:

	Year ended 30 June				
	2016	2015	2014	2013	2012
Revenue from continuing operations	304,859,498	288,665,787	331,668,907	272,722,719	234,354,795
Net profit before tax from continuing operations	31,171,421	3,854,509	32,040,465	47,664,207	41,425,274
Net profit / (loss) after tax					
- continuing operations	25,893,968	(1,254,783)	21,132,289	32,869,972	29,416,024
- discontinued operations	(31,166,048)	(20,430,307)	-	-	-
Share price (cents)					
- beginning of year	70.0	108.0	107.0	64.5	72.5
- end of year	43.5	70.0	108.0	107.0	64.5
Dividend (cents) (i)					
- interim	2.00	2.00	2.00	2.00	1.75
- final dividend (ii)	1.00	-	2.00	2.00	1.75
Earnings per share (cents) from continuing and discontinued operations					
- basic	(1.09)	(4.69)	5.67	8.09	7.75
- diluted	(1.09)	(4.69)	5.56	7.92	7.63

(i) Franked to 100% at 30% corporate income tax rate.

(ii) Declared after the balance date and not reflected in the financial statements.

Other than with respect to share-based incentives linked to TSR, which are disclosed below, there is no direct relationship between shareholder wealth creation and remuneration, however certain bonuses are paid based on performance targets set for the individual concerned as discussed further in the following section. The performance targets selected are intended to be the key drivers of shareholder wealth creation, on both the short and long term.

Under the old LTI plan, which is still in the process of winding up, upon vesting each performance right equates to one ordinary share. The performance rights are split into multiple tranches and are subject to various vesting conditions. One such vesting condition is the consolidated entity achieving budgeted profit after tax for various periods, should any of the vesting conditions fail to be achieved the performance rights will not vest, consequently there is a direct link between the creation of profit and share based payment remuneration.

4.2 INCENTIVE OUTCOMES FOR YEAR ENDED 30 JUNE 2016

The Board has received and responded to feedback regarding the links between internal and external measures of Company performance and executive remuneration and implemented significant changes for the 2016 financial year as described above. These changes were intended to significantly improve the links between Company performance and executive remuneration and it is accepted that in the past the links have been largely internal.

The STI achieved in relation to the year ended 30 June 2016 was paid after the end of the year when the audit of the Company's accounts was signed off (i.e. during the year ending 30 June 2017). On average 12% of the award opportunity available (i.e. of the maximum opportunity) was paid. For the year ended 30 June 2016 the Company paid short term incentives (STIs) to its senior management team based on meeting short term targets (12 months) as detailed in section 2.5 above.

For the financial year ended 30 June 2016 the Board has reviewed the financial performance of the Group and decided that the LTIs issued under the previous LTI Plan, due to vest in September 2016, would not vest. The previous LTI plan has been replaced for LTIs issued from 1 July 2015 as described above, so as to improve the links between long term value creation for shareholders (external measures of Company performance) and Senior Executive reward. There are still a small number of LTIs issued under the previous Plan that may vest in future years depending on the financial performance of the Group going forward.

4.3 TOTAL REMUNERATION PACKAGE (TRP) OUTCOMES COMPARISON – YEAR ENDED 30 JUNE 2016

Name	Base package incl super		STI achieved (i)			Value of LTI (ii)		TRP
	\$	% of TRP	\$	% of max STI	% of TRP	\$	% of TRP	\$
Mr Peter Cumins	853,601	100%	-	-	-	(1,731,868)	-	(878,267)
Mr Ralph Groom	421,722	77%	-	-	-	123,217	23%	544,939
Mr Mark Reid (iii)	316,665	76%	47,500	11%	11%	52,453	13%	416,618
Mr Ian Day (iv)	326,718	100%	-	-	-	-	-	326,718
Mr Glen Fee	310,043	87%	28,631	100%	8%	16,025	5%	354,699
Mr Martyn Jenkins	296,012	78%	50,000	31%	13%	32,499	9%	378,511
Mr Michael Cooke	543,336	100%	-	-	-	(447,785)	-	95,551
Mr Shane Prior (v)	276,808	84%	41,500	40%	13%	10,295	3%	328,603
Mr Sam Budiselik (vi)	102,015	100%	-	-	-	-	-	102,015

(i) STIs are paid in the financial year following the year to which they relate. The STI in the above table is the STI awarded for the performance period (i.e. the value shown for 2016 is the value earned in FY 2016 and paid during FY 2017).

(ii) Value of LTIs is calculated as the amortised charge of grants of performance rights over their vesting period. In the 2016 year amounts expensed in prior years were reversed due to some rights lapsing, which resulted in some negative LTI values.

(iii) Appointed November 2015

(iv) Retired August 2015

(v) Became member of KMP July 2015

(vi) Appointed February 2016, resigned June 2016

4.4 LINKS BETWEEN COMPANY STRATEGY AND REMUNERATION

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- generally, positioning Base Packages (the fixed element) around P50 of relevant market data benchmarks;
- supplementing the Base Package with at-risk remuneration, being incentives that motivate executive focus on:

4.4 LINKS BETWEEN COMPANY STRATEGY AND REMUNERATION (CONTINUED)

- * short to mid-term objectives linked to the strategy via KPIs and annual performance assessments at the Company, business unit and individual level (see relevant section of this report); and
- * long term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long term focus of executives and the Board, being earnings per share (EPS) and indexed (iTSR).

Following a review of the Group operations during the year ended 30 June 2016, the Company has restructured its operations, with major changes to the UK and Carboodle businesses, including the sale of 44 corporate stores, the closure of a further 15 stores and the wind-down of the personal loan book in the UK. These changes and the ongoing review of the Australian business units is expected to lead to an increase in shareholder return.

4.5 REMUNERATION OF KEY MANAGEMENT PERSONNEL (STATUTORY TABLES)

The following table outlines the remuneration received by directors and senior executives of the Company during the years ended 30 June 2016 and 2015, prepared according to statutory disclosure requirements and applicable accounting standards:

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based payments	Total
	Salary and fees	Cash bonus	Non-monetary benefits	Termination benefits	Superannuation			
	\$	\$	\$	\$	\$	\$	\$	\$
2016								
Non-executive directors								
Mr S Grimshaw	157,500	-	-	-	-	-	-	157,500
Mr R Webb	107,500	-	-	-	-	-	-	107,500
Mr L Given	97,500	-	-	-	-	-	-	97,500
Mr K Dundo	125,000	-	-	-	-	-	-	125,000
Executive director								
Mr P Cumins	764,157	-	70,398	-	19,046	-	(1,731,868)	(878,267)
Other executives								
Mr R Groom	400,159	-	2,638	-	18,925	-	123,217	544,939
Mr M Reid (1)	303,793	47,500	-	-	12,872	-	52,453	416,618
Mr G Fee	286,306	28,631	4,429	-	19,308	-	16,025	354,699
Mr M Jenkins	275,000	50,000	-	-	21,012	-	32,499	378,511
Mr M Cooke	543,336	-	-	-	-	-	(447,785)	95,551
Mr S Prior (2)	257,500	41,500	-	-	19,308	-	10,295	328,603
Mr S Budiselik (3)	93,970	-	-	-	8,045	-	-	102,015
Mr I Day (4)	51,942	-	-	270,332	4,444	-	-	326,718
Total	3,463,663	167,631	77,465	270,332	122,960	-	(1,945,164)	2,156,887
2015								
Non-executive directors								
Mr S Grimshaw	64,583	-	-	-	-	-	-	64,583
Mr R Webb	170,000	-	-	-	-	-	-	170,000
Mr L Given	94,555	-	-	-	-	-	-	94,555
Mr K Dundo	39,253	-	-	-	-	-	-	39,253
Mr W Love (5)	45,833	-	-	-	-	-	-	45,833
Mr J Beal (6)	45,833	-	-	-	-	-	-	45,833
Mr D Carter (7)	18,333	-	-	-	-	-	-	18,333
Executive director								
Mr P Cumins	764,157	200,000	56,346	-	18,783	-	439,817	1,479,103
Other executives								
Mr R Groom	395,643	186,588	18,997	-	17,775	-	221,337	840,340
Mr G Fee	273,973	24,065	-	-	28,314	-	49,079	375,431
Mr M Jenkins (8)	60,288	-	-	-	5,727	-	-	66,015
Mr M Cooke	535,836	-	-	-	-	-	118,350	654,186
Mr I Day	311,652	155,985	-	-	17,775	-	192,467	677,879
Mr D Patrick (9)	235,529	-	3,210	411,705	59,427	-	-	709,871
Mr M Osborne (10)	21,984	-	-	100,665	-	-	-	122,649
Total	3,077,452	566,638	78,553	512,370	147,801	-	1,021,050	5,403,864

- | | |
|-------------------------------------------------|---------------------------|
| (1) Appointed November 2015 | (6) Resigned August 2014 |
| (2) Became member of KMP July 2015 | (7) Deceased January 2015 |
| (3) Appointed February 2016, resigned June 2016 | (8) Appointed April 2015 |
| (4) Retired August 2015 | (9) Resigned March 2015 |
| (5) Resigned August 2014 | (10) Resigned July 2014 |

The STI values reported in this table are the STIs awarded for the performance period, but are paid in the financial year following the year to which they relate (i.e. the value shown for 2016 is the value earned in FY 2016 and paid during FY 2017). The LTI value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested prior to the reporting period (but which may have lapsed or vested in whole or in part during the period).

It should be noted that the remuneration disclosed in relation to Mr Michael Cooke, General Counsel of Cash Converters International Limited, represents consulting fees (a retainer) paid to his firm (Cooke & Co) under a consulting agreement (negotiated 24 September 2001). The fees cover the cost of Mr Cooke's consulting and the work of his firm's colleagues in relation to fulfilling the General Counsel function (solicitor) for Cash Converters International Limited. Mr Cooke retired from this role on 31 August 2016.

4.6 SHARE-BASED PAYMENTS GRANTED AS COMPENSATION FOR THE CURRENT FINANCIAL YEAR

At the annual general meeting held on 18 November 2015, shareholders approved the establishment of the Cash Converters Rights Plan. At the same time, the shareholders passed a resolution authorising the Board to issue 3,730,000 performance rights to the managing director, Mr Peter Cummins. The conditions attaching to those rights were set out in the Explanatory Statement to the Notice of Annual General Meeting.

Under the Cash Converters Rights Plan, the Company may issue performance rights to employees as part of their total remuneration package. The rights are issued free of charge and have no exercise price, but must be earned through service (in the year in which they are granted) and the delivery of performance over a three year Measurement Period. For the year ended 30 June 2016 and in future periods, the grant of Rights will be calculated as follows:

$$\text{Number} = \text{Base package} \times \text{Target LTI \%} \times \text{Tranche Weighting} \div \text{Right Value} \div \text{Target Vesting \%}$$

In the above calculation the Right Value is calculated as the VWAP of the Share Price leading up to the calculation date, less expected dividends over the Measurement Period (based on the most recent dividend year). Because it is intended that stretch LTI vesting will be double the target LTI used in the above calculation, and the stretch level of LTI must be granted up front, it is necessary to divide by the target vesting % to ensure the correct outcome when target performance is achieved. The LTI has been set such that there is an approximately 50% expectation of target vesting, and only a 10% expectation of stretch vesting (i.e. it is indeed that stretch LTI will vest only rarely). The above calculation is the only method of ensuring outcomes are consistent with the Company's policies and remuneration intentions.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current or future financial years is set out below:

Tranche	Grant date	Grant date fair value (i)	Exercise price	Expiry date	Vesting date
		\$	\$		
Tranche 2	30 Nov 2010	0.43	-	14 Oct 2016	14 Oct 2016
Tranche 3	19 Sep 2011	0.32	-	15 Sep 2016	15 Sep 2016
Tranche 9	24 Sep 2013	1.09	-	15 Sep 2016	15 Sep 2016
Tranche 11	25 Sep 2014	1.01	-	15 Sep 2016	15 Sep 2016
Tranche 12	25 Sep 2014	0.96	-	15 Sep 2017	15 Sep 2017
Tranche 13	18 Nov 2015	0.23	-	30 Jun 2018	30 Jun 2018
Tranche 14	18 Nov 2015	0.41	-	30 Jun 2018	30 Jun 2018
Tranche 15	28 Jan 2016	0.26	-	30 Jun 2018	30 Jun 2018
Tranche 16	28 Jan 2016	0.45	-	30 Jun 2018	30 Jun 2018

(i) The grant date fair value is calculated as at the grant date using a Monte Carlo pricing model for tranche 13 and 15 and a binomial pricing model for other tranches.



It should be noted that while the life of the rights granted under the new LTI plan (i.e. the period between grant date and vesting) may be less than three years, due to the requirement to obtain shareholder approvals and other administrative requirements, the Measurement Period will be three years, and aligned with complete financial years.

There has been no alteration of the terms and conditions of the previous share-based payment arrangements since the grant date.

Details of share-based payments granted as compensation to key management personnel during the current financial year:

Name	Tranche	During the financial year			
		Number granted	Number vested	% of grant vested	% of grant forfeited
Mr P Cumins	Tranche 13	1,865,000	-	-	-
Mr P Cumins	Tranche 14	1,865,000	-	-	-
Mr R Groom	Tranche 15	614,280	-	-	-
Mr R Groom	Tranche 16	614,280	-	-	-
Mr M Reid	Tranche 15	422,220	-	-	-
Mr M Reid	Tranche 16	422,220	-	-	-
Mr G Fee	Tranche 15	45,276	-	-	-
Mr G Fee	Tranche 16	45,276	-	-	-
Mr M Jenkins	Tranche 15	261,600	-	-	-
Mr M Jenkins	Tranche 16	261,600	-	-	-
Mr S Prior	Tranche 15	41,009	-	-	-
Mr S Prior	Tranche 16	41,009	-	-	-

During the year, the following key management personnel exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share in Cash Converters International Limited.

Name	Number of options exercised	Number of ordinary shares issued	Amount paid \$	Amount unpaid \$
Mr R Groom	230,000	230,000	-	-
Mr G Fee	51,000	51,000	-	-
Mr S Prior	8,500	8,500	-	-
Mr I Day	200,000	200,000	-	-

The following table summarises the value of options granted and exercised during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Name	Value of options granted at grant date (i) \$	Value of options exercised at exercise date (ii) \$
Mr P Cumins	1,205,687	-
Mr R Groom	438,058	116,150
Mr M Reid	301,095	-
Mr G Fee	32,287	17,170
Mr M Jenkins	186,553	-
Mr S Prior	29,245	4,293
Mr I Day	-	101,000

(i) The value of options granted during the financial year is calculated as at the grant date using a Monte Carlo pricing model for tranches 13 and 15 and a binomial pricing model for tranches 14 and 16. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

(ii) The value of options exercised during the financial year is calculated as at the exercise date, based on the closing market price on the ASX of the Company's shares.

4.6 SHARE-BASED PAYMENTS GRANTED AS COMPENSATION FOR THE CURRENT FINANCIAL YEAR (CONTINUED)

The following table summarises the number of options that lapsed during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Name	Financial year in which the options were granted	Number of options lapsed during the current year
Mr P Cumins	2011	6,000,000
Mr M Cooke	2012	1,800,000
Mr R Groom	2014	76,666
Mr I Day	2014	66,666
Mr G Fee	2014	17,000
Mr R Groom	2015	76,667
Mr I Day	2015	133,333
Mr G Fee	2015	17,000
Mr S Prior	2015	8,500

5. KEY TERMS OF EMPLOYMENT CONTRACTS

Contracts of employment for Mr Peter Cumins and Mr Ralph Groom require a notice period of not less than three months from the executive and 12 months from the Company, to terminate employment. In the event of termination by the Company, the Company may elect that the executive does not serve the notice period, in which case 12 months' salary would be payable. The contracts are rolling with no fixed term.

The contract of employment for Mr Mark Reid requires a notice period of not less than six months by either party to terminate employment. In the event of termination by the Company, the Company may elect that the executive does not serve the notice period, in which case six months' salary would be payable. The contract is rolling with no fixed term.

Contracts of employment for Mr Glen Fee and Mr Martyn Jenkins require a notice period of not less than one month by either party to terminate employment. In the event of termination by the Company, the Company may elect that the executive does not serve the notice period, in which case one month's salary would be payable.

The contract of employment for Mr Shane Prior requires a notice period of not less than four weeks by either party to terminate employment. In the event of termination by the Company, the Company may elect that the executive does not serve the notice period, in which case four weeks' salary would be payable.

The treatment of incentives in the case of termination is addressed in separate sections of this report that give details of incentive design. The incentive plans are designed such that they will not give rise to a termination benefit.

None of the non-executive directors have an employment contract with the Company.

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS
FULLY PAID ORDINARY SHARES OF CASH CONVERTERS INTERNATIONAL LIMITED

	Balance at 1 July 2015	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June 2016
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	10,313,030	-	-	200,000	10,513,030
Mr S Grimshaw	-	-	-	-	-
Mr R Webb	1,012,500	-	-	-	1,012,500
Mr L Given	-	-	-	-	-
Mr K Dundo	-	-	-	-	-
Other key management personnel					
Mr R Groom	19,525	-	230,000	-	249,525
Mr M Reid (1)	-	-	-	-	-
Mr G Fee	51,000	-	51,000	-	102,000
Mr M Jenkins	-	-	-	3,375	3,375
Mr M Cooke	-	-	-	-	-
Mr S Prior (1)	-	-	8,500	(8,500)	-
Mr S Budiselik (1)	-	-	-	-	-
Mr I Day (2)	-	-	200,000	-	200,000
	11,396,055	-	489,500	194,875	12,080,430

(1) Opening balance at date of becoming member of KMP

(2) Closing balance at date of resignation

	Balance at 1 July 2014	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June 2015
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	10,253,030	-	-	60,000	10,313,030
Mr S Grimshaw (1)	-	-	-	-	-
Mr R Webb	1,012,500	-	-	-	1,012,500
Mr L Given (1)	-	-	-	-	-
Mr K Dundo (1)	-	-	-	-	-
Mr W Love (2)	-	-	-	-	-
Mr J Beal (2)	-	-	-	-	-
Mr D Carter (1), (2)	-	-	-	-	-
Other key management personnel					
Mr R Groom	-	-	153,334	(133,809)	19,525
Mr G Fee	17,000	-	34,000	-	51,000
Mr M Jenkins (1)	-	-	-	-	-
Mr M Cooke	-	-	-	-	-
Mr I Day	-	-	133,334	(133,334)	-
Mr D Patrick (2)	-	-	-	-	-
Mr M Osborne (2)	-	-	-	-	-
	11,282,530	-	320,668	(207,143)	11,396,055

(1) Opening balance at date of becoming member of KMP

(2) Closing balance at date of resignation

Performance rights of Cash Converters International Limited

	Balance at 1 July 2015	Granted as remuneration	Options/rights exercised	Options lapsed / forfeited	Balance at 30 June 2016
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	6,000,000	3,730,000	-	(6,000,000)	3,730,000
Mr S Grimshaw	-	-	-	-	-
Mr R Webb	-	-	-	-	-
Mr L Given	-	-	-	-	-
Mr K Dundo	-	-	-	-	-
Other key management personnel					
Mr R Groom	459,999	1,228,560	(230,000)	(153,333)	1,305,226
Mr M Reid (1)	-	844,440	-	-	844,440
Mr G Fee	102,000	90,552	(51,000)	(34,000)	107,552
Mr M Jenkins	-	523,200	-	-	523,200
Mr M Cooke	1,800,000	-	-	(1,800,000)	-
Mr S Prior (1)	25,500	82,018	(8,500)	(8,500)	90,518
Mr S Budiselik (1)	-	-	-	-	-
Mr I Day (2)	399,999	-	(200,000)	(199,999)	-
	8,787,498	6,498,770	(489,500)	(8,195,832)	6,600,936

(1) Opening balance at date of becoming member of KMP

(2) Closing balance at date of resignation

	Balance at 1 July 2014	Granted as remuneration	Options/rights exercised	Options lapsed / forfeited	Balance at 30 June 2015
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	6,000,000	-	-	-	6,000,000
Mr S Grimshaw (1)	-	-	-	-	-
Mr R Webb	-	-	-	-	-
Mr L Given (1)	-	-	-	-	-
Mr K Dundo (1)	-	-	-	-	-
Mr W Love (2)	-	-	-	-	-
Mr J Beal (2)	-	-	-	-	-
Mr D Carter (1), (2)	-	-	-	-	-
Other key management personnel					
Mr R Groom	383,333	230,000	(153,334)	-	459,999
Mr G Fee	85,000	51,000	(34,000)	-	102,000
Mr M Jenkins (1)	-	-	-	-	-
Mr M Cooke	1,800,000	-	-	-	1,800,000
Mr I Day	333,333	200,000	(133,334)	-	399,999
Mr D Patrick (2)	56,666	-	-	(56,666)	-
Mr M Osborne (2)	-	-	-	-	-
	8,658,332	481,000	(320,668)	(56,666)	8,761,998

(1) Opening balance at date of becoming member of KMP

(2) Closing balance at date of resignation



OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year the Group paid \$55,074 to HopgoodGanim, a law firm in which Mr Kevin Dundo is a partner, for legal services. Legal services were provided to the Group on terms and conditions no more favourable than those that it is reasonable to expect the Company would have been charged if dealing at arm's length with an unrelated party.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the directors

Peter Cumins
Director

Perth, Western Australia
30 September 2016

== CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2016

The Company's Corporate Governance Statement can be found on the Company's website at <http://www.cashconverters.com/Governance>.

The following governance-related documents can also be found in the Corporate Governance section of the Company's website:

- Code of conduct
- Continuous disclosure policy
- Audit committee charter
- Remuneration committee charter
- Nomination committee charter
- Share trading policy

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Continuing operations			
Franchise fee revenue		11,467,451	10,648,740
Financial services interest revenue	2.1	212,705,112	208,878,588
Sale of goods	2.1	74,161,465	63,449,932
Other revenues	2.1	6,525,470	5,688,527
Total revenue		304,859,498	288,665,787
Financial services cost of sales		(41,821,050)	(40,687,721)
Cost of goods sold		(40,038,650)	(35,082,317)
Other cost of sales		(4,693,335)	(4,865,047)
Total cost of sales		(86,553,035)	(80,635,085)
Gross profit		218,306,463	208,030,702
Administrative expenses	2.2	(75,419,385)	(71,874,363)
Advertising expenses		(8,334,287)	(6,901,835)
Occupancy expenses	2.2	(15,022,615)	(13,991,580)
Contract termination expense	2.2	-	(29,628,270)
Settlement expense	2.2	-	(23,000,000)
Other expenses	2.2	(76,543,360)	(49,781,754)
Finance costs	2.2	(9,659,027)	(9,072,074)
Share of net profit / (loss) of equity accounted investments	5.2	(2,156,368)	73,683
Profit before income tax		31,171,421	3,854,509
Income tax expense	2.3	(5,277,453)	(5,109,292)
Profit / (loss) for the year from continuing operations		25,893,968	(1,254,783)
Discontinued operations			
Loss for the year from discontinued operations	5.1	(31,166,048)	(20,430,307)
Loss for the year		(5,272,080)	(21,685,090)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(4,153,651)	7,633,797
Other comprehensive (loss) / income for the year		(4,153,651)	7,633,797
Total comprehensive (loss) for the year		(9,425,731)	(14,051,293)
(Loss) attributable to:			
Owners of the Company		(5,271,982)	(21,483,718)
Non-controlling interest		(98)	(201,372)
		(5,272,080)	(21,685,090)
Total comprehensive loss attributable to:			
Owners of the Company		(9,425,633)	(13,849,921)
Non-controlling interest		(98)	(201,372)
		(9,425,731)	(14,051,293)
Earnings / (loss) per share			
<i>From continuing operations</i>			
Basic (cents per share)	2.4	5.37	(0.27)
Diluted (cents per share)	2.4	5.24	(0.27)
<i>From continuing and discontinued operations</i>			
Basic (cents per share)	2.4	(1.09)	(4.69)
Diluted (cents per share)	2.4	(1.09)	(4.69)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	4.1	73,608,681	52,378,665
Trade receivables	3.1	14,754,985	16,096,043
Personal loan receivables	3.2	101,315,301	131,886,047
Inventories	3.3	17,611,803	27,683,578
Prepayments		9,767,192	11,936,995
Current tax receivable		9,850,624	3,600,310
		<hr/>	<hr/>
		226,908,586	243,581,638
Assets associated with discontinued operations	5.1	7,448,377	-
Total current assets		<hr/>	<hr/>
		234,356,963	243,581,638
Non-current assets			
Trade and other receivables	3.1	27,868,087	18,985,690
Plant and equipment	3.4	13,853,519	25,357,910
Deferred tax assets	2.3	13,075,235	10,875,338
Goodwill	3.5	107,008,562	111,408,026
Other intangible assets	3.6	24,034,253	24,706,855
Investments in associates	5.2	4,294,818	6,287,609
Total non-current assets		<hr/>	<hr/>
		190,134,474	197,621,428
Total assets		<hr/>	<hr/>
		424,491,437	441,203,066
Current liabilities			
Trade and other payables	3.7	19,821,259	26,449,716
Borrowings	4.2	70,023,203	60,705,129
Provisions	3.8	22,426,476	25,672,716
Total current liabilities		<hr/>	<hr/>
		112,270,938	112,827,561
Non-current liabilities			
Borrowings	4.2	63,960,904	66,436,795
Provisions	3.8	5,974,723	240,082
Total non-current liabilities		<hr/>	<hr/>
		69,935,627	66,676,877
Total liabilities		<hr/>	<hr/>
		182,206,565	179,504,438
Net assets		<hr/>	<hr/>
		242,284,872	261,698,628
Equity			
Issued capital	4.4	207,539,821	205,399,340
Reserves		(8,725,929)	(2,080,407)
Retained earnings		43,470,029	58,378,646
Equity attributable to owners of the Company		<hr/>	<hr/>
		242,283,921	261,697,579
Non-controlling interests		951	1,049
Total equity		<hr/>	<hr/>
		242,284,872	261,698,628

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued capital	Foreign currency translation reserve	Non- controlling interest acquisition reserve	Share-based payment reserve	Retained earnings to owners of the parent	Attributable to owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	156,679,067	3,062,875	(11,662,250)	2,096,186	98,025,142	248,201,020	(3,494,699)	244,706,321
Loss for the year	-	-	-	-	(21,483,718)	(21,483,718)	(201,372)	(21,685,090)
Exchange differences arising on translation of foreign operations	-	7,633,797	-	-	-	7,633,797	-	7,633,797
Total comprehensive income for the year	-	7,633,797	-	-	(21,483,718)	(13,849,921)	(201,372)	(14,051,293)
Issue of shares (net of costs)	43,837,794	-	-	-	-	43,837,794	-	43,837,794
Dividend reinvestment plan	4,515,708	-	-	-	-	4,515,708	-	-
Share-based payments	-	-	-	1,302,876	-	1,302,876	-	1,302,876
Shares issued on exercise of performance rights	366,771	-	-	(366,771)	-	-	-	-
Dividends paid	-	-	-	-	(18,162,778)	(18,162,778)	-	(18,162,778)
Acquisition of non-controlling interests	-	-	(4,147,120)	-	-	(4,147,120)	3,697,120	(450,000)
Balance at 30 June 2015	205,399,340	10,696,672	(15,809,370)	3,032,291	58,378,646	261,697,579	1,049	261,698,628
Profit for the year	-	-	-	-	(5,271,982)	(5,271,982)	(98)	(5,272,080)
Exchange differences arising on translation of foreign operations	-	(4,153,651)	-	-	-	(4,153,651)	-	(4,153,651)
Total comprehensive income for the year	-	(4,153,651)	-	-	(5,271,982)	(9,425,633)	(98)	(9,425,731)
Dividend reinvestment plan	1,571,904	-	-	-	-	1,571,904	-	1,571,904
Share-based payments	-	-	-	(1,923,294)	-	(1,923,294)	-	(1,923,294)
Shares issued on exercise of performance rights	568,577	-	-	(568,577)	-	-	-	-
Dividends paid	-	-	-	-	(9,636,635)	(9,636,635)	-	(9,636,635)
Balance at 30 June 2016	207,539,821	6,543,021	(15,809,370)	540,420	43,470,029	242,283,921	951	242,284,872

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		261,950,137	242,343,005
Payments to suppliers and employees		(253,760,780)	(256,073,351)
Payment for contract termination		-	(30,053,870)
Payment for settlement expense	2.2	(23,128,219)	-
Interest received		1,622,095	566,316
Interest received from personal loans		94,742,495	98,199,057
Net increase in personal loans advanced		(25,801,507)	(18,007,344)
Interest and costs of finance paid		(10,840,541)	(9,072,074)
Income tax paid		(14,709,711)	(15,065,927)
Net cash flows provided by operating activities	2.7	30,073,969	12,835,812
Cash flows from investing activities			
Net cash paid for acquisition of controlled entities		-	(13,458,891)
Acquisition of intangible assets	3.6	(3,425,868)	(2,602,088)
Purchase of plant and equipment		(5,283,385)	(7,979,308)
Proceeds on disposal of non-current assets		415,172	-
Instalment credit loans repaid by franchisees		92,082	254,710
Net cash flows used in investing activities		(8,201,999)	(23,785,577)
Cash flows from financing activities			
Dividends paid – members of parent entity		(8,064,732)	(13,647,070)
Proceeds from borrowings		77,815,811	24,558,206
Repayment of borrowings		(69,611,786)	(21,470,484)
Capital element of finance lease and hire purchase payment		(103,948)	(364,501)
Payment for change in ownership of a controlled entity		-	(450,000)
Proceeds from issue of shares		-	45,030,000
Share issue costs		-	(1,703,152)
Net cash flows provided by financing activities		35,345	31,952,999
Net increase in cash and cash equivalents		21,907,315	21,003,234
Cash and cash equivalents at the beginning of the year		52,378,665	26,843,072
Effects of exchange rate changes on the balance of cash held in foreign currencies		(677,299)	4,532,359
Cash and cash equivalents at the end of the year	4.1	73,608,681	52,378,665

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



== NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(1) BASIS OF PREPARATION

In this section

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Specific accounting policies are described in the note to which they relate.

Cash Converters International Limited (the Company) is a for-profit company limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange.

The financial report of the Company for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors dated 30 September 2016.

(A) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where noted. The financial report is presented in Australian dollars.

The financial report comprises the consolidated financial report of the Cash Converters Group of companies. Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

Comparative information within the statement of financial position in relation to accrued interest of \$12,024,374 has been reclassified from other receivables, within trade and other receivables to personal loans receivable to be comparable to current year presentation.

(B) CHANGES TO ACCOUNTING POLICIES

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of these amendments has not resulted in any significant changes to the Group's accounting policies nor any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

(1) BASIS OF PREPARATION (CONTINUED)

(B) CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in financial year ending
AASB 9 ' <i>Financial Instruments</i> ', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 ' <i>Revenue from Contracts with Customers</i> ', AASB 2014-5 ' <i>Amendments to Australian Accounting Standards arising from AASB 15</i> ', AASB 2015-8 ' <i>Amendments to Australian Accounting Standards – Effective date of AASB 15</i> '	1 January 2018	30 June 2019
AASB 16 ' <i>Leases</i> '	1 January 2019	30 June 2020
AASB 1057 ' <i>Application of Australian Accounting Standards</i> ' and AASB 2015-9 ' <i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i> '	1 January 2016	30 June 2017
AASB 2014-3 ' <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i> '	1 January 2016	30 June 2017
AASB 2014-4 ' <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> '	1 January 2016	30 June 2017
AASB 2014-9 ' <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> '	1 January 2016	30 June 2017
AASB 2014-10 ' <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ' and AASB 2015-10 ' <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i> '	1 January 2018	30 June 2019
AASB 2015-1 ' <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i> '	1 January 2016	30 June 2017
AASB 2015-2 ' <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i> '	1 January 2016	30 June 2017
AASB 2016-1 ' <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i> '	1 January 2017	30 June 2018
AASB 2016-2 ' <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i> '	1 January 2017	30 June 2018
AASB 2016-5 ' <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i> '	1 January 2018	30 June 2019

(1) BASIS OF PREPARATION (CONTINUED)

(B) CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Impact of changes to Australian Accounting Standards and Interpretations

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

AASB 9 'Financial Instruments', and the relevant amending standards

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 applies to annual periods beginning on or after 1 January 2018. A review of the impact that the application of AASB 15 in the future may have on the amounts reported and disclosures made in the Group's consolidated financial statements is still in process and it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

AASB 16 'Leases'

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 in the future may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group undertakes a detailed review.

(C) KEY JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

- Recoverability of deferred tax assets – see note 2.3(g)
- Provision for ASIC Compliance – see note 3.8

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

- Impairment of goodwill and other intangible assets – see note 3.5 and 3.6
- Useful lives of other intangible assets – see note 3.6
- Impairment of financial assets (including personal loan receivables) – see note 3.2

(1) BASIS OF PREPARATION (CONTINUED)

(D) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Cash Converters International Limited and entities controlled by the Company and its subsidiaries (the Group, as outlined in note 5.3). Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(E) FOREIGN CURRENCY

Both the functional and presentation currency of Cash Converters International Limited and its Australian subsidiaries is Australian dollars (\$). The functional and presentation currency of the non-Australian Group companies is the national currency of the country of operation.

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into Australian dollars at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity, the foreign currency translation reserve.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign currency differences arising on translation are recognised in the income statement.

(F) OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.



(1) BASIS OF PREPARATION (CONTINUED)

(G) CHANGES BETWEEN APPENDIX 4E (PRELIMINARY FINAL REPORT) AND FINANCIAL STATEMENTS

Net profit for the year from continuing operations as included in the financial statements has increased by \$5,805,752 compared to the Appendix 4E released to ASX on 30 August 2016 as a result of:

- (i) finalisation of the Group's taxation calculations; and
- (ii) identification of certain share options which lapsed during the year, prior to vesting.

(2) FINANCIAL PERFORMANCE

In this section

This section explains the results and performance of Cash Converters International Limited and the Cash Converters Group. This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

- a) Accounting policies that are relevant for understanding the items recognised in the financial statements; and
- b) Analysis of the Group's result for the year by reference to key areas, including revenue, results by operating segment and income tax.

2.1 REVENUE

	2016	2015
	\$	\$
<i>Financial services interest revenue</i>		
Personal loan interest	86,075,380	103,616,588
Loan establishment fees	53,484,827	36,370,877
Pawn broking fees	28,127,484	25,799,654
Financial services commission	40,260,082	37,892,349
Vehicle lease interest	2,644,116	3,348,503
Instalment credit loan interest	1,227,398	1,247,301
Other financial services revenue	885,825	603,316
	212,705,112	208,878,588
<i>Sale of goods</i>		
Retail sales	73,728,419	62,556,186
Vehicle trade sales	433,046	893,746
	74,161,465	63,449,932
<i>Other revenue</i>		
Bank interest	593,056	566,316
Other vehicle revenue	4,920,021	4,443,405
Other revenue	1,012,393	678,806
	6,525,470	5,688,527

2.1 REVENUE (CONTINUED)

*Accounting policies*Franchise fees

Franchise fees and levies in respect of particular services are recognised as income when they become due and receivable and the costs in relation to the income are recognised as expenses when incurred.

Personal loan, vehicle finance, vehicle lease and pawn broking interest

Interest revenue in relation to personal loans, vehicle finance, vehicle leases and pawn broking is accrued on a time basis 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.

Loan establishment fee revenue

Establishment fees are deferred and recognised over the life of the loans at the effective interest rate applicable so as to recognise revenue at a constant rate to the underlying principal over the expected life of the loan.

Other vehicle revenue

Charges relating to the vehicle leases such as vehicle maintenance, warranty, registration and insurance are recognised over the life of the lease.

Other categories of revenue

Other categories of revenue, such as financial services commission and retail sales, are recognised when the consolidated entity has transferred the risks and rewards of the goods to the buyer or when the services are provided. Bank interest is recognised as earned on an accruals basis.

2.2 EXPENSES

	2016	2015
	\$	\$
<i>Administrative expenses</i>		
Employee benefits	70,638,825	64,520,629
Share-based payments (i)	(1,923,294)	1,302,876
Superannuation expense	5,320,126	4,575,941
Motor vehicle / travel costs	1,383,728	1,474,917
	75,419,385	71,874,363
(i)	During the year ended 30 June 2016 a number of performance rights issued to employees of the Company lapsed unvested, and share-based payments expense amounts that had been expensed in prior years in respect of these rights were reversed, resulting in a negative share-based payments expense for the year. Refer to note 6.5 for further information on share-based payments.	
<i>Occupancy expenses</i>		
Rent	10,937,482	10,095,815
Outgoings	1,839,307	2,461,381
Other	2,245,826	1,434,384
	15,022,615	13,991,580

2.2 EXPENSES (CONTINUED)

	Notes	2016 \$	2015 \$
<i>Other expenses</i>			
Legal fees		3,636,073	3,042,438
Area agent fees / commission		16,344,966	16,803,584
Professional and registry costs		5,075,509	3,566,710
Auditing and accounting services		671,014	782,131
Communications expenses		2,673,400	2,650,026
Bank charges		3,110,716	4,279,337
Loss on write down of assets		3,736,679	1,373
IT implementation costs		2,771,928	-
ASIC compliance settlement provision	3.8	12,500,000	-
Green Light Auto restructure costs		2,227,773	-
Other expenses from ordinary activities		16,928,636	11,770,936
Depreciation		3,588,842	3,434,514
Amortisation		3,277,824	3,450,705
		76,543,360	49,781,754
<i>Finance costs</i>			
Interest		9,592,142	9,012,439
Finance lease charge		66,885	59,635
		9,659,027	9,072,074

Contract termination expense

During the year ended 30 June 2015, the Group settled on contracts to effect the termination of agency agreements with development agents Kentsleigh Pty Ltd and Cliffview Pty Ltd ("Development Agents"). Cash consideration of \$30,800,000 was paid to the Development Agents, of which \$29,628,270 was recorded as Contract Termination expenses in the statement of profit or loss and other comprehensive income and \$746,130 was recorded as an intangible asset in the statement of financial position.

Settlement expense

The settlement expense during the year ended 30 June 2015 related to the settlement of the NSW Class Action claim. Class members comprised borrowers in New South Wales who took loans from Cash Converters subsidiaries and franchisees during the period 1 July 2010 to 30 June 2013. Refer to note 3.8 for further details.

Accounting policies

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 3.8. The policy relating to share-based payments is set out in note 6.5.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the

2.2 EXPENSES (CONTINUED)

lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 4.2 below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment

Impairment expenses are recognised to the extent that the carrying amount of assets exceeds their recoverable amount. Refer to note 3.5 for further details on impairment.

2.3 TAXATION

This note sets out the Group tax accounting policies and provides an analysis of the Group's income tax expense / benefit and deferred tax balances, including a reconciliation of tax expense to accounting profit.

Income tax is accounted for using the balance sheet method. Accounting income is not always the same as taxable income, creating timing differences. These differences usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised in the statement of financial position.

(A) CONSOLIDATED INCOME STATEMENT

The major components of tax expense are:

	2016	2015
	\$	\$
<i>Current income tax expense</i>		
Current year	7,867,930	2,410,755
Adjustment for prior years	(134,342)	(441,146)
<i>Deferred income tax expense</i>		
Temporary differences	(2,634,775)	3,139,683
Adjustment for prior years	178,640	-
Income tax expense reported in income statement	5,277,453	5,109,292
Tax reconciliation		
Profit / (loss) before tax from continuing operations	31,171,421	3,854,509
Income tax at the statutory rate of 30% (2015: 30%)	9,351,426	1,156,353
Adjustments relating to prior years	44,299	756,643
Income tax rate differential	(1,625,025)	(408,078)
Non-deductible items	(2,677,479)	(2,099,405)
Tax effect of share-based payment expense	(652,592)	262,876
Impairment of tax losses	836,824	5,358,315
Other	-	82,588
Income tax expense on profit before tax	5,277,453	5,109,292

2.3 TAXATION (CONTINUED)

(B) DEFERRED TAX

Deferred income tax in the balance sheet relates to the following:

	2016	2015
	\$	\$
<i>Deferred tax assets</i>		
Allowance for doubtful debts	7,892,162	7,710,385
Accruals	572,901	222,512
Provision for employee entitlements	1,985,806	1,765,326
Other provisions	691,080	868,548
Other	2,942,799	3,459,699
Carry forward losses	2,792,090	1,240,475
	16,876,838	15,266,945
<i>Deferred tax liabilities</i>		
Fixed assets	(2,582,306)	(3,243,071)
Intangible assets	(1,219,297)	(1,148,536)
	(3,801,603)	(4,391,607)
Net deferred tax assets	13,075,235	10,875,338
<i>Reconciliation of net deferred tax assets</i>		
Opening balance at beginning of period	10,875,338	13,543,414
Tax benefit / (expense) during period recognised in profit or loss	2,634,776	(2,595,991)
Prior year adjustment	(178,640)	-
Other	(256,239)	(72,085)
Closing balance at end of period	13,075,235	10,875,338

(C) UNRECOGNISED DEFERRED TAX BALANCES

Deferred income tax in the balance sheet relates to the following:

Tax losses - revenue	5,253,332	5,989,351
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(D) CARRY FORWARD TAX LOSSES

Carry forward losses of \$2,792,090 (2015: \$1,240,475) have been recognised in relation to the Group's UK operations, which are currently loss making. Refer to note 5.1 for more information on the UK operations and background to current period losses, and note 2.3(g) for further information supporting the recognition of these losses.

(E) TAX CONSOLIDATION

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Cash Converters International Limited. The members of the tax-consolidated group are identified in note 5.3.

2.3 TAXATION (CONTINUED)

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Cash Converters International Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligation. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(F) ACCOUNTING POLICIES

Current taxes

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. All are calculated at the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred taxes

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. A deferred tax liability is not recognised in relation to the temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(G) KEY ESTIMATE: DEFERRED TAX ASSETS

A net deferred tax asset of \$13,075,235 (2015: \$10,875,338) has been recognised in the consolidated statement of financial position. This includes \$2,792,090 (2015: \$1,240,475) of carried forward tax losses in relation to the Group's UK operations, which have an indefinite availability period subject to satisfaction of the same ownership and continuity of business tests. This tax benefit is expected to be realised over the next 3 to 5 years when taxable profits through future profitable operations are expected to be generated to utilise the carried forward tax losses. A deferred tax asset for the UK operations has only been recognised to the extent tax losses are recoverable against future earnings.

In making this assessment, a forward looking estimation of taxable profit was made, based on management's best estimate of future UK performance from continuing operations as at 30 June 2016.

Continuing operations in Australia were profitable during the current year and the Australian tax group is expected to continue to be profitable, therefore supporting the recognition of net deferred tax assets in Australia.

2.4 EARNINGS PER SHARE

Earnings per share (EPS) is the amount of post-tax profit / (loss) attributable to each share. Basic EPS is calculated on the Company's statutory profit for the year divided by the weighted average number of shares outstanding. Diluted EPS adjusts the basic EPS for the dilutive effect of any instruments, such as options, that could be converted into ordinary shares. The calculation of basic earnings per share has been based on the following profit / (loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Reconciliation of earnings used in calculating earnings per share

	2016	2015
	\$	\$
<i>Basic and diluted earnings per share</i>		
Profit / (loss) attributable to shareholders of the Company used in calculating earnings per share		
From continuing operations	25,894,066	(1,053,411)
From discontinued operations	(31,166,048)	(20,430,307)
	<u>(5,271,982)</u>	<u>(21,483,718)</u>

Weighted average number of shares used as the denominator

	Number	Number
Weighted average number of shares - basic	482,214,271	458,052,281
Dilutive effect of performance rights	11,866,600	-
Weighted average number of shares - diluted	<u>494,080,871</u>	<u>458,052,281</u>

The number of potential ordinary shares not included in the above calculation is 14,798,151 (2015: 9,406,538).

2.5 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 managing director (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 consolidated entity'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 pawn broking operations at corporate owned stores in Australia.

Financial services – personal loans

This segment comprises the Cash Converters Personal Finance personal loans business.

Financial services - administration

This segment comprises 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.

2.5 SEGMENT INFORMATION (CONTINUED)

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).

The segmental profit analysis has been presented for both financial years for continuing operations only. Refer to note 5.1 for information related to the Group's discontinued operations.

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies.

The following is an analysis of the consolidated entity'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 managing director (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance.

2.5 SEGMENT INFORMATION (CONTINUED)

	Franchise operations	Store operations	Financial services - administration	Financial services – personal loans	Vehicle financing	Corporate head office	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2016							
Interest revenue (i)	2,052,596	56,487,718	7,251,619	144,169,742	2,743,437	-	212,705,112
Other revenue	20,943,203	83,878,785	6,995,085	1,510	5,397,868	14,320	117,230,771
Gross revenue	22,995,799	140,366,503	14,246,704	144,171,252	8,141,305	14,320	329,935,883
Less inter-company sales	(7,542,681)	(11,131,675)	(6,995,085)	-	-	-	(25,669,441)
Segment revenue	15,453,118	129,234,828	7,251,619	144,171,252	8,141,305	14,320	304,266,442
External interest revenue (ii)	-	77,170	825	472,973	5,063	37,025	593,056
Total revenue	15,453,118	129,311,998	7,252,444	144,644,225	8,146,368	51,345	304,859,498
EBITDA (iii) (iv)	7,270,483	17,419,605	8,135,335	57,402,016	(4,598,838)	(37,931,488)	47,697,113
Less inter-company eliminations	(1,447,477)	6,121,071	(899,432)	1,220,114	-	(4,994,276)	-
Segment EBITDA	5,823,006	23,540,676	7,235,903	58,622,130	(4,598,838)	(42,925,764)	47,697,113
Depreciation and amortisation	(234,843)	(3,935,312)	(6,937)	(295,550)	(132,709)	(2,261,314)	(6,866,665)
EBIT	5,588,163	19,605,364	7,228,966	58,326,580	(4,731,547)	(45,187,078)	40,830,448
Interest expense	-	(1,235)	-	(4,115,158)	(508,378)	(5,034,256)	(9,659,027)
Profit / (loss) before tax from continuing operations	5,588,163	19,604,129	7,228,966	54,211,422	(5,239,925)	(50,221,334)	31,171,421

2.5 SEGMENT INFORMATION (CONTINUED)

	Franchise operations	Store operations	Financial services - administration	Financial services – personal loans	Vehicle financing	Corporate head office	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2015							
Interest revenue (i)	1,602,770	56,910,070	9,061,999	137,955,246	3,348,503	-	208,878,588
Other revenue	17,348,462	73,076,699	5,664,795	-	5,366,709	3,086,836	104,543,501
Gross revenue	18,951,232	129,986,769	14,726,794	137,955,246	8,715,212	3,086,836	313,422,089
Less inter-company sales	(6,724,478)	(11,985,028)	(5,664,795)	-	-	(948,317)	(25,322,618)
Segment revenue	12,226,754	118,001,741	9,061,999	137,955,246	8,715,212	2,138,519	288,099,471
External interest revenue (ii)	-	81,405	2,162	396,971	15,973	69,805	566,316
Total revenue	12,226,754	118,083,146	9,064,161	138,352,217	8,731,185	2,208,324	288,665,787
EBITDA (iii) (v)	5,965,054	19,705,552	8,262,594	30,002,676	(2,687,167)	(41,422,107)	19,826,602
Less inter-company eliminations	(958,083)	5,664,795	101,600	-	-	(4,808,312)	-
Segment EBITDA	5,006,971	25,370,347	8,364,194	30,002,676	(2,687,167)	(46,230,419)	19,826,602
Depreciation and amortisation	(247,279)	(4,548,904)	(2,894)	(317,042)	(151,492)	(1,632,408)	(6,900,019)
EBIT	4,759,692	20,821,443	8,361,300	29,685,634	(2,838,659)	(47,862,827)	12,926,583
Interest expense	-	(11,029)	-	(3,214,558)	(843,634)	(5,002,853)	(9,072,074)
Profit / (loss) before tax from continuing operations	4,759,692	20,810,414	8,361,300	26,471,076	(3,682,293)	(52,865,680)	3,854,509

- (i) Interest revenue comprises personal loan interest cash advance fee income, pawn broking 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
- (iv) Includes ASIC compliance settlement provision of \$12,500,000 in corporate head office
- (v) Includes contract termination expense of \$824,670 in store operations, \$4,256,000 in financial services – administration and \$24,547,600 in financial services – personal loans and class action settlement expense of \$23,000,000 in corporate head office

2.5 SEGMENT INFORMATION (CONTINUED)

	2016	2015
	\$	\$
Consolidated entity assets by reportable segment		
Franchise operations	39,991,908	16,079,365
Store operations	84,052,287	116,808,665
Financial services – administration	18,055,038	18,856,029
Financial services – personal loans	226,471,578	232,389,279
Vehicle financing	13,260,321	14,738,476
Total of all segments	381,831,132	398,871,814
Unallocated assets	35,211,928	42,331,252
Total segment assets	417,043,060	441,203,066
Assets relating to discontinued operations		
Unallocated	7,448,377	-
Consolidated total assets	424,491,437	441,203,066

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

Consolidated entity liabilities by reportable segment

Franchise operations	-	2,448,768
Store operations	7,636,321	17,287,960
Financial services – administration	47,026	5,510,500
Financial services – personal loans	87,559,011	105,462,805
Vehicle financing	10,291,270	9,786,525
Total of all segments	105,533,628	140,496,558
Unallocated liabilities	76,672,937	39,007,880
Consolidated total liabilities	182,206,565	179,504,438

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

Other segment information

	Depreciation, amortisation and impairment *		Additions to non-current assets	
	2016	2015	2016	2015
Franchise operations	1,998,675	1,761,508	4,009,607	6,198,528
Store operations	3,935,312	3,872,079	3,182,210	12,563,973
Financial services – administration	6,937	238,853	-	746,130
Financial services – personal loans	295,550	861,287	158,549	314,056
Vehicle financing	132,709	151,492	136,123	184,454
Total of all segments	6,369,184	6,885,219	7,486,489	20,007,141
Unallocated	497,482	-	321,380	-
Total	6,866,666	6,885,219	7,807,869	20,007,141

* Depreciation, amortisation and impairment from continuing operations

2.5 SEGMENT INFORMATION (CONTINUED)

Geographical information

The consolidated entity operates in two principal geographical areas – Australia (country of domicile) and the United Kingdom. The consolidated entity's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		Non-current assets	
	2016	2015	2016	2015
Australia	295,435,256	278,875,390	143,654,471	145,653,727
United Kingdom	8,967,467	9,330,240	1,241,863	15,819,065
Rest of world	456,775	460,157	-	-
	304,859,498	288,665,787	144,896,334	161,472,792

Non-current assets include property, plant and equipment, goodwill and other intangible assets, and exclude deferred tax assets, trade and other receivables and other financial assets.

2.6 DIVIDENDS

	2016		2015	
	Per share	Total	Per share	Total
	\$	\$	\$	\$
Recognised amounts				
Final dividend – prior year				
100% franked at 30%	-	-	0.02	8,585,247
Interim dividend – current year				
100% franked at 30%	0.02	9,636,635	0.02	9,577,531
	0.02	9,636,635	0.04	18,162,778
Unrecognised amounts				
Final dividend – current year				
100% franked at 30%	0.01	4,849,760	-	-

On 29 April 2016 the Company paid a fully franked interim dividend of 2.0 cents per share in respect of the financial year ended 30 June 2016. The total interim dividend paid was \$9,636,635.

On 30 August 2016 the Company announced that it would pay a fully franked final dividend of 1.0 cent per share in respect of the financial year ended 30 June 2016. The dividend will be fully franked and will be paid on 28 October 2016 to those shareholders on the register at the close of business on 14 October 2016. The Company Dividend Reinvestment Plan (DRP) will apply to this dividend, providing shareholders with the option to reinvest all or part of their eligible dividends at a discount of 2.5% to the 5 day VWAP up to and including the record date.

The Company has Australian franking credits available of \$67,786,471 on a tax paid basis (2015: \$57,433,108).

2.7 NOTES TO CASH FLOW STATEMENT

Reconciliation of loss to net cash flow from operating activities:

	2016	2015
	\$	\$
(Loss) after tax	(5,272,080)	(21,685,090)
Non-cash adjustment to reconcile profit after tax to net cash flows:		
Amortisation	3,333,948	3,450,705
Depreciation	5,292,662	5,587,353
Impairment of non-current assets	2,247,551	7,587,315
Share-based payments	(1,923,294)	1,302,876
Loss on disposal of non-current assets	12,878,123	1,373
Share of net (profit) / loss of equity accounted investment	2,032,007	(73,683)
Changes in assets and liabilities:		
Trade and loan receivables	14,916,935	7,790,582
Inventories	7,647,971	(871,840)
Other assets	975,781	(939,832)
Trade and other payables	(6,691,563)	19,517,317
Provisions	3,502,745	1,125,371
Income tax payables	(8,866,817)	(9,956,635)
Net cash provided by operating activities	30,073,969	12,835,812

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(3) ASSETS AND LIABILITIES

In this section

This section shows the assets used to generate Cash Converters' trading performance and the liabilities incurred as a result. Information on other assets and liabilities are in the following sections:

- Section 2 – Deferred tax assets and liabilities
- Section 4 – Financing activities
- Section 5 – Equity-accounted investments

3.1 TRADE AND OTHER RECEIVABLES

Current

Trade receivables	(i)	5,940,409	6,482,075
Allowance for impairment losses		(2,308,958)	(2,552,611)
Total trade receivables (net)		3,631,451	3,929,464
Finance lease receivables	(ii)	4,090,646	4,915,480
Vehicle finance loans	(iii)	1,103,614	-
Vendor finance loans	(iv)	1,048,988	-
Other receivables	(v)	4,880,286	7,251,099
Total trade receivables		14,754,985	16,096,043

3.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

		2016	2015
		\$	\$
Non-current			
Finance lease receivables	(ii)	2,677,018	4,152,507
Vehicle finance loans	(iii)	2,102,161	-
Loan to associate	(vi)	14,841,429	14,779,585
Vendor finance loans	(iv)	8,163,955	-
Other receivables	(v)	83,524	53,598
Total trade and other receivables		27,868,087	18,985,690

- (i) Trade receivables include weekly franchise fees, wholesale sales, pawn broking fees, cash advance fees, default fees and OTC fees. Where the collection of the debtor is doubtful, an allowance for impairment losses is recognised. The average credit period on sales is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2% per month on the outstanding balance.
- (ii) The Group entered into finance lease arrangements with customers for leasing of vehicles. All leases are denominated in Australian dollars. The average term of finance leases entered into is 4 years. The Group has ceased entering into such finance lease arrangements from March 2016.
- (iii) Vehicle finance loans are secured loans advanced for financing the purchase of vehicles. The average term of these loans is 4.5 years and the average interest rate of 24.5%.
- (iv) Vendor finance loans are loans made to purchasers of the Group's UK corporate stores during the year as part of the purchase agreement. The loans have various terms of up to 6 years, and after an initial interest free period, bear interest at rates between nil and 9%. The receivables are held at amortised costs. No receivables are past due or impaired at 30 June 2016 (2015: nil).
- (v) Other receivables include GST receivable, development agent fees outstanding, sub-master license sales, Mon-E fees, financial commission and instalment credit loans.
- (vi) Commercial loan advanced to Cash Converters Holdings LP (New Zealand master franchisee) with a maturity date of 15 September 2018. Interest is charged quarterly at a rate of 8% per annum.

As at 30 June the ageing analysis of trade receivables was as follows:

0 to 30 days	3,623,717	3,564,463
31 to 60 days past due not impaired	883	-
61 to 90 days past due not impaired	6,851	-
90 + days past due not impaired	-	365,001
Considered impaired	2,308,958	2,552,611
Balance at end of year	5,940,409	6,482,075

3.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounting policy

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as trade and other receivables and are measured at amortised costs using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Allowance for impairment losses

As at 30 June 2016 trade receivables and instalment credit loans of \$2,308,958 (2015: \$2,552,611) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2016	2015
	\$	\$
Balance at beginning of year	2,552,611	2,343,601
Impairment losses recognised on receivables	311,292	209,010
Amounts written off as uncollectible	(554,945)	-
Balance at end of year	2,308,958	2,552,611

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	\$	\$	\$	\$
Not later than one year	7,029,584	8,629,484	5,173,710	5,608,220
Later than one year and not later than five years	7,613,940	13,132,189	2,677,018	4,152,507
	14,643,524	21,761,673	7,850,728	9,760,727
Less unearned finance income	(6,792,796)	(12,000,946)	-	-
Present value of minimum lease payments receivable	7,850,728	9,760,727	7,850,728	9,760,727
Allowance for uncollectible lease payments	(1,083,064)	(692,740)	(1,083,064)	(692,740)
	6,767,664	9,067,987	6,767,664	9,067,987

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at \$2,213,466 (30 June 2015: \$2,436,913). The residual amounts have been excluded from the above calculations in the present value amounts – the amounts only relate to the minimum repayments.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 26.6% (30 June 2015: 27.6%) per annum.

3.2 PERSONAL LOAN RECEIVABLES

		2016	2015
		\$	\$
Current			
Personal short term loans	(i), (ii)	139,526,313	173,542,051
Allowance for impairment losses		(26,301,848)	(29,104,301)
Deferred establishment fees	(iii)	(11,909,164)	(12,551,703)
Total personal loan receivables		<u>101,315,301</u>	<u>131,886,047</u>

(i) The credit period provided in relation to personal short term unsecured loans varies from 30 days to 12 months. Interest is charged on these loans at a fixed rate which varies dependent on the state or country of origin. An allowance has been made for estimated unrecoverable amounts arising from loans already issued, which has been determined by reference to past default experience. Before accepting any new customers, the consolidated entity uses an external scoring system to assess the potential customer's credit quality and define credit limits by customer. There is no concentration of credit risk within the personal loan book.

(ii) Refer to note 1(g) for information in relation to reclassification of accrued interest income as at 30 June 2015.

(iii) Deferred establishment fees relate to establishment fees charged on personal loans. The full amount of the fee is deferred at the commencement of the loan and is recognised through the income statement at an effective interest rate over the life of the loan. The balance shown above reflects the amount of the fees still to be recognised at the end of the reporting period.

As at 30 June the ageing analysis of personal loan receivables was as follows:

0 to 30 days	110,461,090	138,184,591
31 to 60 days past due not impaired	1,434,022	3,470,740
61 to 90 days past due not impaired	401,278	1,378,082
90 + days past due not impaired	160,537	759,707
Considered impaired	<u>27,069,386</u>	<u>29,748,931</u>
Balance at end of year	<u>139,526,313</u>	<u>173,542,051</u>

Allowance for impairment losses

As at 30 June 2016 personal loan receivables of \$26,301,848 (2015: \$29,104,301) were impaired and fully provided for. Movements in the provision for impairment of personal loan receivables were as follows:

Balance at beginning of year	29,104,301	31,135,507
Impairment losses recognised on receivables	39,302,975	41,270,137
Amounts written off as uncollectible	<u>(42,105,428)</u>	<u>(43,301,343)</u>
Balance at end of year	<u>26,301,848</u>	<u>29,104,301</u>

In determining the recoverability of a personal loan, the consolidated entity considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Accounting policy

Loan receivables that have fixed or determinable payments that are not quoted in an active market are classified as loan receivables and are measured at amortised costs using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Key estimate – impairment of financial assets

The impairment of personal loans requires the consolidated entity to assess impairment regularly. The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at reporting date based on their experienced judgment. The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics. The historical loss experience is adjusted based on current observable data and events. The use of such judgments and reasonable estimates is considered appropriate.

3.3 INVENTORIES

	2016	2015
	\$	\$
New and pre-owned goods at cost	16,926,741	26,343,262
New and used motor vehicles at cost	685,062	1,340,316
	<u>17,611,803</u>	<u>27,683,578</u>

Accounting policies

Inventories are valued at the lower of cost and net realisable value. Costs, including purchase costs on a first in first out basis are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.4 PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	Equipment under finance lease	Leasehold improvements under finance lease	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 1 July 2014	11,251,563	29,092,902	18,970	1,049,277	41,412,712
Additions	1,605,851	6,373,457	-	-	7,979,308
Disposals	(9,588)	(1,058,293)	-	-	(1,067,881)
Foreign currency exchange differences	371,535	1,923,749	-	-	2,295,284
Balance at 30 June 2015	<u>13,219,361</u>	<u>36,331,815</u>	<u>18,970</u>	<u>1,049,277</u>	<u>50,619,423</u>
Additions	2,651,925	1,346,055	-	-	3,997,980
Transfers to intangible assets	-	(4,626,451)	-	-	(4,626,451)
Disposals	(3,497,193)	(19,746,233)	(18,970)	(1,202)	(23,263,598)
Foreign currency exchange differences	(28,637)	(186,734)	-	-	(215,371)
Balance at 30 June 2016	<u>12,345,456</u>	<u>13,118,452</u>	<u>-</u>	<u>1,048,075</u>	<u>26,511,983</u>

3.4 PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Plant and equipment	Equipment under finance lease	Leasehold improvements under finance lease	Total
	\$	\$	\$	\$	\$
<i>Depreciation and impairment</i>					
Balance at 1 July 2014	3,821,095	14,284,390	18,970	701,494	18,825,949
Disposals	(9,588)	(1,056,921)	-	-	(1,066,509)
Depreciation expense	1,520,475	3,937,056	-	129,822	5,587,353
Impairment	162,288	268,394	-	-	430,682
Foreign currency exchange differences	176,062	1,307,976	-	-	1,484,038
Balance at 30 June 2015	5,670,332	18,740,895	18,970	831,316	25,261,513
Disposals	(2,106,408)	(15,679,312)	(18,970)	-	(17,804,690)
Depreciation expense	1,693,455	3,477,608	-	121,599	5,292,662
Impairment	-	116,301	-	-	116,301
Foreign currency exchange differences	(24,603)	(182,719)	-	-	(207,322)
Balance at 30 June 2016	5,232,776	6,472,773	-	952,915	12,658,464
<i>Net book value</i>					
As at 30 June 2015	7,549,029	17,590,920	-	217,961	25,357,910
As at 30 June 2016	7,112,680	6,645,679	-	95,160	13,853,519

Total depreciation expense for the year ended 30 June 2016 includes \$1,703,820 of depreciation (2015: \$2,152,839) relating to discontinued operations.

Accounting policies

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	8 years
Plant and equipment	5 years
Equipment under finance lease	5 years
Fixtures and fittings	8 years

3.5 GOODWILL

	Notes	2016 \$	2015 \$
Gross carrying amount			
Balance at beginning of year		118,564,660	110,726,057
Additional amounts recognised from business combinations occurring during year		-	8,792,395
Adjustments arising on finalisation of acquisition accounting		-	(2,665,410)
Derecognised on disposal of discontinued operations	5.1	(11,458,794)	-
Foreign currency exchange differences		(97,304)	1,711,618
Balance at end of year		107,008,562	118,564,660
Accumulated impairment losses			
Balance at beginning of year		7,156,633	-
Impairment losses for year		1,353,851	7,156,633
Derecognised on disposal of discontinued operations	5.1	(8,514,558)	-
Foreign currency exchange differences		4,074	-
Balance at end of year		-	7,156,633
Net carrying amount			
At beginning of year		111,408,026	110,726,058
At end of year		107,008,562	111,408,026

Accounting policies

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the consolidated entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 GOODWILL (CONTINUED)

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:

- Financial services – administration (Mon-E)
- Financial services – personal loans (CCPF)
- Corporate stores (Australia)
- Corporate stores (UK)

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	2016	2015
	\$	\$
Financial services – administration (Mon-E)	17,292,967	17,292,967
Financial services – personal loans (CCPF)	73,268,103	73,268,103
Corporate stores (Australia)	16,447,492	16,447,493
Corporate stores (UK)	-	4,399,463
	107,008,562	111,408,026

Goodwill arising on Australian store acquisitions

The goodwill recognised as a result of the acquisition of Australian franchise stores is allocated between corporate stores (Australia) and financial services – personal loans (CCPF).

Impairment losses recognised

Year ended 30 June 2016

Impairment testing of non-current assets, including those with indefinite useful lives, using value in use calculations, at 31 December 2015 identified goodwill balances of \$1,353,851, other intangible asset balances of \$777,399 and plant and equipment balances of \$116,301 that were not considered recoverable. These balances related to specific stores within the UK corporate stores network. Subsequent to the impairment testing, all of the UK corporate stores were sold, resulting in the derecognition of any related goodwill as part of the loss on disposal. These disposals occurred following the strategic decision to sell the UK corporate retail operations to allow capital to be allocated elsewhere within the Group. Refer to note 5.1 for further information.

Year ended 30 June 2015

Impairment testing of non-current assets, including those with indefinite useful lives, using value in use calculations, for the year ended 30 June 2015 identified goodwill balances of \$7,156,634 and property, plant and equipment of \$430,681 that were not considered recoverable.

These balances related to specific stores within the UK corporate stores network. Following the introduction of the Consumer Credit (Cost Cap) 2014 in the United Kingdom in January 2015, there was a drop in personal and cash advance loan volumes, impacting the overall profitability of the UK operations. As a result of this legislation, further compounded by continued challenging trading conditions for certain stores, the impairment charges noted above were recognised.

Impairment testing

Commentary on impairment testing approach applicable to all CGUs

Impairment modelling for each cash generating unit (CGU) has been prepared separately. Working capital requirements are factored into the modelling based on historic requirements for each CGU, and vary in line with revenue growth. Capital investment, required to run the business (i.e. replacement and non-expansionary capital expenditure) has been included based on detailed estimates for the next financial year and incremental growth in subsequent years consistent with increasing revenues.

The recoverable value of all non-current assets, including goodwill, property, plant and equipment (note 3.4) and other intangible assets (note 3.6) is assessed using the impairment testing as outlined in this note.

3.5 GOODWILL (CONTINUED)

Impact of regulations

Both the financial services – administration (Mon-E) and personal loans (CCPF) businesses operate in a regulated industry. Any future changes to applicable legislation may have a significant impact on the consolidated entity's operations, and returns generated, in a positive or negative manner.

The impairment testing for these businesses is based on management's expectation of performance, taking into account applicable legislative requirements at the date of the impairment testing, being 30 June 2016. Any material change to legislation impacting these businesses in future periods may have a significant positive or negative impact on future performance.

Financial services – administration (Mon-E)

The recoverable value of Mon-E is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 14.4% per annum (2015: 13.2% per annum).

Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a 2.5% growth rate (2015: 2.5%).

Revenue is forecast to decrease in the first year of the five year forecast period due to decreasing loan volumes as a result of changes to the Group's credit assessment processes as a result of the regulatory review discussed in note 3.8, before recovering with the average growth rate assumed over years 2 to 5 being below the levels historically observed. Forecast EBITDA margins reduce due to volume decreases resulting from changes in the credit assessment process.

Financial services – personal loans (CCPF)

The recoverable amount for Cash Converters Personal Finance is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 14.5% per annum (2015: 13.3% per annum).

Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a 2.5% growth rate (2015: 2.5%).

Revenue is forecast to decrease in the first two years of the five year forecast period due to decreasing loan volumes as a result of changes to the Group's credit assessment processes as a result of the regulatory review discussed in note 3.8, before recovering with the average growth rate over years 3 to 5 being below the levels historically observed. Forecast bad debt rates are comparable to recent rates experienced, and forecast EBITDA margins reduce as a result of forecast increases in costs, due largely to the above changes in the credit assessment process, as well as amendments to the Group's loan products.

Corporate stores (Australia)

The recoverable amount for Australian corporate stores is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 12.5% per annum for Australia (2015: 13.7% per annum).

Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a 2.5% growth rate (2015: 2.5%).

Cash advance revenue is forecast to decrease in the first year of the five year forecast period due to decreasing loan volumes as a result of changes to the Group's credit assessment processes as a result of the regulatory review discussed in note 3.8, before recovering with the average growth rate assumed over years 2 to 5 being below the levels historically observed. Forecast EBITDA margins reduce as a result of forecast increases in costs, due largely to the above changes in the credit assessment process.

Impairment sensitivity disclosures

As noted above, based on the impairment testing completed for all cash generating units, management believe that apart from CCPF, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of cash-generating unit.

The impact of changes to key assumptions for the recoverable amount of the CCPF operations are summarised below.

3.5 GOODWILL (CONTINUED)

CGU	CCPF
Carrying value	\$83,375,535
Discount rate (pre-tax)	12.0%
Discount rate (pre-tax) required to trigger impairment / breakeven recoverable value	20.9%
Adverse change to forecast compound growth required to trigger impairment / breakeven recoverable value	-22.2%
Adverse change to bad debt write-off required to trigger impairment / breakeven recoverable value	+4.4%

3.6 OTHER INTANGIBLE ASSETS

Allocation of other intangible assets to cash generating units

Other intangible assets are allocated to their respective cash-generating unit and tested for impairment annually. Refer to note 3.5 for details of impairment testing. The recoverable value of other intangible assets is assessed using the same assumptions and methods as the goodwill for the related cash generating units

The carrying amount of reacquired rights, and trade names / customer relationships allocated to cash generating units that are significant individually or in aggregate is as follows:

	2016	2015
	\$	\$
Franchise operations (Australia)	8,317,666	6,747,862
Franchise operations (UK)	1,221,646	1,700,000
Financial services – administration (Mon-E)	746,130	746,130
Financial services – personal loans (CCPF)	10,829,634	5,393,612
Corporate stores (Australia)	2,908,608	4,826,343
Corporate stores (UK)	-	5,281,036
Vehicle leasing	10,569	11,872
	<u>24,034,253</u>	<u>24,706,855</u>

Categories of other intangible assets

	Reacquired rights	Trade names & customer relationships	Software	Software under finance lease	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 1 July 2014	8,421,908	15,421,835	10,058,904	446,588	34,349,235
Acquisitions through business combinations	631,839	174,210	-	-	806,049
Additions	746,130	-	1,855,958	-	2,602,088
Disposals	-	-	(13,232)	-	(13,232)
Adjustments *	1,438,000	1,340,000	-	-	2,778,000
Foreign currency exchange differences	122,001	-	7,507	-	129,508
Balance at 30 June 2015	<u>11,359,878</u>	<u>16,936,045</u>	<u>11,909,137</u>	<u>446,588</u>	<u>40,651,648</u>

3.6 OTHER INTANGIBLE ASSETS (CONTINUED)

Categories of other intangible assets (continued)

	Reacquired rights	Trade names & customer relationships	Software	Software under finance lease	Total
	\$	\$	\$	\$	\$
Additions	172,035	-	3,637,854	-	3,809,889
Transfers from plant & equipment	-	-	4,626,451	-	4,626,451
Disposals	(3,697,657)	(68,000)	(5,702,175)	(397,895)	(9,865,727)
Foreign currency exchange differences	(134,769)	-	(408)	-	(135,177)
Balance at 30 June 2016	7,699,487	16,868,045	14,470,859	48,693	39,087,084

Amortisation and impairment

Balance at 1 July 2014	3,339,030	5,398,845	3,358,238	353,256	12,449,369
Disposals	-	-	(13,232)	-	(13,232)
Amortisation expense	1,207,512	1,107,429	1,095,764	40,000	3,450,705
Foreign currency exchange differences	50,444	-	7,507	-	57,951
Balance at 30 June 2015	4,596,986	6,506,274	4,448,277	393,256	15,944,793
Disposals	(1,837,707)	(162,983)	(2,587,337)	(384,563)	(4,972,590)
Amortisation expense	480,468	1,043,355	1,770,125	40,000	3,333,948
Impairment	777,399	-	-	-	777,399
Foreign currency exchange differences	(30,310)	-	(409)	-	(30,719)
Balance at 30 June 2016	3,986,836	7,386,646	3,630,656	48,693	15,052,831

* Adjustments in the 2015 financial year arose from the finalisation of acquisition accounting

Net book value

As at 30 June 2015	6,762,892	10,429,771	7,460,860	53,332	24,706,855
As at 30 June 2016	3,712,651	9,481,399	10,840,203	-	24,034,253

Total amortisation expense for the year ended 30 June 2016 includes \$56,124 of amortisation (2015: nil) relating to discontinued operations.

The useful economic life of reacquired rights is assessed on an individual asset basis in accordance with AASB 3 Business Combinations and AASB 138 Intangible Assets, where the useful economic life is equal to the remaining life of each store's franchise agreement with the consolidated entity, in place at the acquisition date. The directors review the useful economic life annually.

The useful economic life of customer relationships is assessed on an individual asset basis, and is currently amortised over five years from the date of acquisition; being the historic average customer life. The directors review the useful economic life annually.

Trade names are stated at cost to the consolidated entity and relate to amounts recognised either through the buy-back of overseas sub-master license rights, or through direct acquisition of regional sub-master rights in Australia by Cash Converters Pty Ltd. The depreciable amount of all trade names is amortised on a straight-line basis over their useful economic life, where material. The useful economic life of the trade names has been assessed on an individual asset basis and is not more than 100 years from the date of acquisition. The directors review the useful economic life annually.

3.6 OTHER INTANGIBLE ASSETS (CONTINUED)

Accounting policies

Trade names

Trade names are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the asset's estimated useful lives of 100 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Customer relationships

Customer relationships are recorded at fair value at acquisition date less accumulated amortisation and impairment. Customer relationships are recognised when franchise operations are acquired by the consolidated entity as required under AASB 3 Business Combinations and AASB 138 Intangible Assets and are amortised over 5 years; being the historic average customer life.

Reacquired rights

Reacquired rights are recorded at fair value at acquisition date less accumulated amortisation and impairment. Reacquired rights are recognised when franchise operations are acquired by the consolidated entity as required under AASB 3 'Business Combinations' and AASB 138 'Intangible Assets', and are amortised over the remaining life of the right concerned or the useful economic life of the asset where the reacquired right is indefinite.

Software

Software development expenditure incurred is recognised when it is possible that future economic benefits that are attributable to the asset will flow to the entity. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised on a straight line basis over the estimated useful life of 8 years; which is based on historic experience

Key estimate – useful lives of other intangible assets

The consolidated entity reviews the estimated useful lives of other intangible assets at the end of each annual reporting period. The estimation of the remaining useful lives of the other intangible assets requires the entity to make significant estimates based on both past performance and expectations of future performance. The carrying amount of other intangible assets at the balance sheet date was \$24,034,253 (2015: \$24,706,855).

3.7 TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Current		
Trade payables	2,414,691	6,592,330
Accruals	17,406,568	19,857,386
	19,821,259	26,449,716

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the allowed credit period in order to avoid the payment of interest on outstanding accounts.

3.8 PROVISIONS

		2016	2015
		\$	\$
Current			
Employee benefits		6,321,245	5,644,339
Fringe benefits tax		49,206	28,377
Class action settlement	(i)	-	20,000,000
ASIC compliance	(ii)	12,500,000	-
Onerous lease contracts	(iii)	2,204,494	-
Other		1,351,531	-
		22,426,476	25,672,716
Non-current			
Employee benefits		298,111	240,082
Onerous lease contracts	(iii)	5,676,612	-
		5,974,723	240,082

(i) The provision for Class Action Settlement related to the settlement of the NSW Class Action claim. Class members comprised borrowers in New South Wales who took loans from Cash Converters subsidiaries and franchisees during the period 1 July 2010 to 30 June 2013.

(ii) Cash Converters has been co-operating with an investigation by ASIC into its compliance with the responsible lending provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth). Discussions between Cash Converters and ASIC as to the most appropriate resolution to this matter are continuing. Accordingly, the Company has recognised a provision of \$12.5 million in respect of any potential compliance issues in its credit assessment processes. The provision is based on Cash Converters' best estimate of the likely outcome of discussions with ASIC at the date of this financial report.

(iii) The provision for onerous lease contracts relates to the Group's discontinued UK operations

Accounting policies

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and personal leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Key estimate – ASIC compliance provision

As disclosed in note 6.7, as at 30 June 2016 the Group has recognised a provision in respect of potential compliance issues in its credit assessment processes.

(4) CAPITAL STRUCTURE AND FINANCING COSTS

In this section

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Board determines the appropriate capital structure of Cash Converters, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance the Group's activities both now and in the future.

The Board considers Cash Converters, capital structure and its dividend policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

4.1 CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash on hand	2,831,149	3,609,478
Cash at bank	70,777,532	48,769,187
	73,608,681	52,378,665

Cash at bank includes restricted cash of \$21,059,967 (2015: \$11,256,938) 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 (2015: Westpac Bank). The facility prescribes that cash deposited in this account can only be used to fund new principal advances. Surplus funds at the end of the period are redistributed in keeping with the terms of the securitisation facility.

4.2 BORROWINGS

Current

Securitisation facility	(i)	67,047,088	57,731,221
Loans – vehicle finance	(ii)	2,944,723	2,869,873
Hire purchase and lease liabilities		31,392	104,035
		70,023,203	60,705,129

Non-current

Loans – vehicle finance	(ii)	4,431,672	7,129,205
Bonds	(iii)	59,451,760	59,198,726
Hire purchase and lease liabilities		77,472	108,864
		63,960,904	66,436,795

(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 personal loan receivables originated by CCPF, which have been assigned to the Trust and generally have a maturity of less than twelve months. Collections from Trust receivables are used to pay interest of the securitisation facility, with the remainder remitted to CCPF on a monthly basis. The facility has been presented as a current liability because the Trust does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting period. In the ordinary course of business the consolidated entity currently expects to utilise this facility until at least 15 March 2019.

(ii) Loans – Vehicle Finance represents a vehicle leasing facility with FleetPartners for the provision of high quality fully maintained vehicles for the use of Green Light Auto's customers. The underlying financing from FleetPartners is repayable in line with the contractual repayments from the customer and is therefore repayable over the underlying vehicle lease term.

(iii) Represents a September 2013 issue of \$60 million of senior unsecured 7.95% notes which mature in September 2018 with FIIG Securities Limited. Direct borrowing costs have been capitalised and offset against the liability.

4.2 BORROWINGS (CONTINUED)

Accounting policies

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	2016	2015
	\$	\$
<hr/>		
Total facilities		
Bank overdrafts	300,000	504,708
Securitisation facilities	100,000,000	70,000,000
Bond	60,000,000	60,000,000
Term loans	-	10,000,000
	<hr/>	<hr/>
	160,300,000	140,504,708
Used at balance date		
Bank overdrafts	-	-
Securitisation facilities	68,750,000	57,923,291
Bond	60,000,000	60,000,000
Term loans	-	-
	<hr/>	<hr/>
	128,750,000	117,923,291
Unused at balance date		
Bank overdrafts	300,000	504,708
Securitisation facilities	31,250,000	12,076,709
Bond	-	-
Term loans	-	10,000,000
	<hr/>	<hr/>
	31,550,000	22,581,417

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates are variable and are currently between two and two and three quarter percentage points above the bank base rate.

Refer to note 4.3 for further information in relation to financial instruments.

Loan covenants and review events

The Group has borrowing facilities which are subject to various covenants and review events.

4.3 FINANCIAL RISK FACTORS

The Cash Converters Group's activities expose the Group to a variety of financial risks: market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Financial risk and capital management is carried out in accordance with policies approved by the Board. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rates, liquidity, foreign exchange and credit risk. The Audit and Risk Committee assists the Board in monitoring the implementation of risk management policies.

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	73,608,681	52,378,665
Trade and other receivables	42,623,072	35,081,733
Personal loan receivables	101,315,301	131,886,047
	217,547,054	219,346,445
Financial liabilities		
Trade and other payables	19,821,259	26,449,716
Borrowings	133,984,107	127,141,924
	153,805,366	153,591,640

The Group has no material financial assets or liabilities that are held at fair value.

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(C) MARKET RISK

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(D) FOREIGN CURRENCY RISK MANAGEMENT

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are relatively small and spot rates are normally used. There are no foreign currency denominated monetary assets or monetary liabilities in the consolidated entity at the reporting date (2015: nil).



4.3 FINANCIAL RISK FACTORS (CONTINUED)

(E) INTEREST RATE RISK MANAGEMENT

The Company and the consolidated entity are exposed to interest rate risk as entities in the consolidated group borrow funds at variable rates and place funds on deposit at variable rates. Personal loans issued by the consolidated entity are at fixed rates. The risk is managed by the consolidated entity by monitoring interest rates.

The Company and the consolidated entity's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used because this represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by approximately \$1,141 (2015: decrease/increase by approximately \$288,656).

The Group's sensitivity to interest rates has decreased during the current period mainly due to repaying variable rate borrowings and increasing its fixed rate finance leases.

(F) CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than its franchisees. The consolidated entity has a policy of obtaining sufficient collateral or other securities from these franchisees. The majority of loans within the financing division relate to loans made by Cash Converters Personal Finance which makes both secured and unsecured personal loans. Credit risk is present in relation to all unsecured loans made which is managed within an agreed corporate policy on customer acceptance and ongoing review of recoverability.

(G) LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Included in note 4.2 is a listing of additional undrawn facilities that the Company / consolidated entity has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial liabilities

The following table details the consolidated entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

To the extent that interest flows are at floating rates, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the consolidated entity may be required to pay.

4.3 FINANCIAL RISK FACTORS (CONTINUED)

	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
2016					
Non-interest bearing	0.00	19,821,259	-	-	19,821,259
Finance lease liability – fixed rate	7.59	3,202,002	5,364,755	-	8,566,757
Fixed interest rate instruments	7.95	-	70,732,500	-	70,732,500
Variable interest rate instruments	7.90	74,181,250	-	-	74,181,250
		97,204,511	76,097,255	-	173,301,766
2015					
Non-interest bearing	0.00	26,449,716	-	-	26,449,716
Finance lease liability – fixed rate	7.50	3,196,951	8,866,634	-	12,063,585
Fixed interest rate instruments	7.95	-	75,502,500	-	75,502,500
Variable interest rate instruments	5.20	59,982,739	-	-	59,982,739
		89,629,406	84,369,134	-	173,998,540

Financial assets

The following table details the consolidated entity's expected maturity for its financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company / consolidated entity anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
2016					
Non-interest bearing	0.00	6,105,518	-	-	6,105,518
Fixed interest rate instruments	112.94	175,673,042	17,600,000	-	193,273,042
Variable interest rate instruments	1.07	69,714,597	-	-	69,714,597
		251,493,157	17,600,000	-	269,093,157
2015					
Non-interest bearing	0.00	17,569,267	-	-	17,569,267
Fixed interest rate instruments	120.05	186,991,512	18,800,000	-	205,791,512
Variable interest rate instruments	1.51	48,381,137	-	-	48,381,137
		252,941,916	18,800,000	-	271,741,916

The amounts included above for variable interest rate instruments for both assets and liabilities is subject to change if actual rates differ from those applied in the above average calculations.

4.3 FINANCIAL RISK FACTORS (CONTINUED)

(H) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial assets and liabilities are determined on the following basis:

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2016 and 30 June 2015 the Group has no material financial assets and liabilities that are measured on a recurring basis at fair value.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 30 June 2016 and 30 June 2015, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

The fair value of the monetary financial assets and financial liabilities is based upon market prices where a market price exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

4.4 ISSUED CAPITAL

	2016	2015	2016	2015
	Number	Number	\$	\$
Balance at beginning of year	481,248,259	428,886,124	205,399,340	156,679,067
Issued during the year				
Dividend reinvestment plan	3,144,278	4,586,133	1,571,904	4,515,708
Shares issued on exercise of performance rights	583,500	376,002	568,577	366,771
Placement	-	47,400,000	-	45,030,000
Share issue costs	-	-	-	(1,192,206)
Balance at end of year	484,976,037	481,248,259	207,539,821	205,399,340

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

(5) GROUP STRUCTURE

In this section

This section provides information which will help users understand how the group structure affects the financial position and performance of the Group as a whole. The Group includes entities that are classified as associates, which are accounted for using the equity method.

In this section of the notes there is information about:

Transactions with non-controlling interests; and

Changes to the structure that occurred during the year as a result of business combinations or the disposal of a discontinued operation.

5.1 DISCONTINUED OPERATIONS

(A) DESCRIPTION

On 29 February 2016, the Company announced that its UK operation would return to its original role as a master franchisor and subsequently disposed of all the assets and liabilities of the majority of its corporate owned stores to franchisees, with the remainder closed, and ceased lending through its UK personal loan book. Assets disposed included plant and equipment, intangible assets (reacquired rights, trade names and customer relationships) and store inventory.

(B) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The results of the discontinued operations (UK retail and personal loan business) included in the loss for the year are set out below. During the year ended 30 June 2016 these results were included in the store operations and financial services – personal loans operating segments. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2016	2015
	\$	\$
Revenue	74,467,074	86,226,852
Expenses	(93,302,599)	(99,069,844)
Impairment of non-current assets	(2,247,551)	(7,587,315)
Loss on disposal of assets	(10,082,972)	-
Loss before income tax	(31,166,048)	(20,430,307)
Income tax expense	-	-
Loss after income tax of discontinued operations	(31,166,048)	(20,430,307)
<i>Net cash flows from discontinued operations</i>		
Net cash outflows from operating activities	(6,050,046)	(1,447,932)
Net cash inflows from investing activities	415,172	2,164,337
Net cash outflows from financing activities	(13,521)	(137,940)
Net cash (outflows) / inflows from discontinued operations	(5,648,395)	578,465

5.1 DISCONTINUED OPERATIONS (CONTINUED)

Accounting policies

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(C) LOSS ON DISPOSAL OF ASSETS

	2016
	\$
Consideration received	
Cash	251,735
Deferred sales proceeds	9,900,165
Total consideration received	<u>10,151,900</u>
Assets disposed	
Current assets	9,779,679
Plant and equipment	4,937,704
Goodwill	2,807,941
Other intangible assets	2,709,548
Total assets disposed	<u>20,234,872</u>
Loss on disposal of assets	<u>10,082,972</u>

(D) ASSETS ASSOCIATED WITH DISCONTINUED OPERATIONS

The following assets were reclassified as associated with discontinued operations as at 30 June 2016:

	2016	2015
	\$	\$
Assets associated with discontinued operations		
Personal loan receivables	7,448,377	-

5.2 INVESTMENT IN ASSOCIATES

Balances of the investments in associates and joint ventures are as follows:

Balance at beginning of year	6,287,609	6,213,926
Net profit / (loss) for year	(1,392,037)	73,683
Write off of investment in associate	(764,331)	-
Foreign exchange adjustment in value of investment	163,577	-
Balance at end of year	<u>4,294,818</u>	<u>6,287,609</u>

Associates are those entities over which Cash Converters has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

5.2 INVESTMENT IN ASSOCIATES (CONTINUED)

The financial statements include Cash Converters' share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. If Cash Converters' share of losses exceeds its interest in an associate, their carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Cash Converters has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between Cash Converters and its associates are eliminated to the extent of Cash Converters' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

During the year, the Company held an investment in the New Zealand Cash Converters Master Franchisor. The Company holds a 25% equity interest in all aspects of the New Zealand enterprise, including corporate stores, franchise contracts and financial services.

In the prior year, the Company was involved in a joint venture with EZCORP Inc in South America and Mexico. During the year ended 30 June 2016 EZCORP Inc made a decision to close this operation and accordingly the Company's 20% equity interest in the joint venture of \$764,331 was written off during the year.

5.3 CONTROLLED ENTITIES

(A) COMPOSITION OF THE GROUP

Controlled entities of Cash Converters International Limited:

Name of entity	Country of incorporation	Ownership interest	
		2016	2015
BAK Property Pty Ltd (1)	Australia	100%	100%
Cash Converters (Cash Advance) Pty Ltd (1) (2)	Australia	100%	100%
Cash Converters Finance Corporation Limited	Australia	64.33%	64.33%
Cash Converters (NZ) Pty Ltd	Australia	100%	100%
Cash Converters Personal Finance Pty Ltd (1) (2)	Australia	100%	100%
Cash Converters Pty Ltd (1) (2)	Australia	100%	100%
Cash Converters (Stores) Pty Ltd (1) (2)	Australia	100%	100%
Cash Converters UK Holdings PLC	UK	100%	100%
Cash Converters USA, Inc	USA	99.285%	99.285%
Cash Converters USA Limited	Australia	99.285%	99.285%
Finance Administrators of Australia Pty Ltd (1) (2)	Australia	100%	100%
Green Light Auto Group Pty Limited (1) (2)	Australia	100%	100%
Mon-E Pty Ltd (1) (2)	Australia	100%	100%
Safrock Finance Corporation (QLD) Pty Ltd (1) (2)	Australia	100%	100%
Safrock Finance Corporation WA Pty Ltd (1) (2)	Australia	100%	100%
CCPF Warehouse Trust No 1	Australia	-	100%
CCPF Receivables Trust No 1	Australia	100%	-

(1) These companies are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2016.

(2) These companies are members of the tax consolidated group.

5.3 CONTROLLED ENTITIES (CONTINUED)

(B) DEED OF CROSS GUARANTEE

Cash Converters International Limited and certain wholly-owned companies (the Closed Group), identified in (a) above, are parties to a Deed of Cross Guarantee (the Deed). The effect of the Deed is that members of the Closed Group guarantee to each creditor payment in full of any debt in the event of winding up of any of the members under certain provisions of the Corporations Act 2001. ASIC Class Order 98/1418 (as amended) provides relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports, subject to certain conditions as set out therein.

Pursuant to the requirements of this Class Order, a summarised consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016 and consolidated Statement of Financial Position as at 30 June 2016, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following pages.

Summarised statement of profit or loss and comprehensive income

	2016	2015
	\$	\$
Profit / (loss) before income tax	14,500,532	1,607,191
Income tax benefit / (expense)	(7,417,899)	(5,046,765)
Total comprehensive income	7,082,633	(3,439,574)

Summary of movements in Closed Group's retained earnings

Retained earnings at beginning of year	87,302,134	111,023,851
Net profit / (loss)	7,082,633	(5,558,939)
Dividends paid or provided for	(9,636,635)	(18,162,778)
Retained earnings at end of year	84,748,132	87,302,134

5.3 CONTROLLED ENTITIES (CONTINUED)

Statement of financial position

	2016	2015
	\$	\$
Current assets		
Cash and cash equivalents	68,696,815	45,100,663
Trade receivables	12,038,115	30,231,344
Personal loan receivables	101,315,301	101,512,744
Inventories	17,444,611	16,188,446
Other assets	9,101,816	8,947,418
Current tax receivable	9,850,624	3,600,310
Total current assets	218,447,282	205,580,925
Non-current assets		
Trade and other receivables	42,564,087	53,669,724
Plant and equipment	13,833,302	19,219,346
Deferred tax assets	10,283,144	9,523,712
Goodwill	107,008,562	107,554,692
Other intangible assets	22,812,606	19,990,382
Investments in associates	4,294,818	6,287,609
Other financial assets	30,250,139	30,250,139
Total non-current assets	231,046,658	246,495,604
Total assets	449,493,940	452,076,529
Current liabilities		
Trade and other payables	18,099,298	39,420,596
Borrowings	70,023,203	60,691,522
Provisions	20,221,982	5,672,716
Total current liabilities	108,344,483	105,784,834
Non-current liabilities		
Borrowings	63,960,904	66,436,795
Provisions	298,111	240,082
Total non-current liabilities	64,259,015	66,676,877
Total liabilities	172,603,498	172,461,711
Net assets	276,890,442	279,614,818
Equity		
Issued capital	207,539,821	205,399,340
Reserves	(15,397,511)	(13,086,656)
Retained earnings	84,748,132	87,302,134
Total equity	276,890,442	279,614,818

5.4 PARENT ENTITY DISCLOSURES

The financial information of the parent entity, Cash Converters International Limited has been prepared on the same basis as the consolidated financial report.

(A) STATEMENT OF FINANCIAL POSITION

	2016	2015
	\$	\$
Assets		
Current assets	5,071,726	3,452,819
Non-current assets	267,284,669	253,423,027
Total assets	272,356,395	256,875,846
Liabilities		
Current liabilities	-	-
Non-current liabilities	60,000,000	60,000,000
Total liabilities	60,000,000	60,000,000
Net assets	212,356,395	196,875,846
Equity		
Issued capital	207,539,810	192,599,681
Reserves	540,420	-
Retained earnings	4,276,165	4,276,165
Total equity	212,356,395	196,875,846

(B) COMPREHENSIVE INCOME

Profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

(C) GUARANTEES ENTERED INTO BY PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIE

Cross guarantees have been provided by the parent entity and its controlled entities as listed in note 5.3. The fair value of the cross guarantee has been assessed as \$Nil based on the underlying performance of the entities in the cross guarantee.

Guarantee provided under the deed of cross guarantee (1)	2,140,975	2,140,975
----------------------------------------------------------	-----------	-----------

(1) Cash Converters International Limited has provided a cross guarantee to HSBC for a BACS facility provided to CCIUK.

(6) OTHER ITEMS

In this section

This section includes additional information not disclosed elsewhere in the report but required to be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations*.

6.1 CONTINGENT LIABILITIES

In the course of its normal business the consolidated entity occasionally receives claims and writs for damages and other matters arising from its operations. Where, in the opinion of the directors it is deemed appropriate, a specific provision is made, otherwise the directors deem such matters are either without merit or of such kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the economic entity if disposed of unfavourably.

The Company has been co-operating with an investigation by ASIC into its compliance with the responsible lending provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth). Discussions between Cash Converters and ASIC as to the most appropriate resolution to the matter are continuing. A provision of \$12,500,000 has been recognised as at 30 June 2016 as disclosed in note 3.8. The provision is based on Cash Converters' best estimate of the likely outcome of discussions with ASIC at the date of this financial report, and therefore could ultimately vary if the final terms differ to those currently anticipated.

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 by Mr Sean Lynch, seeking to commence 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 30 July 2009 to 30 June 2013.

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 by Ms Kim McKenzie 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.

Since 1 July 2013 all Cash Converters lending has been undertaken in accordance with the national regulatory regime introduced by the Federal Government. These proceedings attack the brokerage fee system used for customers between 30 July 2009 and 30 June 2013. The brokerage fee system has not been used since 30 June 2013.

The potential financial impact of either class action noted above cannot be reliably estimated at this time given the early stage of proceedings.

The directors are not aware of any other material contingent liabilities in existence as at 30 June 2016 requiring disclosure in the financial statements. For events subsequent to 30 June 2016 giving rise to contingent liabilities, refer to note 6.7.

6.2 COMMITMENTS

Operating leases

Operating leases relate to office accommodation and retail premises with lease terms of between 5 to 10 years, with an option to extend for a further 5 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease commitments payable:

	2016	2015
	\$	\$
Within one year	12,440,462	13,137,443
One to five years	30,005,994	35,484,635
Later than five years	7,561,480	11,599,805
	50,007,936	60,221,883

6.2 COMMITMENTS (CONTINUED)

Capital expenditure

As at 30 June 2016, capital expenditure commitments were \$390,513 (2015: \$1,800,000).

6.3 RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling party of the Group is Cash Converters International Limited.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year the Group paid \$55,074 to HopgoodGanim, a law firm in which Mr Kevin Dundo is a partner, for legal services. Legal services were provided to the Group on terms and conditions no more favourable than those that it is reasonable to expect the Company would have been charged if dealing at arm's length with an unrelated party.

EZCORP Inc (EZCORP) is a related party of the Company because the Company is an associate due to the substantial holding of the Company's listed shares by EZCORP. The balances and transactions between the Company and EZCORP relate to the South American and Mexican joint venture (refer note 5.2).

Other than share based payments (as disclosed in note 6.5) and shareholdings of key management personnel (as disclosed in the remuneration report), the parent, its subsidiaries, associates and key management personnel made no related party transactions during the reporting period.

6.4 KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of directors and other members of key management personnel of Cash Converters International Limited during the year are:

- Mr Stuart Grimshaw (Non-Executive Chairman)
- Mr Reginald Webb (Non-Executive Director)
- Mr Lachlan Given (Non-Executive Director)
- Mr Kevin Dundo (Non-Executive Director)
- Mr Peter Cumins (Managing Director)
- Mr Mark Reid (General Manager – Australia, appointed 2 November 2015)
- Mr Ralph Groom (Company Secretary, Chief Financial Officer)
- Mr Glen Fee (Chief Information Officer)
- Mr Martyn Jenkins (General Manager – UK)
- Mr Shane Prior (Chief Operating Officer – Stores, became member of KMP 1 July 2015)
- Mr Sam Budiselik (Chief Operating Officer – Financial Services Australia, appointed 15 February 2016, resigned 30 June 2016)
- Mr Michael Cooke (Legal Counsel, retired 31 August 2016)
- Mr Ian Day (General Manager – Australia, retired 31 August 2015)

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

	2016	2015
	\$	\$
Short-term employee benefits	3,979,091	4,235,013
Post-employment benefits	122,960	147,801
Share-based payments	(1,945,164)	1,021,050
	2,156,887	5,403,864

6.5 SHARE-BASED PAYMENTS

Cash Converters rights plan

The Cash Converters rights plan, which was approved by shareholders on 18 November 2015, allows the directors of the Company to issue performance rights which will vest into ordinary shares in the Company upon the achievement of certain vesting conditions. As at 30 June 2016, the shareholders had approved the issue of 15,920,500 performance rights under the Company's previous rights plan, approved by shareholders on 30 November 2010 and 6,634,152 performance rights under the new rights plan, to the managing director and the Company's senior management team in various tranches with each tranche containing different vesting conditions.

Each right entitles the holder to subscribe for one fully paid ordinary share in the Company at the exercise price of nil. During the reporting period, a total of 6,634,152 performance rights were granted in Tranches 13, 14, 15 and 16 to senior executives of the Company.

The following arrangements were in existence during the current reporting period:

Tranche	Grant date	Number of rights	Grant date fair value	Exercise price	Expiry date
2	30 Nov 2010	6,000,000	\$0.43	\$0.00	14 Oct 2016
3	19 Sep 2011	1,800,000	\$0.31	\$0.00	1 Jul 2016
6	25 Sep 2012	176,997	\$0.68	\$0.00	1 Jul 2015
8	24 Sep 2013	199,001	\$1.15	\$0.00	1 Jul 2015
9	24 Sep 2013	198,998	\$1.09	\$0.00	1 Jul 2016
10	25 Sep 2014	207,501	\$1.06	\$0.00	1 Jul 2015
11	25 Sep 2014	207,501	\$1.01	\$0.00	1 Jul 2016
12	25 Sep 2014	207,498	\$0.96	\$0.00	1 Jul 2017
13	18 Nov 2015	1,865,000	\$0.23	\$0.00	30 Jun 2018
14	18 Nov 2015	1,865,000	\$0.41	\$0.00	30 Jun 2018
15	28 Jan 2016	1,452,076	\$0.26	\$0.00	30 Jun 2018
16	28 Jan 2016	1,452,076	\$0.45	\$0.00	30 Jun 2018

Fair value of performance rights granted during the year

The weighted average fair value of the performance rights granted during the financial year is \$0.34 (2015: \$1.01). Where relevant, the expected life used in the model is based on the earliest vesting date possible for each tranche, based on the vesting conditions.

	Tranche 13	Tranche 14	Tranche 15	Tranche 16
Grant date	18 Nov 2015	18 Nov 2015	28 Jan 2016	28 Jan 2016
Option pricing model	Monte Carlo	Binomial	Monte Carlo	Binomial
Grant date share price	\$0.51	\$0.51	\$0.55	\$0.55
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Expected volatility	40%	40%	40%	40%
Option life	2.6 years	2.6 years	2.6 years	2.6 years
Dividend yield	2.4 years	2.4 years	2.4 years	2.4 years
Risk-free interest rate	2.13%	2.13%	1.92%	1.92%

6.5 SHARE-BASED PAYMENTS (CONTINUED)

Movement in performance rights during the year

The following table illustrates the number of, and movements in, performance rights during the year. The performance rights were issued at no charge, and the weighted average exercise price is nil. No rights were exercisable at the end of the current year.

	2016	2015
	Number	Number
Outstanding at beginning of year	8,997,497	8,807,665
Granted during year	6,634,152	622,500
Forfeited / lapsed during year	(8,289,831)	(56,666)
Exercised during year	(583,499)	(376,002)
Expired during year	-	-
Outstanding at end of year	<u>6,758,319</u>	<u>8,997,497</u>

Share options exercised during the year

Tranche	Grant date	Number exercised	Exercise date	Share price at exercise date
<i>Year ended 30 June 2016</i>				
6	25 Sep 2012	176,997	16 Sep 2015	\$0.505
8	24 Sep 2013	199,001	16 Sep 2015	\$0.505
10	25 Sep 2014	207,501	16 Sep 2015	\$0.505
		<u>583,499</u>		
<i>Year ended 30 June 2015</i>				
5	25 Sep 2012	177,001	16 Sep 2014	\$1.12
7	24 Sep 2013	199,001	16 Sep 2014	\$1.12
		<u>376,002</u>		

Share options lapsed during the year

Tranche	Grant date	Number lapsed
<i>Year ended 30 June 2016</i>		
2	30 Nov 2014	6,000,000
3	19 Sep 2011	1,800,000
9	24 Sep 2013	198,998
11	25 Sep 2014	207,501
12	25 Sep 2014	83,332
		<u>8,289,831</u>
<i>Year ended 30 June 2015</i>		
6	25 Sep 2012	<u>56,666</u>

6.5 SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding at year end

The total number of options outstanding at 30 June 2016 was 6,758,319 (2015: 8,997,497).

Tranche	Grant date	Number of rights	Grant date fair value	Exercise price	Expiry date
12	25 Sep 2014	124,166	\$0.96	\$0.00	1 Jul 2017
13	18 Nov 2015	1,865,000	\$0.23	\$0.00	30 Jun 2018
14	18 Nov 2015	1,865,000	\$0.41	\$0.00	30 Jun 2018
15	28 Jan 2016	1,452,076	\$0.26	\$0.00	30 Jun 2018
16	28 Jan 2016	1,452,076	\$0.45	\$0.00	30 Jun 2018
		6,758,319			

The weighted average remaining contractual life for the performance rights outstanding at 30 June 2016 was 2.0 years (2015: 1.2 years).

Accounting policies

The consolidated entity provides benefits to executives of the consolidated entity in the form of share-based payment transactions, whereby key management personnel render services in exchange for options (equity-based transactions).

The current plan to provide these benefits is the Executive Performance Rights Plan. The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation methodology.

The cost of equity-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of the awards that will vest, taking into account such factors as the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share

6.6 AUDITOR'S REMUNERATION

	2016	2015
	\$	\$
<i>Auditor of the parent entity</i>		
Audit / review of the financial report	545,900	402,750
Taxation services	12,500	46,725
Other non-audit services	-	20,373
Related practice of the parent entity auditor		
Audit	111,880	110,932
Taxation services	85,740	201,351
	<u>756,020</u>	<u>782,131</u>

The auditor of Cash Converters International Limited is Deloitte Touche Tohmatsu.

6.7 EVENTS SUBSEQUENT TO THE END OF THE YEAR

Cash Converters has been co-operating with an investigation by ASIC into its compliance with the responsible lending provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth). Discussions between Cash Converters and ASIC as to the most appropriate resolution to the matter are continuing. Accordingly, the Company has booked a provision of \$12.5 million in respect of any potential compliance issues in its credit assessment processes.

Other than the above, 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 financial 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 are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- c) 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 consolidated entity; and
- d) the directors have been given the declarations required by s295A of the Corporations Act 2001.

At the date of this declaration the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 5.3 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the directors



Peter Cumins
Director

Perth, Western Australia
30 September 2016



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

Deloitte Touche Tohmatsu
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30 September 2016

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 audit of the financial statements of Cash Converters International Limited for the financial year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Cash Converters International Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 41 to 92.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Cash Converters International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 39 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Cash Converters International Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Peter Rupp

Partner

Chartered Accountants

Perth, 30 September 2016

1. NUMBER OF HOLDERS OF EQUITY SECURITIES

(A) DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Holders Number	Fully paid ordinary shares Number
1 to 1,000	886	481,280
1,001 to 5,000	2,221	6,353,714
5,001 to 10,000	1,327	10,424,911
10,001 to 100,000	2,170	65,909,169
100,001 and over	253	401,806,963
	6,857	484,976,037

(B) VOTING RIGHTS

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(C) LESS THAN MARKETABLE PARCEL OF SHARES

The number of shareholders holding less than a marketable parcel is 1,613, given a share price of \$0.31 per share.

(D) SUBSTANTIAL SHAREHOLDERS

Ordinary shareholder	Number of shares	% of issued shares
EZCORP Inc	151,948,000	31.33
HSBC Custody Nominees (Australia) Limited	43,833,912	9.04
RBC Investor Services Australia Nominees Pty Limited <PI Pooled a/c>	39,118,145	8.07
JP Morgan Nominees Australia Limited	30,990,969	6.39

2. TWENTY LARGEST EQUITY SECURITY HOLDERS

Ordinary shareholder	Number of shares	% of issued shares
1. EZCORP Inc	151,948,000	31.33
2. HSBC Custody Nominees (Australia) Limited	43,833,912	9.04
3. RBC Investor Services Australia Nominees Pty Limited <PI Pooled a/c>	39,118,145	8.07
4. JP Morgan Nominees Australia Limited	30,990,969	6.39
5. Citicorp Nominees Pty Limited	22,150,882	4.57
6. BNP Paribas Noms Pty Ltd <DRP>	11,907,178	2.46
7. National Nominees Limited	8,619,431	1.78
8. BNP Paribas Nominees Pty Ltd <Agency Lending DRP a/c>	8,363,507	1.72
9. RBC Investor Services Australia Nominees Pty Limited <BK Cust a/c>	4,251,786	0.88
10. Riolane Holdings Pty Ltd <Cumins Super Fund a/c>	3,895,226	0.80
11. Mrs Diana Kathryn Cumins <Diana Cumins Family No 1 a/c>	3,752,511	0.77
12. RBC Investor Services Australia Pty Limited <VFA a/c>	2,284,003	0.47
13. Mr Michael Piperoglou	2,135,381	0.44
14. Narlack Pty Ltd <Piperoglou Pension a/c>	1,913,094	0.39
15. Mr & Mrs D'Souza <Mandovi Super Fund a/c>	1,884,816	0.39
16. Mr Zhen-Jia Wu & Mrs Xian Jin <Wu & Jin's Super Fund a/c>	1,516,362	0.31
17. Ms Choi Chu Lee	1,200,000	0.25
18. MICPIP Nominees Pty Ltd <MICPIP Super Fund a/c>	1,108,540	0.23
19. LEMPIP Nominees Pty Ltd <LEMPPIP Super Fund a/c>	1,090,804	0.22
20. Mr Christopher John Francis	1,037,931	0.21
	343,002,478	70.72

== CORPORATE DIRECTORY

DIRECTORS

Stuart Grimshaw
Chairman

Peter Cumins
Managing Director

Reginald Webb
Non-Executive Director

Lachlan Given
Non-Executive Director

Kevin Dundo
Non-Executive Director

COMPANY SECRETARY

Ralph Groom

REGISTERED OFFICE

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