Cash Converters International Limited
ABN 39 069 141 546

Annual Report for the year ended 30 June 2017

We're evolving, embracing innovation and placing our customers first.

cashconverters.com

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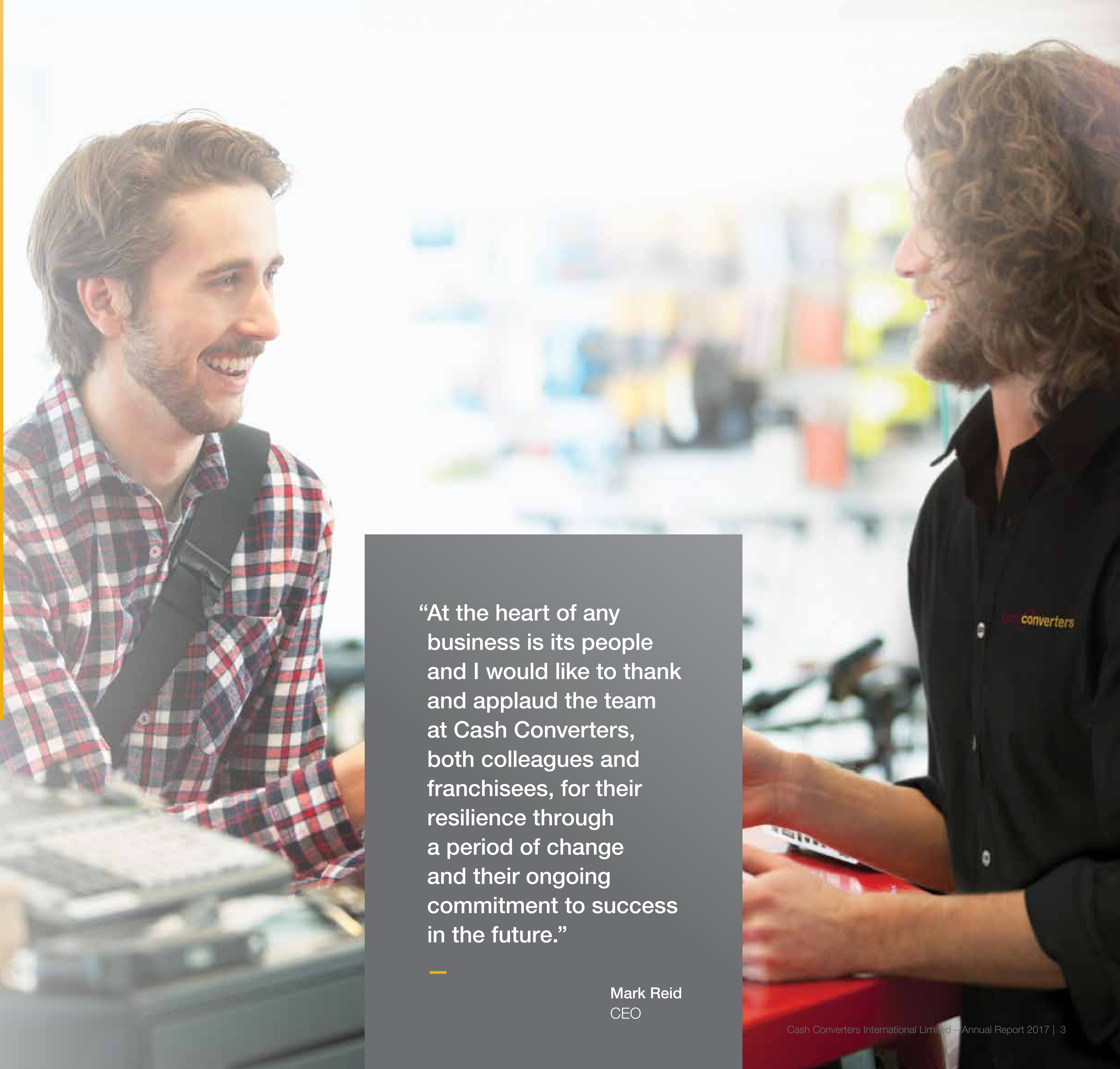

"At the heart of any business is its people and I would like to thank and applaud the team at Cash Converters, both colleagues and franchisees, for their resilience through a period of change and their ongoing commitment to success in the future."

Mark Reid
CEO

Corporate directory

Directors

Mr Stuart Grimshaw
Non-Executive Chairman

Mr Peter Cumins
Executive Deputy Chairman

Mr Lachlan Given
Non-Executive Director

Mr Kevin Dundo
Non-Executive Director

Ms Andrea Waters
Non-Executive Director

Ms Ellen Comerford
Non-Executive Director

Company Secretary

Mr Brad Edwards

Registered and Principal Office

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37 St Georges Terrace
Perth WA 6000
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Web: www.cashconverters.com

Share Registrar

Australia:
Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000
Australia
Tel: 1300 850 505

Auditors

Deloitte Touche Tohmatsu
Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
Australia

Stock Exchange

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000
Australia
ASX code: CCV

Chairman's report

Last year I wrote about the challenges encountered through that period and the steps being taken to return the Company to its primary strengths. The first stage was removing ourselves from the corporate store model in the UK and reverting to a master franchise arrangement – this means the Company only has corporately owned stores in Australia. The Company recorded a profit in the UK for the first time as a result of these changes.

The next step was to revitalise the management team and Board. There were many layers of action that occurred:

1. Peter Cumins moved from the role of CEO and Managing Director to that of Executive Deputy Chairman, focusing on the growth of the international franchise business.

2. Mark Reid was appointed as Chief Executive of the Company, previously Chief Executive Australia.

3. There were numerous management changes including the retirement of the CFO at the time, Ralph Groom, who was replaced by Martyn Jenkins, previously CEO of the UK operations.

4. We have a relatively new management team in place under Mark Reid's guidance and each executive comes with unique and broad experience which will benefit the Company over the coming years.

5. We also have rejuvenated the Board and dramatically increased the diversity with the appointment of Andrea Waters (who Chairs the Audit and Risk Committee) and Ellie Comerford (who chairs the Remuneration and Nomination Committee).

6. At last year's AGM, we acknowledged the long service of Reginald Webb who has been outstanding over many years in supporting the Company and assisting it through some challenging times.

This restructuring of the management and Board teams has been achieved seamlessly and reflects the strong passion each member has for the Company. The shift in focus to a more diversified lending business that has seen a reduced reliance on the SACC product, while developing the additional medium term loan and Green Light Auto car financing, will see a more stable income position evolve as we grow these businesses. We have continued to invest in risk management systems and people to provide the pre-requisite under-pinning governance to grow these businesses at the right pace, with the right amount of risk being both understood and underwritten.

A number of our customers remain unable to obtain credit from banks – which has been a benefit to us and we thank the banks for this. However, while we continue to serve this segment, the banks continue to determine that Cash Converters represent 'reputational risk' to their businesses, notwithstanding we (and the sector) are subject to a high level of compliance scrutiny and regulatory oversight. It is somewhat ironic that the banks, and this is all banks, can maintain a view of what industries are most appropriate to the economy. When the commentators talk about the 'quadropoly' of banking, we can see it most evident in the consistent herd-like behaviour exhibited in approaches to issues such as these. Our customers make up a significant part of the Australian economy and need immediate access to cash for emergencies such as car problems, medical emergencies or utility bills. We are able to provide comfort to our customers in a very short time as opposed to the banks who take a long time and inevitably say "no". We are there for our customers, consistently.

The issue of reputational risk that the banks have used against your Company is a mysterious viewpoint when they will not even allow the Company to open transactional accounts with them. Ironically, when reviewing the performance of the banks over the past few years, what is evident is a focus on driving profitability at the expense of sound reputational risk management. We have seen media commentary around allegations concerning:

- Life insurance claims being rejected due to a supposed policy of rejecting or restricting legitimate claims being paid, through harsh and restrictive policy definitions.

- Financial advice being provided to individuals on the investment of their life savings that benefited the financial return to the adviser or bank rather than the individual who had entrusted their life or retirement savings to these institutions.

- Remuneration targets at branch levels that were based on objectives inconsistent with the approach of 'what is best for the customer'.

- The use of benchmarks in establishing repayment capacity of borrowers when a more focused investigation of expenditure may have been more appropriate.

- ASIC's Federal Court case which alleges the rigging of the BBSW interest rates in order to drive profits which may effectively harm small businesses and institutions whose lending is based off these rates.

- AUSTRAC's Federal Court case against a bank, alleging that they failed in their compliance and enabled transfers of large sums to suspected terrorist organisations and drug cartels.

The breadth of these issues is breathtaking and continues to drive consumer apathy towards these large institutions. If we were to use the same underlying reasoning as the banks in refusing to provide services to Cash Converters, then surely all capital markets should be closed to these banks, given the significant reputational risks they now represent.

In addition, UBS in a recent survey introduced the subject 'mortgage books are worse than believed'. The basis of this survey appears to revolve around a number of loan applications being 'soft' on expenditure disclosures and aggressive on income assumptions – the UBS survey found that roughly 29% of the $1.7 trillion of outstanding housing debt was based on information that was not factual or accurate.

Notwithstanding the apparent tightening in credit standards that should make access to credit harder, the respondents to the UBS mortgage survey found that applicants were finding it easier to get credit than before. As the apparent credit tightening occurred, the banks moved interest rates up. The foregoing UBS survey would suggest that an ability to increase profits, while not materially altering credit standards, was a determined outcome. The winner of this is the banks and the loser the customer! We continue to see this trend in approaches by the banks in trading off profitability for consumer well-being. For these same institutions to determine your Company is not worthy of their support, is difficult to comprehend.

There were four key principles I mentioned last year and they continue to hold:

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.

2. We are transparent on pricing which is governed by a high degree of regulatory oversight and imposed legislative conditions. Contrast this with recent comments by the RBA in its submission to the Productivity Commission, stating that competition in banking is being restricted by bundling of products, particularly with cross-subsidisation "obscuring the pricing of individual products".

3. Continued investment in technology and data analytics will continue to enhance our underwriting capabilities.

4. The demand for credit from our customer base will not disappear. Discussion in certain circles focusing on eliminating the provision of credit to this segment without consideration of the impact on the wider economy or the lives of those concerned, is ill-informed and misguided. When people who have never had an issue in obtaining credit, start determining how people who cannot get access to credit should behave, then we have a problem.

We believe that the customers we serve are an integral part of the fabric of this wonderful nation and we are proud to serve them. We have a terrific group of employees who are passionate about the Company and its customers and this will continue to lay the foundation for future sustainable growth.

As always, I thank our shareholders for their support and patience, and believe we are positioned to benefit from changes made to our operating model over the ensuing years.

Stuart Grimshaw
Chairman

"We are there for our customers, consistently."

Chief Executive Officer's report

The 2017 financial year was one of a transition for Cash Converters, as we continued the roll-out of our growth strategy and maintained our drive to become the *most trusted* personal finance lender and second hand retail goods provider in our markets.

Pleasingly, we are beginning to see encouraging signs that the strategy is having the desired effect, which includes improving the quality of our loan book and building a sustainable platform for long-term profitable growth.

The best evidence that we are achieving our strategic objectives came in the Company's delivery of an FY 2017 NPAT of $20.6 million, which was in line with guidance and a significant improvement on the 2016 financial year (FY 2016 $5.3 million loss).

A fall in Revenue and EBITDA from personal finance and store operations for the financial year were expected outcomes of the Company's deliberate plan to transition the loan book to higher quality, lower risk products, as part of a more sustainable model overall.

A profitable contribution from the first full year of the UK operations functioning as a master franchise, and the investment in New Zealand producing its first full year profit, have seen the franchise division strengthen considerably over the prior year.

What was important was delivering a positive result, off lower revenue, and to finish the year with a strong cash position ($80.6 million, up 9.5%) to fund the ongoing growth plan and strategic realignment of the business.

Of course, a further measure of performance is share price and, while a number of factors impact share price, we believe the strength of the Cash Converters strategy is becoming better understood by the market and reflected in share price appreciation since early June 2017.

However, at the heart of any business is its people and I would like to thank and applaud the team at Cash Converters, both colleagues and franchisees, for their resilience through a period of change and their ongoing commitment to success in the future.

Product development

We have developed new products to reflect the transition of the loan book, evidenced by the Medium Amount Credit Contract (MACC) product which, since its introduction in November 2016, grew to a $13.4 million loan book.

A strategic outcome of introducing the MACC product has been its attraction to a new segment of the addressable market, with more than 30% of approved applications for the MACC product coming from customers new to Cash Converters.

In addition, growth in loan volumes through the Green Light Auto (GLA) vehicle finance business was very encouraging and is expected to continue to increase as we grow our finance broker / car dealer network. We remain extremely confident that this part of our business will be a key pillar in the future growth of Cash Converters.

The Company's investment in online marketing and product delivery saw online lending volumes surpass in-store loans for the first time in January 2017, demonstrating the value of committing investment to this fast-growing channel.

Corporate strategy update

Cash Converters undertook a significant restructure of its leadership team during FY 2017, ensuring the capabilities of the team were aligned to the needs of the business to achieve its strategic objectives.

The transformation of Cash Converters to become the leading and most trusted provider of personal finance and second hand retail goods has required the implementation of a strategy focused on a number of key initiatives that were addressed in FY 2017 and will continue throughout FY 2018, including:

- Evolving the brand, product range and channels to market;
- Growth of Cash Converters' international business;
- Transforming the Company's digital capabilities across sales and marketing;
- Continued improvement of our risk management processes and procedures; and
- Placing our customer at the centre of everything we do.

It is our firm view that successful delivery across these key initiatives will position Cash Converters for sustainable growth in revenue and profit whilst providing a better customer experience, more relevant and appropriate products and services, and ultimately, stronger sustainable returns for our shareholders.

Operational compliance

The Company continued to focus on, and invest in, improving its compliance and risk management procedures as we strive to be leaders in our sector and to consistently operate at, or exceed, regulatory standards.

During FY 2017 Cash Converters successfully implemented a comprehensive Income and Expenditure (I&E) assessment platform which has considerably enhanced its ability to match the right loan product to customers depending on their circumstances, ultimately improving the overall quality of the Company's loan book.

This strategic decision resulted in a reduction in the overall loan book and a change in the product mix. As a result a notable reduction was experienced in the Personal Finance net bad debt expense and the Company expects the bad debt expense to continue to reduce as the overall shift in the product mix of the loan book improves.

Global professional services firm, Deloitte Touche Tohmatsu Limited (Deloitte), was commissioned to conduct an independent review of our processes and procedures during the year, with a specific focus on the personal loans and finance operations within Cash Converters.

Pleasingly, Deloitte's assessment in an interim report (dated 6 June 2017) did not identify any key deficiencies of updated systems, processes, policies and training procedures against the relevant legislative and compliance obligations under the Enforceable Undertaking (EU).

This review is ongoing and we anticipate closing out the process with no adverse findings when the final report is due in November 2018.

Looking ahead

Our expectations for FY 2018 are to see the strategy take hold and build on the success achieved in FY 2017. As the new loan products continue to gather momentum, we anticipate a stronger second half to the year, with the first half putting down the building blocks for the longer-term growth, and so a comparable result for the first half of 2018 to the second half of 2017 is expected.

I am genuinely excited now that we have built a foundation for sustainable and profitable growth and, with a continued focus on our customers, investing in our brand and technology, and with a revitalised management team, the encouraging progress made in FY 2017 will continue throughout FY 2018.

We thank you for your continued support and look forward to sharing in the future success of Cash Converters.

Sincerely,

Mark Reid
CEO

"We are beginning to see encouraging signs that the strategy being implemented is having the desired effect."

Highlights

For the year ended 30 June 2017

New MACC loans launched.
$15m advanced in first 7 months.

Pawn broking revenues up 3.3%.
Fourth consecutive year of growth.

87% brand awareness.

New assessing platform and
guidelines implemented.

Retail sales up 2.9% with
online revenues up 16.3%.

New leadership.
New strategy.
Positioned for growth.

Green Light Auto Finance loan
book up to $20.1m.
Positioned for profitable FY 2018.

United Kingdom

United Kingdom operating as a master franchise. UK operations contributed $1.7m of EBITDA to the group.

New Zealand

The company's 25% equity investment in New Zealand returned its first full year profit. A contribution of $314k.

Operating and financial review

For the year ended 30 June 2017

CASH AND CASH EQUIVALENTS

↑ **$80.6m**

EBITDA AS % OF REVENUE

↑ **16.8%**

NET PROFIT AFTER TAX

↑ **$20.6m**

EPS (BASIC)

↑ **4.2¢**

NET BAD DEBT

↓ **8.8%**

Cash Converters International Limited (the Company) and entities controlled by the Company and its subsidiaries (the Group) is a diverse group generating revenues from franchising, store operations, personal finance and vehicle finance, supported by a corporate head office in Perth, Western Australia. The Company operates in Australia and the United Kingdom and also has an equity interest of 25% in Cash Converters New Zealand. There is a franchise presence in a further 16 countries around the world.

In the prior year, the Company completed a significant restructure of its operations in the UK and the Carboodle vehicle leasing business in Australia. Cash Converters UK returned to a master franchise operation and the Carboodle business changed its business model to Green Light Auto Finance, offering secured vehicle finance loans. The costs associated with these restructures, together with their operational results were reflected in the prior year accounts as discontinued operations. There are no further impacts of the discontinued operations in the current year results.

Financial performance

The Company reports a full year net profit after tax of $20.618 million compared to a prior year loss after tax of $5.272 million. The prior year included the effects of the restructure and an ASIC compliance provision associated with the enforceable undertaking the Company entered into with ASIC in November 2016.

Revenue from continuing operations was down from $311.599 million in 2016 to $271.473 million for the current financial year. This anticipated and forecast decrease in revenue is due to changes made to the assessing process for personal loans and cash advances in Australia that reduced lending volumes significantly during the year, resulting in lower interest revenues for the financial services operations. All other segment operations' EBITDA exceeded the prior year, with increases in retail sales, pawn broking interest and vehicle finance revenue.

Segment performance

There has been a change in presentation of the segmental financial information this year and a corresponding change to last year's comparatives in respect to the financial services business. Financial Services – Administration and Financial Services – Personal Loans have been amalgamated into a single segment, Personal Finance. This more accurately reflects the operations of the business and reflects changes to internal management reporting during the period and allows a more accurate allocation of costs for all personal finance activities where resources were previously shared.

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

	Segment revenues		Segment EBITDA results	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Franchise operations	20,199	20,589	10,490	6,925
Store operations	124,222	129,312	17,549	23,541
Personal finance	117,191	151,897	49,472	65,858
Vehicle financing	9,393	8,146	(408)	(4,599)
Totals before head office costs	271,005	309,944	77,103	91,725
Head office (i)	468	51	(31,378)	(44,028)
Totals after head office costs	**271,473**	**309,995**	**45,725**	**47,697**
Depreciation, amortisation and impairment			(8,123)	(6,867)
Finance costs			(9,404)	(9,659)
Profit before income tax			28,198	31,171
Income tax expense			(7,580)	(5,277)
Profit after tax from continuing operations			**20,618**	**25,894**
Loss from discontinued operations			–	(31,166)
Profit / (loss) for the year			**20,618**	**(5,272)**

(i) Head office segment results for the year ended 30 June 2016 include ASIC compliance provision of $12.500 million

Operating and financial review

For the year ended 30 June 2017

Significant events

In November 2016, the Company entered into an Enforceable Undertaking (EU) with ASIC. An expense of $12.500 million was provided for in the prior year. During the current year, the Company incurred additional costs to meet its obligations under the EU through investment in the Risk and Compliance function as well as one-off costs to effect the customer remediation program forming part of the EU.

The most significant change to the business occurred in the Personal Finance division in Australia, where a comprehensive review of the Small Amount Credit Contract (SACC) lending was completed, culminating in the roll out across the network of an enhancement to the Company's loan origination and management software. This removed the use of benchmarks in the assessing process and allows the business to conduct a detailed analysis of the customer's income and expenditure through analysis of the customer's bank statements.

The intended consequence of this new assessing process was a significant reduction in the volume of loans approved. This has impacted personal finance revenue in the year, but has begun to improve the overall quality of the loan book and reduce bad debts.

To address this strategic reduction in SACC lending, the business has also expanded the range of financial products. In November 2016, the business introduced larger loans (from $2,000 to $5,000). These products, regulated under the Medium Amount Credit Contract (MACC) provision of the National Consumer Credit Protection Act 2009 in Australia, are offered to higher income customers with a lower credit risk profile.

Transactional banking facilities were successfully migrated from Westpac during the year, taking full utilisation of new service providers for banking and payment services. Since the transition, the business has continued to develop its relationship with its new providers to improve efficiency and customer experience.

Throughout the year, the Company incurred costs that it categorises as outside its normal operating expenses and has listed these in the table below, to provide a 'Normalised EBITDA' that more accurately reflects the underlying performance of the business. Specifically itemised below are the compliance provision and associated costs, for the FY 2016 year the $12.500 million relates to the EU remuneration and penalty, in the current year, the $2.088 million relates to the additional costs associated with the call centre deployed to manage the remediation program, the costs of the independent expert and changes made to systems to meet the reporting requirements of the EU. The Class action legal fees of $3.973 million relate to the ongoing defence of the Queensland Class actions.

	2017 $'000	2016 $'000
EBITDA from continuing operations	**45,725**	**47,697**
Normalisation adjustments		
Restructure costs	1,740	2,228
Other costs outside normal operating costs	–	3,246
Compliance provision and associated expenses	2,088	12,500
Class action legal fees	3,973	2,442
EBITDA normalised	**53,526**	**68,113**

Franchise operations

Franchise operations encapsulate royalties and licence fees from 16 countries, franchised Cash Converters operations, as well as Cash Converters UK Ltd (CCUK), a wholly owned subsidiary of the Company, which during the previous financial year was restructured to return to a master franchise operation. All income from CCUK is now reflected in the franchise operating segment. This segment also includes fees from 83 franchisee owned stores in Australia.

The total number of franchised stores globally now stands at 659 with 83 stores in Australia, 196 in the UK and 380 throughout the rest of the world. The Company continues to look for opportunities to expand its franchise network, both in Australia and internationally. The performance of this segment remains steady with long term franchise agreements in place driving consistent year on year revenue. No new franchisees were added during the year.

EBITDA for the franchise operations for the year was $10.490 million, an increase of $3.566 million over the prior year. CCUK reported full year EBITDA of $1.746 million (2016: $12.984 million loss), which now includes only franchise operations, and is attributed to the franchise segment for the current year. CCUK ceased to offer personal loans in May 2016, and throughout the year the loan book has been wound down. The remaining loans outstanding at 30 June 2017 have been handed over to third party debt recovery agents and hence are fully provided for in the financial statements.

Australian franchise operations contributed $4.074 million of revenue (FY 2016 $4.034 million). The franchisee business continues to drive strong sales, with retail revenues across the franchise stores up 3.9% on the previous year.

International franchise revenues increased by $265 thousand to $739 thousand for the year, as some international fee negotiations completed and new stores in France, South Africa and Spain opened in the prior year contributed a full year of fees. The Franchise segment also includes the New Zealand operations, in which the Company holds a 25% equity interest, and which contributed a profit of $314 thousand to the division, compared to a prior year loss of $1.392 million.

Store operations

Store operations combines the performance of the 71 Company-owned Cash Converters stores in Australia. Revenue from these stores is derived from the retailing of new and second hand goods both in-store and online, as well as interest from pawn broking loans and cash advance short term loans. Stores also receive commission from successful personal loan applications processed in-store and referred to the Company's Personal Finance business. Store operations also receive a share of income from successful online loan applications.

The 2017 performance of the corporate stores in Australia contributed a segment EBITDA of $17.548 million, a decrease of $5.992 million from the FY 2016 result. This decrease was the result of the reduction in cash advance lending, which saw outgoings reduce by 33.4% as a result of the changes to the assessing criteria. Personal loan commissions to stores also decreased as a result of the new lending processes, however the launch of larger loans in November 2016 helped to offset some of this decrease. Overall, net store commissions were down 35.0% on FY 2016.

All other areas of the store network saw improved performance during the year, with retail sales up 2.9% on the previous corresponding year to $74.824 million. Online retailing continues to grow significantly up 16.3% on FY 2016 and Webshop sales contributing 8.5% of total retail revenues (2016: 7.5%). During 2017, the online offering from Cash Converters was expanded to provide the 'What's it Worth' service. This enables customers to submit images of items they may wish to sell and the stores provide an indicative valuation for the customer to sell the goods or obtain a secured pawn broking loan against.

Pawn broking revenues also continue to increase, up 3.3% on the prior year, with the appeal of non-recourse secured lending growing as access to other forms of credit are being restricted. Pawn loans advanced for the year were also up 5.2% on the prior year.

Corporate stores – United Kingdom

The outcome of the strategic review in the previous year means there are no corporate store results for the UK in the FY 2017 result. The comparative figures are included in discontinued operations for FY 2016 and include the restructure costs of $22.668 million.

Personal finance

The personal finance operations incorporate the trading results of Mon-E Pty Ltd (Mon-E) and Cash Converters Personal Finance Pty Ltd (CCPF). The UK Finance Division ceased issuing new loans in May 2016, and therefore does not form part of the Group's continuing operations. All UK revenues are incorporated in the franchising operations.

Mon-E 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 $398, FY 2016 $403) and the platform to refer personal loans from stores to CCPF for assessing.

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 as a percentage of fees earned by the store and successfully collected.

CCPF provides unsecured loans originated through the franchise and corporate store networks and directly from customers online. The loans are underwritten, and the principal 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.

During the period under review the segment EBITDA from continuing operations in this division was $49.471 million (2016: $65.858 million), down $16.387 million (24.9%) on last year.

Operating and financial review

For the year ended 30 June 2017

Personal loans – Australia

The Company's personal finance business experienced the greatest change during 2017. At the start of the year, the Company began a comprehensive review of its underwriting process and related risk appetite. The culmination of this work was the launch in November 2016 of the offering of larger loans (under the MACC lending rules) of up to $5,000, and in April 2017, the roll out of the Company's comprehensive Income and Expenditure platform. These changes were aimed to improve the quality of the customer base and provide a stable and sustainable lending model to facilitate future growth.

The Income and Expenditure platform, an expansion of the Company's in-house developed software system, has allowed the business to completely remove the use of benchmarks in assessing affordability of customer loans, replacing them with the comprehensive analysis of the customers' bank statements and hence arriving at a more accurate credit decision, through arriving at a more accurate assessment of the suitability and affordability of customers' loan applications.

Aimed to appeal to higher income customers, providing higher value loans, the MACC product has grown over the seven months since launch to comprise 16.4% of the total personal loan book, with $15.043 million advanced and an outstanding book of $13.370 million at 30 June 2017.

With the focus for 2017 on quality not quantity for the personal lending business, the personal loan book has fallen from $98.719 million at 30 June 2016 to $81.355 million at 30 June 2017, a drop of 17.6%, with lending of SACCs falling 31.3% during the year. The reduction in lending has had a significant impact on revenues, with a $32.795 million decrease from FY 2016. Due to the revenue recognition for MACC loans being over the life of the loans, these loans have yet to provide a significant uplift in revenue. The uplift in revenue from MACC will be evidenced in the subsequent financial year as the book starts to mature.

From a channel perspective, both stores and online remain vital to the Personal Finance business with a relatively even split of 52.3% in-store advances and 47.7% online advances during the year. As a distribution channel, online loans have exceeded in-store lending for the first time in January 2017. Store originated loans do still make up 51.9% of the outstanding loans at 30 June 2017 (2016: 54.6%). Despite the business overhauling its underwriting and risk appetite during the year, it is clear from application numbers that demand for the SACC product is still high, with total applications increasing by 8.2% year on year.

Also, during the year the Company made the decision to outsource its collection activity to Collection House Limited (ASX: CLH), based in Brisbane. Leveraging the core capabilities of Collection House to manage the collections process has allowed Cash Converters to focus upon its core service delivery to its customers.

The combined contribution from improved lending and the efforts of Collection House, has seen the total bad debts written off, net of recoveries, falling from $32.774 million in FY 2016 to $29.899 million in FY 2017 an 8.8% improvement. Bad debt levels are projected to continue to decrease over the coming year, as the composition of the loan book continues to shift away from those loans written before the changes to the assessment process.

Personal loans – United Kingdom

In May 2016, the UK business stopped advancing principal in regard to personal loans. Throughout the following year, the UK collections team continued collecting on the book. A total of £3.981 million has been collected to 30 June 2017. The outstanding balance was fully provided for in the restructure costs reported in the FY 2016 financials. This balance has now been outsourced to third party collection agents and the Company anticipates a small percentage to be recovered over the coming year.

Vehicle financing

Green Light Auto Finance is the Company's vehicle financing business. In March 2016, the business ceased to offer its Carboodle vehicle lease product. These leases are continuing to be managed by the business to their scheduled completion. As at 30 June 2017 there were 435 leases still active (30 June 2016: 781). The new product offered by Green Light Auto since March 2016 is a traditional secured vehicle loan. The GLA products are offered through a range of brokers, car dealerships and Cash Converters stores, as well as directly to customers online. The loans range from $5,000 to $50,000 over a term of up to 7 years, with an average loan advanced of $18,322 over 56 months. Total advances in the 2017 year were $17.058 million (2016: $3.104 million) taking the vehicle finance loan book to $20.100 million at 30 June 2017 (30 June 2016: $3.327 million).

The business is working to improve efficiency and systems to position itself for significant growth over the coming years, with its migration to the CCPF loan processing platform already underway. Total revenue from the vehicle financing operations for the year was up 15.3% to $9.393 million with an EBITDA loss of $408 thousand, an improvement from a normalised EBITDA loss of $2.371 million for FY 2016 (normalising for the costs of the restructure of $2.228 million).

Corporate costs

Corporate costs consist of corporate related activities such as IT, Business Development, Finance, HR, Risk and Internal Audit, Legal, Marketing, Board and leadership team. The business is positioning itself for future growth and does not anticipate a significant reduction in Corporate costs in the short term, however comprehensive cost and efficiency strategic initiatives are being pursued. During the current year, the Company has invested in enhancing resource and capability in its Risk and Compliance function to ensure the business is best positioned to continue to execute its strategy to be the most compliant operator in the industry.

Financial Position

Summarised Financial Position	2017 $'000	2016 $'000
Cash at bank	80,571	73,609
Loan receivables	101,970	104,521
Other receivables	31,051	39,417
Inventories	20,991	17,612
Other assets and intangibles	164,262	189,332
Total assets	**398,845**	**424,491**
Borrowings	107,237	133,984
Other liabilities	30,769	48,222
Total liabilities	**138,006**	**182,206**
Total equity	**260,839**	**242,285**
Operating cash flow	43,534	30,074
Gearing (net debt / equity)	10.2%	24.9%
Basic earnings per share from continuing operations (cents)	4.21 cents	5.37 cents
Basic earnings per share from continuing and discontinued operations (cents)	4.21 cents	(1.09 cents)
Return on equity	7.9%	10.7%

Receivables (trade and personal loans)

Outstanding loan receivables (personal loans and vehicle finance loans) for the year have decreased from $104.521 million to $101.970 million due to the decrease in SACC outgoings during the year, and offset by the increase in vehicle finance. Other trade receivables reflect the run-off of the Carboodle leases and the repayment of the loans provided to franchisees in the UK for the purchase of corporate stores in 2016.

Other assets and intangibles

Capital investment continued throughout 2017, with $8.162 million of investment in capital expenditure, largely in software development. Inventories are also up 19.2% due to increased demand for in-store buying and a slight reduction in the pawn broking redemption rates.

Borrowing and gearing

The Company has been successfully operating its $100 million securitisation facility with Fortress Investment Group since it replaced Westpac's facility in March 2016. As the facility is linked to the SACC personal loan book, and the decrease in lending during the year, the Company has drawn down the facility to $45.500 million at the end of FY 2017 (FY 2016 $68.750 million), a net repayment in borrowings of $23.250 million. The Company is in negotiations to enable other loan products offered by the business to be funded. The increase in free cash and reduction in borrowings has reduced the gearing rate to 10.2% (FY 2016 24.9%).

Cash flows

Operating cash flows have increased significantly due to the reduced lending volumes of SACCs, and overall cash receipts from customers far exceeding the outgoings during the year, with cash and cash equivalents at year end at $80.571 million (FY 2016 $73.609 million). Free cash of $59.988 million is held after the exclusion of restricted cash deposits held as security for the transactional banking facilities together with cash held in trust for the securitisation facility. This has been achieved while funding the growth in MACCs and vehicle finance lending to the sum of $33.470 million not funded from the securitisation facility.

Outlook

The 2017 financial year has been one of significant transformation, and forms the baseline for the future growth of the business as it executes its strategic objectives in the years ahead. Focussing on compliance and risk, whilst ensuring value and an exemplary customer experience, Cash Converters is looking forward to sustainable growth in its financial services products as it continues to offer greater flexibility to new and existing customers. Significant investment is planned into digital services and improving the customer experience at Cash Converters, whether in-store or online. A sustainable growth strategy will see the turnaround of Cash Converters over the coming years, with new leadership in place to facilitate the drive to achieve ongoing profitability for the Company and increased returns for its shareholders, underpinned by the ambition to be the most trusted lender in our sector.

Directors' report

For the year ended 30 June 2017

The directors of Cash Converters International Limited submit the following report of the Company for the financial year ended 30 June 2017. 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 unless otherwise stated:

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.

Over the past 3 years Mr Grimshaw has held directorships with the following listed companies:

Company	Commenced	Ceased
EZCORP Inc	3 November 2014	–

Mr Peter Cumins
Executive Deputy Chairman

–

Appointed director April 1995

Mr Cumins joined the Company in August 1990 as Finance and Administration Manager when the Company had just 23 stores, becoming General Manager in March 1992. He became Managing Director in April 1995. Mr Cumins moved from this role to the role of Executive Deputy Chairman on 23 January 2017.

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 3 years Mr Cumins has held a directorship with the following listed company:

Company	Commenced	Ceased
EZCORP Inc	28 July 2014	–

Mr Lachlan Given
Non-Executive Director

–

Appointed director 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).

Over the past 3 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	–

Directors' report

For the year ended 30 June 2017

Mr Kevin Dundo
Non-Executive Director

Appointed director 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 of ASX-listed Imdex Limited (ASX: IMD) and Non-Executive Chairman of ASX-listed Red 5 Limited (ASX: RED).

Mr Dundo is a member of the Company's Audit and Risk Committee and Remuneration and Nomination Committee, and until 24 February 2017 was the Chair of the Remuneration Committee.

Over the past 3 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	–

Ms Andrea Waters
Non-Executive Director

Appointed director 9 February 2017

Ms Waters is a Chartered Accountant with an extensive career at KPMG, with 16 years as a Financial Services Audit Partner (until 2012), specialising in managed investments and superannuation. She has extensive experience with audit committees, and using this knowledge, she is a professional non-executive director, with a strong passion for implementing and improving governance and audit structures within business operations. Ms Waters is also an accredited facilitator for Australian Institute of Company Directors' Company Director Course.

Ms Waters is also a non-executive director of Bennelong Funds Management Ltd (also Chair of the Audit and Risk Committee), Care Super and CityWide Service Solutions (also Chair of the Audit Committee). She has previously been a non-executive director of Chartered Accountants Australia and New Zealand, Lord Mayor's Charitable Foundation and Cancer Council Victoria. Ms Waters holds a Bachelor of Commerce from the University of Melbourne, is a Fellow of Chartered Accountants Australia and New Zealand, is a graduate member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

Ms Waters is Chair of the Company's Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Over the past 3 years Ms Waters has not held directorships with any listed companies other than Cash Converters International Limited.

Ms Ellen Comerford
Non-Executive Director

Appointed director 9 February 2017

Ms Comerford has over 30 years of financial services experience across a range of banking and insurance businesses. Most recently Ms Comerford was Chief Executive Officer and Managing Director of Genworth Australia, an ASX top 200 listed company, successfully leading the company through an IPO in 2014. She has also held various positions with leading global title and specialty insurance company First American Financial Corporation, both in Australia and internationally, including CEO and Managing Director for the Australian and New Zealand operations, and Chief Operating Officer for the international division. Prior to this, she was at Citigroup for approximately 14 years. Ms Comerford brings significant experience in enhancing performance culture within businesses with a commitment to promoting diversity and she is a member of Chief Executive Women.

Ms Comerford is also a non-executive director of Hollard Holdings Australia and Hollard Insurance Company in Australia and Heartland Bank Limited in New Zealand and certain of its subsidiaries in Australia.

Ms Comerford is Chair of the Company's Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Over the past 3 years Ms Comerford has held directorships with the following listed companies:

Company	Commenced	Ceased
Genworth Mortgage Insurance Australia Limited	20 February 2012	9 October 2015
Heartland Bank Limited (NZX)	1 January 2017	–

Mr Reginald Webb
Non-Executive Director

Appointed 1997, retired 14 February 2017

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 retired from the Board on 14 February 2017, having made a very significant contribution in helping to guide the Company over the 20 years of his directorship.

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

Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
Mr S Grimshaw	–	–
Mr P Cumins	7,575,694	3,730,000
Mr L Given	–	–
Mr K Dundo	–	–
Ms A Waters	–	–
Ms E Comerford	–	–

Directors' report

For the year ended 30 June 2017

Company Secretary

Mr Brad Edwards

Appointed 30 June 2017

With a background in law, Mr Edwards has extensive private practice and corporate experience, most notably with the Bank of Queensland Group for 15 years, where he held the roles of Company Secretary and General Counsel. His career encompasses financial services, including retail franchising, regulatory matters, dispute resolution and class action litigation, capital markets and mergers and acquisitions.

Mr Ralph Groom

Appointed 1995, resigned 30 June 2017

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 Practicing Accountants (FCPA) and a Fellow of the Chartered Institute of Secretaries and Administrators (FCIS).

Principal activities

The principal activity of Cash Converters International Limited and its subsidiaries (the Group) 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 number of corporate stores in Australia, 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 Group's net profit attributable to members of the parent entity for the year ended 30 June 2017 was $20.618 million (2016: $5.272 million loss) after a charge for income tax of $7.580 million (2016: $5.277 million).

A review of the Group's operations and financial performance has been provided on pages 12 to 17.

Changes in state of affairs

During the financial year, there have been two significant changes to the operations of the business:

i) the Company made a substantial change to its lending processes both in-store and online, with the implementation of new software and procedures; and
ii) The launch of larger MACC (Medium Amount Credit Contract) loans to customers from $2,000 to $5,000.

The impact of these changes has seen a reduction in lending in the short term and income from SACC (Small Amount Credit Contract) loans. However, the MACC loan book is increasing and the combined effect of these changes is to improve the overall credit quality of the loan books.

Subsequent events

There have been no events subsequent to the reporting date requiring disclosure in this report.

Future developments

Likely developments in expected results of the Group's operations in subsequent years and the Group's business strategies are referred to elsewhere in this report. In the opinion of the directors, any further information on those matters could prejudice the interest of the Company and has therefore not been included in this report.

Dividends

The directors of the Company paid a fully franked final dividend of one cent per share on 28 October 2016.

On 22 August 2017 the Company announced that there would be no final dividend in respect of the financial year ended 30 June 2017.

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	Vesting determination date
Cash Converters International Limited	102,166	Ordinary	Nil	1 Jul 2017
Cash Converters International Limited	6,194,448	Ordinary	Nil	30 Jun 2018
Cash Converters International Limited	6,458,766	Ordinary	Nil	30 Jun 2019

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.

No shares have been issued as a result of the exercise of share options or performance rights during or since the end of the financial year.

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' report

For the year ended 30 June 2017

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 and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr S Grimshaw	13	13	3	3	2	2
Mr P Cumins	13	13	–	–	–	–
Mr L Given	13	13	3	3	2	2
Mr K Dundo	13	13	5	5	5	5
Ms A Waters	4	4	2	2	3	3
Ms E Comerford	4	4	2	2	3	3
Mr R Webb	9	9	3	3	2	2

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.

Rounding off of amounts

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

Auditor's independence declaration

The auditor's independence declaration is included on page 112.

Remuneration Report (audited)

1. Letter from the Chair of the Remuneration and Nomination Committee
2. Persons addressed and scope of the Remuneration Report
3. Context of and changes to KMP remuneration for FY 2017 and into FY 2018
4. Overview of Cash Converters' Remuneration Governance Framework and strategy
5. Planned executive remuneration for FY 2017 (non-statutory disclosure)
6. Vested / awarded incentives and remuneration outcomes in respect of the completed FY 2017 period (non-statutory disclosure)
7. Performance outcomes for FY 2017 including STI and LTI assessment
8. Changes in KMP-held equity
9. Non-Executive Director fee policy rates for FY 2017 and FY 2018 and fee limit
10. Remuneration records for FY 2017 (statutory disclosures)
11. Employment terms for KMPs
12. Other remuneration-related matters
13. External remuneration consultant advice

Remuneration Report (audited) (continued)

1. Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders

We are pleased to present our FY 2017 Remuneration Report for Cash Converters International Limited.

The Board is focused on continuing to deliver improved performance and pursue growth plans to enhance value to shareholders. To do this the Board is also committed to achieving a comprehensive remuneration framework that is focused on driving a performance culture and linking remuneration to the achievement of the strategy and business objectives and ultimately generating improved returns for shareholders.

Financial performance during the year met expectations with a turnaround to achieve net profit after tax of $20.6 million despite the significant changes to the business. Key aspects to this delivery include: strengthening our digital presence, broadening our personal finance product offering, striving to achieve being the most compliant lender in our sector and achieving growth within the auto finance business.

This year, parallel with the turnaround in the Company's financial performance, the Company has undertaken several strategic management changes in relation to Key Management Personnel (KMP). The Company executed on succession plans to appoint Mr Mark Reid as Chief Executive Officer of the Company overall (previously CEO Australia) effective 23 January 2017 and transition Mr Peter Cumins to the role of Executive Deputy Chairman focused on international expansion. The Company has also expanded expertise in the executive leadership team with the addition of executive resources across areas such as risk and compliance management, marketing and digital, distribution, operations, project management and people and culture management – all considered key to delivering a continued and sustained improvement in value for shareholders.

The Board believes that it is essential to attract, engage and retain executives with appropriate competencies and capabilities. It is also essential for remuneration to reflect the contributions made to the achievement of results. The Board will continue to review our remuneration governance framework and remuneration strategy to strengthen the alignment between executive remuneration and outcomes for shareholders.

The Board continues to engage with key external stakeholders and seeks to respond to feedback as a critical part of the goal of improving linkages between executive remuneration and returns to shareholders.

Over previous years, responsiveness to feedback has produced the following:

- Review and redesign of Remuneration Governance Framework policies and procedures.
- Redesign of Short Term Incentive (STI) and Long Term Incentive (LTI) plans to be more closely aligned to sustainable shareholder value creation.
- Improved disclosure of incentive plan design features.
- External remuneration benchmarking of KMP.

Key outcomes of execution of our remuneration governance framework and remuneration strategy during FY 2017 include the provision of:

- Expanded disclosure of the criteria under which the short-term incentive payments are awarded.
- Additional transparency on calculation of normalised financial metrics used in determining short-term incentive outcomes for FY 2017.
- Enhanced availability on our website of policies and procedures encompassed in our remuneration governance framework.
- Benchmarking of remuneration for the expanded KMP group.

Priorities for FY 2018 will look to include the further review and shaping of the total reward framework for KMP to ensure alignment with strategy and long term value creation for shareholders.

The Board recognises that FY 2017 has seen significant changes and challenges for the Company and for shareholders. With improved financial performance and having completed much of the transition to the new leadership team, the Board is confident that the organisation structure and associated remuneration arrangements are an appropriate response to the Company's circumstances and provide a solid foundation for the continued improvement in performance and creation of shareholder value over the long term.

Yours faithfully,

Ellen Comerford
Chair, Remuneration and Nomination Committee

2. Persons addressed and scope of the Remuneration Report

This remuneration report, which forms part of the directors' report, sets out in accordance with section 300A of the Corporations Act, for the year ended 30 June 2017:

(i) the Company's governance relating to remuneration;

(ii) the policy for determining the nature and amount or value of remuneration of Key Management Personnel (KMP);

(iii) the various components or framework of that remuneration;

(iv) the prescribed details relating to the amount or value paid to KMP, as well as a description of any performance conditions;

(v) the relationship between the policy and the performance of the Company.

The Company has also provided additional information to assist shareholders in obtaining an accurate and complete understanding of the Company's approach to the remuneration of KMP.

KMP are the non-executive directors (NEDs), executive directors and senior executive employees who have authority and responsibility for planning, directing and controlling the activities of the Group. On that basis, the following roles / individuals are addressed in this report:

Non-executive directors	Position
Mr Stuart Grimshaw	Chairman and non-executive director Audit and Risk Committee member (to 24 February 2017) Nomination Committee Chairman (to 24 February 2017)
Mr Lachlan Given	Non-executive director Audit and Risk Committee member (appointed 1 August 2016, to 24 February 2017)
Mr Kevin Dundo	Chairman of Audit and Risk Committee (to 24 February 2017) Audit and Risk Committee member Chairman of Remuneration Committee and Nomination Committee member (to 24 February 2017)
Ms Andrea Waters	Non-executive director (appointed 9 February 2017) Chair of Audit and Risk Committee (appointed 24 February 2017) Remuneration and Nomination Committee member (appointed 24 February 2017)
Ms Ellen Comerford	Non-executive director (appointed 9 February 2017) Chair of Remuneration and Nomination Committee (appointed 24 February 2017) Audit and Risk Committee member (appointed 24 February 2017)
Mr Reginald Webb	Non-executive director (retired 14 February 2017) Audit and Risk Committee member (retired 14 February 2017) Remuneration Committee and Nomination Committee member (retired 14 February 2017)
Executive director	
Mr Peter Cumins	Managing Director (to 23 January 2017) Executive Deputy Chairman (from 23 January 2017)

Directors' report

For the year ended 30 June 2017

Remuneration Report (audited) (continued)

Senior Executives classified as KMP	Position
Mr Mark Reid	Chief Executive Officer – Australia (to 23 January 2017) Chief Executive Officer (effective 23 January 2017)
Mr Martyn Jenkins	Chief Operating Officer – Financial Services Australia (appointed 1 July 2016) Chief Financial Officer (effective 3 July 2017)
Mr Shane Prior	Chief Operating Officer – Stores
Mr Nathan Carbone (1)	Chief Risk Officer (effective 1 July 2016)
Ms Alice Manners	Chief Manager Digital, Marketing and Product (from 24 February 2017)
Mr Brad Edwards	General Counsel (from 6 June 2017) Company Secretary (effective 30 June 2017)
Mr Ralph Groom	Chief Financial Officer (resigned 3 July 2017) and Company Secretary (resigned 30 June 2017)
Mr Glen Fee	Chief Information Officer (resigned 3 July 2017)
Mr Michael Cooke	Group Legal Counsel (retired 31 August 2016)
Other appointments / changes that have occurred to the KMP during or since the end of the financial year are:	
Mr Sam Budiselik (2)	Chief Operating Officer – Personal Finance (became KMP 3 July 2017)
Ms Myrrhine Cutten	Chief Human Resources Officer (became KMP 3 July 2017)

(1) Mr Carbone commenced working with the Company on 20 June 2016. In his role as Chief Risk Officer, he was KMP for the duration of the financial year on a contract basis to 31 December 2016 and permanent from 1 January 2017.

(2) Mr Budiselik was previously KMP in 2016 and resigned effective 30 June 2016. Mr Budiselik worked with the Company in a consultant capacity during 2017 and, with the appointment to the role of Chief Operating Officer – Personal Finance has become KMP in FY 2018.

3. Context of and changes to KMP remuneration for FY 2017 and into FY 2018

3.1 Matters identified as relevant context for remuneration governance in FY 2017 and into FY 2018

As is required by regulation, the KMP remuneration structures that are detailed in this report are those that prevailed over FY 2017.

The following outlines important context for the decisions that were made in relation to remuneration for / during FY 2017, the outcomes of which are presented in this report. Those changes already made in respect of FY 2018 or anticipated to be implemented during the remainder of FY 2018 will be commented on to the extent relevant to an evaluation of remuneration for FY 2017, with full details given as part of the FY 2018 Annual Report.

The Board has previously undertaken to make continuous improvements to remuneration governance, policies and practices applied to KMP of the Company, as well as other employees, to ensure appropriateness to the circumstance of the Company as it evolves over time.

During FY 2016 and FY 2017 the Board sought and received feedback from both stakeholder and independent consultant views of KMP remuneration governance and practices, including taking note of feedback from proxy advisors, and has sought to be responsive to that feedback. The main themes are dealt with here.

The Company strengthened the calibre of the Board through the year and also addressed external stakeholders' views in regard to board composition, with the appointment of two new independent non-executive directors (NEDs), Ms Ellen Comerford and Ms Andrea Waters. This brings the total number of directors to six with the number of NEDs to five, three of whom are considered independent. The focus of the Board has been to continue to improve governance, oversight and compliance with policies and practices developed by the Company and to ensure continued independent input on KMP remuneration decision-making processes.

The Board is focused on continuing the implementation of its renewed strategy and this involves significant transitioning from previous business models and approaches. The successful delivery of this strategy requires strong leadership and additional capabilities in the leadership team. To attract and retain the best possible talent to the leadership team, the Company needs to ensure its remuneration offering reflects the complex and diverse nature of the business and the challenges facing the business to achieve its strategic objectives.

The Board has endorsed the addition to, and enhancement of, KMP resources with expertise across a range of key functions and disciplines, including risk management, distribution, digital and marketing, technology, operations, project management and people and culture management, to support the successful delivery of the strategic objectives of the Company. The following should be noted with regards to significant changes in the executive team and structure:

- Corresponding with the Company's current strategy, the long serving Managing Director, Mr Peter Cumins, is in the process of transitioning to an Executive Deputy Chairman role, where he is focusing on growing the international franchising business. His successor, Mr Mark Reid, previously the Chief Executive Officer – Australia, was appointed as Chief Executive Officer effective 23 January 2017. This process is expected to be completed during FY 2018, with the incumbents, and the Board, taking a cautious and staged approach to ensure a successful transition that preserves the core business built over time by Mr Cumins, while giving Mr Reid an opportunity to explore new business opportunities with the support of his predecessor.
- Mr Ralph Groom, previously the Chief Financial Officer and Company Secretary, and Mr Glen Fee, Chief Information Officer, departed the business in July 2017.
- Having been with the Company since 2013 in key roles both in Australia and United Kingdom, Mr Martyn Jenkins was appointed to the role of Chief Financial Officer effective 3 July 2017.
- Mr Brad Edwards joined the Company on 6 June 2017 as General Counsel and was appointed as Company Secretary effective 30 June 2017.
- Additional members who have joined the executive team during FY 2017 or since the year end are Mr Nathan Carbone, Chief Risk Officer; Ms Alice Manners, Chief Digital, Marketing and Product; Mr Sam Budiselik, Chief Operating Officer – Personal Finance; Mr Warren Willis, Head of Transformational Change; Mr James Miles, Chief Technology Officer; and Ms Myrrhine Cutten, Chief Human Resources Officer.

Market capitalisation is one of the factors that influence external assessments of the appropriateness of remuneration, and it is understood that external groups tend to see it as primary indication of the size and status of the Company, and the field in which the Company is competing for talent. In this regard it is noted that the market capitalisation of the Company decreased from $211 million at the end of FY 2016 to approximately $155 million as at the end of FY 2017. As a result of this, the remuneration packages being offered to some of the senior executives, may appear to be less well aligned with market capitalisation at 30 June 2017, and related peers, than has been the case in previous reports. Given the additions to KMP during FY 2017 and since, the Company has undertaken internal benchmarking utilising data sourced from GRG Remuneration Guide 2017 and from AON Hewitt Data Centre to review the remuneration packages for KMP to ensure alignment with its remuneration policy. Further benchmarking analysis will be conducted in relation to overall remuneration during FY 2018.

3.2 Key remuneration matters identified and adjustments made or planned in response, since the previous report

During FY 2017 the following KMP remuneration-related matters were identified by the Board and are being considered and / or actioned during the reporting period and into FY 2018:

- Opportunities to continue to improve remuneration governance and disclosure in relation to STI and LTI incentive arrangements as follows:
  - Disclosure of specific dollar values for the financial performance target measures and stretch / maximum STI where applicable.
  - Greater clarity on non-financial targets and individual key performance targets as they relate to STI awards.
  - Greater clarity of use of normalised financial metrics in the STI plan and how individual / non-financial measures are linked to value creation for shareholders.
  - Transparency in the use of a normalised EPS vesting condition in the LTI plan and disclosure of those amounts excluded at the Board's discretion.

Directors' report

For the year ended 30 June 2017

Remuneration Report (audited) (continued)

- Remuneration of the Executive KMP:
  - During FY 2017, the transition strategy involved both the Managing Director and CEO Australia fulfilling the MD / CEO function of the Company, consistent with the intention to smooth the impact of the change of management over a year or more.
  - The remuneration package for the CEO was adjusted in January 2017 taking into account additional responsibilities and benchmarking input against the comparator at the P50 and in line with the Company's Senior Executive Remuneration Policy.
  - During the year, various adjustments to remuneration have been made for some executive KMP in line with changes to roles and the new senior leadership structure reporting to the CEO role. For some executives, this resulted in increases to remuneration packages to reflect the expanded scope, complexity or accountability of their roles. Other executive KMP who joined the Company during FY 2017 have been employed on terms believed to be consistent with policy and appropriate to attract the level of capabilities and expertise for the role.
  - Having completed much of the transition to the new leadership team reporting to the CEO, the Board is confident that the current structure and associated remuneration arrangements is an appropriate response to the Company's circumstances.
  - Further benchmarking of KMP executives (including the Executive Deputy Chairman and CEO) is to be conducted in FY 2018 to evaluate the remuneration packages appropriate to the specific job responsibilities and ensure alignment with both strategy and shareholder interest and compliance with the Company's remuneration policy.
- NED remuneration:
  - During FY 2017 no changes have been made to the remuneration received by non-executive directors and the Board will not be seeking an increase to the aggregate fee limit (AFL) for NED remuneration (AFL $800,000 approved by shareholders at the Annual General Meeting 2015).
  - The Board recently reviewed the current remuneration levels for NEDS and believes that the levels are in line with remuneration policy.
- Remuneration policies and procedures:
  - The Company has sought to improve shareholder engagement and provide further transparency by publishing its formal policies and procedures as they relate to KMP remuneration, on the Company website, and feedback from shareholders regarding this material is welcome.
  - It is recommended that this material be considered as part of forming an opinion regarding the appropriateness of the remuneration practices of the Company.
- STI Financial Measures and Normalisation of financial metric calculations for incentive plans:
  - For FY 2018 and beyond, the Board is evaluating the financial measures used as part of the STI arrangements, currently normalised EBITDA.
  - Consideration will be given to utilising Net Profit after Tax as a financial measure as this is generally taken to be of greater interest to shareholders.
- Review of incentive plans:
  - Given the changes to the Senior Executive team and the evolution of the business strategy, both the STI and LTI remuneration policy will be considered by the Board during FY 2018.
  - The Board aims to ensure incentive arrangements for KMP are designed appropriately to motivate enhanced and sustainable performance, build on the risk culture, execute on strategy and ultimately increase shareholder value.
  - In order to do so, in FY 2018 the Board will review remuneration matters such as relativity of STI and LTI to total remuneration, and the appropriateness of LTI vesting conditions in view of the Company's current circumstances.

4. Overview of Cash Converters' Remuneration Governance Framework and strategy

4.1 Transparency and engagement

The Board seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- Shareholders;
- Remuneration and Nomination Committee Members;
- Stakeholder groups including proxy advisors;
- External remuneration consultants (ERCs);
- Other experts and professionals such as tax advisors and lawyers; and
- Company management.

The following outlines a summary of Cash Converters' formal Remuneration Governance Framework that has resulted from those engagements and related considerations.

The complete framework can be accessed on the Company's remuneration governance portal at www.cashconverters.com/Governance/RemunerationCommittee, and a channel for direct feedback (remuneration@cashconverters.com) is provided. Shareholders, proxy advisors and other interested parties are invited to consider this information as part of forming a judgement regarding the remuneration policies, procedures and practices of the Company.

4.2 Remuneration and Nomination Committee Charter

The Remuneration and Nomination Committee Charter (the Charter) was reviewed and approved by the Board in May 2017. The Charter governs the operation of the Remuneration and Nomination Committee (the Committee). It sets out the Committee's role and responsibilities, composition, structure and membership requirements. The purpose of the Committee, as it relates to remuneration, is to assist the Board by:

- providing advice in relation to the remuneration packages of Senior Executives and NEDs, equity-based incentive plans and other employee benefit programs;
- developing and maintaining the policies and other documents that guide and govern KMP remuneration decisions, practices and outcomes;
- determining and reviewing the nature of the Company's disclosure or communication of remuneration practices and policies;
- regularly reviewing the Company's recruitment, retention and termination policies, superannuation arrangements, succession plans, and the performance of the Board and Senior Executives; and
- reviewing the Company's diversity policy and monitoring diversity within the Company, including monitoring and appraising the size and composition of the Board.

The Committee has the authority to retain outside legal or other professional advice or assistance on any matters within its terms of reference.

The Board recognises the importance of ensuring that any recommendations given to the Committee provided by remuneration consultants are provided independently of those to whom the recommendations relate. Further information about the parameters under which external remuneration consultants are engaged is provided in Section 4.11.

4.3 Senior Executive Remuneration Policy and Procedure

The Senior Executive Remuneration Policy and Procedure applies to Senior Executives who are defined as follows:

- Executive Directors;
- Chief Executive Officer (CEO);
- Those roles classified as executive KMP; and
- Executive Leadership Team (ELT) members who are the direct reports to the CEO – roles that are business unit, functional, or expertise heads (who may or may not be KMP).

The policy outlines the Company's intentions regarding Senior Executive remuneration, as well as how remuneration is intended to be structured, benchmarked and adjusted in response to changes in the circumstances of the Company, and in line with good governance.

Broadly the policy describes the following in relation to Senior Executives:

- Remuneration should be composed of:
  - Fixed Annual Reward (inclusive of salary, superannuation, allowances, benefits and any applicable fringe benefits tax (FBT)) (FAR);
  - STI which provides a reward for performance against annual objectives;
  - LTI which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a three-year period;
  - 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 should be structured with reference to market practices and the circumstances of the Company at the time.
- FAR 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 FAR 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.
- 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).
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

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The policy also outlines the procedure that should be undertaken to review Senior Executive remuneration and determine appropriate changes. Changes to remuneration resulting from annual reviews are generally to be determined in relation to:

- external benchmarking;
- whether current remuneration for the incumbent is above or below the policy midpoint / benchmark – those below the midpoint will tend to receive higher increases;
- the competence of the incumbent in fulfilling their role which determines their positioning within the policy range – higher calibre incumbents are intended to be positioned higher in the range; and
- any changes to internal relativities related to role / organisation design that have occurred since the previous review.

4.4 Non-Executive Director Remuneration Policy and Procedure

The Non-Executive Director Remuneration Policy and Procedure applies to non-executive directors of the Company in their capacity as directors and as members of committees, and may be summarised as follows:

- Remuneration may be composed of:
  – Board fees;
  – Committee fees;
  – Superannuation;
  – Other benefits; 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;
- Guidelines regarding when the Board should seek adjustment to the AFL such as in the case of the appointment of additional NEDs;
- Remuneration should be reviewed annually;
- Termination benefits will not be paid to NEDs;
- 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 made by members of committees to the work of the Board. The inclusion of these fees 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.

The policy also outlines the procedure that should be undertaken to review non-executive director remuneration and determine appropriate changes.

4.5 Short-Term Incentive Policy and Procedure

The Short-Term Incentive Policy of the Company, since the commencement of the policy in FY 2016, 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. Key aspects of the policy are as follows:

- Participants will include Senior Executives and other participants who may be invited from time to time.
- Non-executive directors are excluded from participation in the STI Plan.
- STI should be paid in cash unless deferral applies. The Board has the discretion to determine, as part of any offer, that upon calculation of the awards some portion of achieved STI is to be deferred.
- A termination of employment will trigger a forfeiture of some or all of unearned STI entitlements depending upon the circumstances of the termination. Amounts that are not forfeited will be tested and potentially paid based on actual performance during employment relative to target performance to the end of the measurement period (i.e. pro rata).
- The Board retains discretion to trigger or accelerate payment or vesting of incentives provided the limitation on termination benefits as outlined in the Corporations Act is not breached.

4.6 Long-Term Incentive Policy and Procedure

The Long-Term Incentive Policy of the Company, since the commencement of the policy in FY 2016, 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. Key aspects of the policy are as follows:

- 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, noting that with annual grants of overlapping measurement periods, the need for longer periods is mitigated (continuous improvement framework).
- Non-executive directors are not eligible to participate in the LTI Plan.
- Participants should be provided with an offer letter / invitation, an explanatory booklet and a copy of the LTIP Rules.
- There should be two measures of long-term performance, one that best reflects internal measures of performance and one that best reflects external measures of performance (see Section 4.13 for indicators selected).
- A termination of employment will trigger a forfeiture of some or all the unvested rights held by an executive depending upon the circumstances of the termination. Those that are not forfeited will be held for possible vesting, based on performance relative to the vesting conditions following the end of the measurement period.
- The Board retains discretion to trigger or accelerate payment or vesting of incentives provided the limitation on termination benefits as outlined in the Corporations Act is not breached.

4.7 Defining threshold, target and stretch for incentive purposes

In relation to the design, implementation and operation of incentives, the Board is of the view that there should, where possible, be a range of performance and reward outcomes identified and defined. These should be set with regard to the elasticity of the measure, the impact of the measure on shareholder value creation and the ability of Senior Executives to influence the measure. In order to create clarity and consistency, the following concepts and principles are generally intended to the design of incentive scales:

- "Threshold", being a minimum acceptable outcome for a "near miss" of the target, associated with a fraction of the target reward appropriate to the threshold outcome (generally around 80% probability of achievement);
- "Target", being a challenging but achievable outcome, and which is the expected outcome for a Senior Executive / team that is of high calibre and high performing (generally 50% – 60% probability of achievement); and
- "Stretch" (the maximum) levels of objectives, which is intended to be a "blue sky" or exceptional outperformance, not expected to be achieved, the purpose of which is to create a continuous incentive to outperform when outperformance of the Target has already been achieved (generally 10% – 20% probability of achievement). This is particularly important for shareholders to understand when comparing with other companies whose maximum levels of incentives may be associated with a planned or target outcome.

Awards for outcomes between these levels should generally be scaled on a pro rata basis dependent on actual performances. This is intended to provide a motivating opportunity to attain a reward, and to ensure that reward outcomes align with performance, under a range of circumstances.

It is recognised that there is a link between the budget setting culture of the Company and the setting of incentive hurdles. In this regard, the Board is confident that budgets developed, and agreed to are sufficiently challenging but also achievable, given the circumstances of the Company at the time of each budget.

4.8 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 any possible benefit.

4.9 Securities Trading Policy

The Company's Securities Trading Policy sets out the guidelines for dealing in any type of Company securities by the Company's KMP. It also summarises the law relating to insider trading which applies to everyone, including to all Company employees as well as to KMP. Under the current policy, KMP may only trade during a "trading window" (with some limited exceptions as set out in the policy). The following periods in a year are "trading windows", unless otherwise determined by the Board:

- 6 weeks commencing 24 hours immediately after the day of release of the half-yearly results announcement to the ASX Limited (ASX);
- 6 weeks commencing 24 hours immediately after the day of release of the yearly results announcement to the ASX *;
- 6 weeks commencing 24 hours immediately after the day of release of a disclosure document offering equity securities in the Company; or
- another date as declared by the Board in the circumstances that the Board is of the view that the market can reasonably be expected to be fully informed on that date.

*the release of the yearly results announcement is determined by the Board as being the release of the audited Financial Report

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Remuneration Report (audited) (continued)

4.10 Equity Holding Policy

The Board has previously seen an equity holding policy as unnecessary since KMP executives received a significant component of remuneration in the form of equity and executive directors generally have had material equity holdings. The subject of share ownership by KMP will form part of remuneration governance considerations in FY 2018.

4.11 Executive remuneration consultant engagement policy and procedure

The Company has adopted an executive remuneration consultant (ERC) engagement policy and procedure which is intended to manage the interactions between the Company and ERCs, so as to ensure their independence and that the Remuneration and Nomination Committee will have clarity regarding the extent of any interactions between management and the ERC. This policy enables the Board to state with confidence whether or not the advice received has been independent, and why that view is held. The policy states that ERCs are to be approved and engaged by the Board before any advice is received, and that such advice may only be provided to a non-executive director. Interactions between management and the ERC must be approved, and will be overseen by the Remuneration and Nomination Committee when appropriate.

4.12 Variable executive remuneration – Short-term Incentive plan (STIP)

Aspect	Plan, Offers and Comments
Purpose	The STI Plan's purpose is to give effect to an element of remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to increase the commitment of Senior Executives to deliver and outperform annual business plans, to align their interests with shareholders, reinforce a performance culture and create a strong link between performance and reward, encourage a pursuit of sustainable improvements in Group performance, encourage teamwork and co-operation among executive team members and maintain a stable executive team by helping retain key talent. These objectives aim to be achieved by a simple plan that rewards participants for performance relative to key performance indicators (KPIs) derived from annual business plans.
Measurement Period	The Company's financial year (12 months).
Award Opportunities	**FY 2017 Invitations** The Managing Director (now Executive Deputy Chairman) was offered a target-based STIP equivalent to 50% of Base Salary for Target performance, with a maximum / stretch opportunity of up to 93% of Base Salary. The CEO of Australia (now Chief Executive Officer) was offered a target-based STIP equivalent to 50% of Base Salary for Target performance, with a maximum / stretch opportunity of up to 80% of Base Salary. The outgoing Chief Financial Officer and Company Secretary was offered a target-based STIP equivalent to 30% of Base Salary for Target performance, with a maximum / stretch opportunity of up to 51% of Base Salary. Other Senior Executives who are KMP were offered a target-based STIP in a range equivalent to 20 – 40% of their Base Salary for Target performance.

Aspect	Plan, Offers and Comments
Key Performance Indicators (KPIs), Weighting and Performance Goals	**FY 2017 Invitations** FY 2017 Invitations to participate in the STIP were based on a number of KPIs set for each executive, summarised as follows and showing the weighting for target performance. Standards of performance are presented later in this report. **Managing Director and Chief Executive Officer** • Normalised Group EBITDA – 60% • Ensure the Company meets its obligations in relation to the Enforceable Undertaking – 15% • Ensure the Company achieves its milestones as set out in its 3 year plan – 15% • Individual Effectiveness – 10% **Chief Executive Officer of Australia** • Normalised Australian Divisional EBITDA – 40% • Implement undertakings committed to under the Enforceable Undertaking & achieve the milestones that fall within FY 2017 – 30% • Implement the underwriting and collection efficiency gains identified in the 2016 financial services review – 10% • Normalised Group EBITDA – 10% • Individual Effectiveness – 10% The KPI assessments are tailored to each executive to provide specific objectives relevant to their area of responsibility and business unit, as well as shared objectives such as financial performance of the business unit or Company set with reference to the annual budget for the financial year. The KPI metrics for FY 2017 for Other Senior Executives were consistently grouped into key metrics including Financial, Operations & Customer, and Risk & Compliance. Financial target metrics were based on normalised Group consolidated and divisional EBITDA and accounted for a minimum weighting of the overall KPI result of 45%. Refer to Section 7.2 dealing with incentive outcomes for the standards of performance that applied. For the Executive Deputy Chairman and CEO, the Normalised EBITDA KPI is calculated according to the following scale:

Performance level	% of Normalised EBITDA Budget	% of Target STI award
Threshold	95%	50%
Target	110%	100%
Stretch / Maximum	140%	200%

Aspect	Plan, Offers and Comments
	Comments The Board selected these measures as being those that are expected to drive economic profitability, and ultimately shareholder value creation over the long term, within a financial year period. One of the concerns expressed by external stakeholders in relation to the STIP was that little information was given regarding how individual / non-financial measures linked to value creation for shareholders. Such measures are selected as being linked to the execution of the Company's current strategy, and relevant to each role. More detail is provided in this regard in the latter section of this report dealing with incentive outcomes for the reporting period. Refer Section 7.2.
Plan Gate & Board Discretion	For each Measurement Period the Board will have the discretion to either abandon the plan or adjust award payouts if the Company's overall performance during the Measurement Period was substantially lower than expectations and resulted in significant loss of value for shareholders. A specified gate condition may apply to offers of STI such that no award will be payable in relation to any KPI if the gate condition is not met or exceeded. **FY 2017 Invitations** A gate of 90% of budget normalised EBITDA applied so that no STI would be payable if this condition was not met or exceeded.

Remuneration Report (audited) (continued)

Aspect	Plan, Offers and Comments
Award Determination and Payment	Calculations are performed following the end of the Measurement Period and the auditing of Company accounts. Awards will generally be paid in cash in the September following the end of the Measurement Period. They are to be paid through payroll with PAYG tax and superannuation deducted as appropriate. Deferral of STI is not a current component of the STI Plan on the basis that the mix of STI and LTI should be appropriately weighted, with overlapping measurement periods that mitigate the risk of short-termism.
Cessation of Employment During a Measurement Period	In the event of cessation of employment due to dismissal for cause, all entitlements in relation to the Measurement Period are forfeited. In the event of cessation of employment due to resignation, all entitlements in relation to the Measurement Period are forfeited, unless the termination is classified as "Other" (good leaver) in the discretion of the Board (see below). In the case of cessation of employment in other circumstances (good leaver) the award opportunity will be reduced proportionately to reflect the portion of the Measurement Period worked. The actual award earned will not be calculated until after end of the financial year, along with other participants. The Board retains discretion to trigger or accelerate payment or vesting of incentives in the case of a termination, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached.
Change of Control	In the event of a Change of Control, including a takeover, the Board may in its discretion decide to: • terminate the STIP for the Measurement Period and pay pro rata awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control, or • continue the STIP but make interim non-refundable pro rata Awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control, or • allow the STIP to continue.
Fraud, Gross Misconduct etc.	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company, then all entitlements in relation to the Measurement Period will be forfeited.
Clawback	The Board currently holds the view that a clawback policy is not appropriate. Refer to Section 4.8 for discussion regarding this policy.

4.13 Variable executive remuneration – Long-Term Incentive Plan (LTIP) – Performance Rights Plan

Aspect	Plan Rules, Offers and Comments
Purpose	The LTI Plan's purpose is to give effect to an element of Senior Executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to ensure that Senior Executives have commonly shared goals related to producing relatively high returns for Shareholders. Other purposes of the LTI Plan is to assist Senior Executives to become Shareholders, provide a component of remuneration to enable the Company to compete effectively for the calibre of talent required for it to be successful and to help retain employees, thereby minimising turnover and stabilising the workforce such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB2). Currently the Company operates a Rights plan for the purposes of the LTIP.
Form of Equity	The current Rights plan includes the ability to grant: a) Performance Rights, which are subject to performance related vesting conditions, for the purposes of the LTIP. b) Retention Rights, which are subject to service related vesting conditions, (not currently used). c) Deferred Rights which are not subject to vesting conditions but which are subject to disposal restrictions that attach to the Shares that result from Rights being exercised (not currently used). The LTIP is based on grants of Performance Rights. The Rights are Indeterminate Rights and confer the right (following valid exercise) to the value of a Company Share at the time, either: • Settled in Shares that may be issued or acquired on-market, or • Settled in the form of cash, at the discretion of the Board (a feature intended to ensure appropriate outcomes in the case of terminations). No dividends accrue to unvested Rights, and no voting rights are attached.

Aspect	Plan Rules, Offers and Comments
LTI Value	The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors, when the Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion. **FY 2017 Invitations** In relation to the previous MD / CEO, Performance Rights with a Target value equivalent to 75% and a maximum / stretch value of 150% of the Base Salary were granted. No additional grants have been made upon the change of role to the Executive Deputy Chairman position. The new CEO was offered Performance Rights with a Target value equivalent to 30% and a maximum / stretch value of 60% of FAR eligible to be granted as part of his remuneration package for the role of CEO – Australia. No additional grants have been made in relation to the change to the CEO role. The outgoing CFO and Company Secretary was offered Performance Rights with a Target value equivalent to 50% and a maximum / stretch value of 100% of the Base Salary eligible to be granted as part of his package for the role of CFO and Company Secretary. For other Senior Executives Performance Rights with a Target value equivalent to 5% and a maximum / stretch value of 10% of the Base Salary were granted. It is important to note that only around half of the grants are expected to vest (refer to definition of Target). **Comments** The number of LTI Rights to be granted is calculated with reference to the maximum / stretch LTI, divided by the Right value (valued as ignoring vesting conditions). This produces a mathematically identical outcome to the following formula: **Number = Base package x Target LTI% x Tranche Weighting ÷ Right Value ÷ Target Vesting%** The equity-based rights value is the Share price at the time of the calculation (a VWAP calculation is used), less the expected value of dividends that will not accrue to Right holders (Rights are not eligible to receive dividends). This is equivalent to a Black-Scholes value ignoring any vesting conditions. The Board sought and received shareholder approval in relation to the FY 2017 grant to the then Managing Director at the 2016 AGM.
Measurement Period	The Measurement Period will include three financial years unless otherwise determined by the Board (which would only apply in exceptional circumstances). **FY 2017 Invitations** The Measurement Period is from 1 July 2016 to 30 June 2019. **FY 2018 Invitations** The Measurement Period will be from 1 July 2017 to 30 June 2020. **Comments** Three-year Measurement Periods combined with annual grants will produce overlapping cycles that will promote a focus on producing long term sustainable performance / value improvement and mitigates the risk of manipulation and short-termism (continuous improvement). Because of the timing of grants, the life of the Right may be less than 3 years at times, however this does not impact the Measurement Period over which performance is measured.

Remuneration Report (audited) (continued)

Aspect	Plan Rules, Offers and Comments
Vesting Conditions	The Board has discretion to set vesting conditions for each offer. Performance Rights that do not vest will lapse. **FY 2017 Invitations** Except as indicated below, a participant must remain employed by the Company during the Measurement Period and the performance conditions must be satisfied for Rights to vest. The FY 2017 Invitations included: • a tranche (50% weighting) with a total shareholder return (TSR) vesting condition, based on indexed TSR (iTSR), and • a tranche (50% weighting) with normalised earnings per share compound annual growth (NESPG) vesting condition, as follows:

Tranche 1

Performance level	Cash Converters International's TSR as % XAOAI TSR for the Measurement Period	% of Tranche Vesting
Stretch	≥200%	100%
> Target % < Stretch	> 150% & <200%	Pro rata
Target	150%	50%
> Threshold	>100% & <150%	Pro rata
Threshold	100%	25%
< Threshold	<100%	Nil

Tranche 2

Performance level	Cash Converters International's Normalised Earnings Per Share Compound Annual Growth Rate	% of Tranche Vesting
Stretch	≥20%	100%
> Target % < Stretch	> 16% & <20%	Pro rata
Target	16%	50%
> Threshold	>12% & <16%	Pro rata
Threshold	12%	25%
< Threshold	<12%	Nil

Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion. See Section 7.3 for further details in regard to normalisation.

Aspect	Plan Rules, Offers and Comments
Vesting Conditions *(continued)*	**Comments** The Board recognises that it is important that shareholders understand why the LTI vesting conditions selected are appropriate to the circumstances of the Company, and therefore seeks to be transparent in this regard. While the measure that has strongest alignment with shareholders is Total Shareholder Return (TSR), it is recognised that absolute TSR is influenced by overall economic movements. Therefore 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. 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. The Comparator Group for the assessment of the iTSR vesting conditions is the S&P / ASX All Ordinaries Accumulation Index (abbreviated to XAOAI, also referred to as Total Return index). This group was selected because it is the best indicator of broad economic sentiment and market movements, which are to be effectively removed from the assessment of the Company's TSR via the iTSR measure.
Retesting	None of the grants made in respect of the reporting period included a retesting feature.
Plan Gate & Board Discretion	**FY 2017 Invitations** A gate of Company TSR being positive for the measurement period applied to both vesting conditions, before performance against the vesting conditions is assessed to ensure that the LTI will not reward executives when shareholders have lost value. The Board retains discretion to adjust vesting outcomes in the circumstances that the outcomes from applying the vesting scales alone would be likely to be seen as inappropriate.
Amount Payable for Performance Rights	No amount is payable by participants for Performance Rights. The target value of Rights is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of Performance Rights.
Exercise of Vested Performance Rights	Under the plan rules, vested Performance Rights are exercised automatically following vesting. Rights that are not exercised, lapse. Exercised Rights will be satisfied in the form of ordinary Company shares, except where the Board exercises its discretion to settle in the form of cash.
Disposal Restrictions etc.	Rights may not be disposed of or otherwise dealt with while they remain Rights i.e. prior to exercise. All shares acquired by Participants as a consequence of exercising vested Rights, shall be subject to a dealing restriction (Restricted Shares) being that such Restricted Shares may not be disposed of or otherwise dealt with until: a) The time specified by the Company's securities trading policy with regards to when executives and directors may deal in securities of the Company, and b) The time at which dealing in securities of the Company is permitted under the Corporations Act having regard to division 3 of Part 7.10 (insider trading restrictions).
Cessation of Employment	In the event of cessation of employment in the circumstances of a bad leaver, all unvested Performance Rights will be forfeited. In the case of Special Circumstances (good leaver) the grant of Performance Rights made in the year of the termination will be pro rata forfeited for the period with remaining rights to be tested at the end of the measurement period along with other participants. Other grants made in previous years will be unaffected by the termination. The Board retains discretion to trigger or accelerate payment or vesting of Performance and / or Retention Rights in the case of a termination of the employment of a Participant.

Remuneration Report (audited) (continued)

Aspect	Plan Rules, Offers and Comments
Change of Control of the Company	If in the opinion of the Board a change of control event has occurred, or is likely to occur, the Vesting Conditions attached to the Tranche at the time of the Offer will cease to apply and: a) unvested Performance Rights granted in the financial year of the Change of Control will lapse in the proportion that the remainder of the financial year bears to the full financial year, b) all remaining unvested Performance Rights will vest in accordance with the application of the following formula (noting that negative results will be taken to be nil): Number of Performance Rights to Vest = Unvested Performance Rights x (Share Price at the Change of Control – Offer Share Price) ÷ Offer Share Price a) any unvested Performance Rights than do not vest in relation to (b) will lapse unless otherwise determined by the Board, b) all unvested Retention Rights will vest, and c) disposal restrictions applied to Deferred Rights by the Company and specified as part of the terms of the LTI will be lifted (including the removal of any Company initiated CHESS holding lock if applicable), unless otherwise determined by the Board and participants notified in writing.
Clawback	The Board currently holds the view that a clawback policy is not appropriate. Refer to Section 4.8 for discussion regarding this policy.

5. Planned executive remuneration for FY 2017 (non-statutory disclosure)

The disclosures required under the Corporations Act (including regulations) and prepared in accordance with applicable accounting standards do not necessarily provide shareholders with an understanding of the intended remuneration in a given year. For example, the LTI disclosed is not reflective of the remuneration opportunity for the year being reported on, due to the requirements of AASB 2. Therefore, the following table is provided to ensure that shareholders have an accurate understanding of the Board's intention regarding the remuneration offered to executives during FY 2017, as at target performance, to facilitate an assessment of the alignment between performance and reward. In this regard, the definition of Target needs to be considered, as provided in this report. Generally, there are opportunities for incentives to exceed the target levels outlined here, as discussed in the relevant sections, however stretch / maximum incentives are designed to be unlikely to occur.

The incentive levels presented are based on the policy at the time of determining remuneration for the year, and in the case of LTI, translated into a number of rights at the time of the grant calculation.

5.1 Planned executive remuneration at target

	FAR		Target STI opportunity			Target LTI opportunity			Total Target Remuneration Package (TRP)
	Amount	% of TRP	% of FAR	STI amount	% of TRP	% of FAR	LTI amount	% of TRP	
	$	%	%	$	%	%	$	%	$
Mr P Cumins	864,618	45%	48%	416,993	22%	72%	625,489	33%	1,907,100
Mr M Reid*	495,517	63%	29%	145,351	19%	28%	139,465	18%	780,333
Mr M Jenkins	280,633	76%	27%	75,000	21%	4%	12,500	3%	368,133
Mr S Prior	292,933	73%	33%	97,920	24%	4%	12,240	3%	403,093
Mr N Carbone	321,308	89%	12%	39,000	11%	0%	–	0%	360,308
Mr R Groom	435,802	57%	29%	126,880	17%	46%	201,620	26%	764,302
Mr G Fee	322,665	88%	9%	29,203	8%	5%	14,602	4%	366,470

*Mr Reid's stated FAR reflects his contract as at 1 July 2016. The FAR was amended upon change of role effective 23 January 2017 with an increase from $495,517 to $620,633 and STI target increased to 50%.

The above table only includes those KMP who were eligible for STIs and LTIs during the year. KMP employed after 1 January 2017 were not eligible for participation in STIP.

5.2 Planned executive remuneration at maximum

	FAR		Maximum STI opportunity			Maximum LTI opportunity			Total Maximum Remuneration Package (TRP)
	Amount	% of TRP	% of FAR	STI amount	% of TRP	% of FAR	LTI amount	% of TRP	
	$	%	%	$	%	%	$	%	$
Mr P Cumins	864,618	30%	89%	771,436	27%	145%	1,250,978	43%	2,887,032
Mr M Reid*	495,517	48%	53%	261,632	25%	56%	278,930	27%	1,036,079
Mr M Jenkins	280,633	74%	27%	75,000	20%	9%	25,000	6%	380,633
Mr S Prior	292,933	70%	33%	97,920	24%	8%	24,480	6%	415,333
Mr N Carbone	321,308	89%	12%	39,000	19%	0%	–	0%	360,308
Mr R Groom	435,802	41%	49%	215,693	21%	93%	403,239	38%	1,054,734
Mr G Fee	322,665	84%	9%	29,203	8%	9%	29,203	8%	381,071

*Mr Reid's stated FAR reflects his contract as at 1 July 2016. The FAR was amended upon change of role effective 23 January 2017 with an increase from $495,517 to $620,633 and STI target increased to 50%.

The above table only includes those KMP who were eligible for STIs and LTIs during the year. KMP employed after 1 January 2017 were not eligible for participation in STIP.

6. Vested / awarded incentives and remuneration outcomes for KMP in respect of the completed FY 2017 period (non-statutory disclosure)

The statutory disclosure requirements and accounting standards make it difficult for shareholders to obtain a clear understanding of what the actual remuneration outcomes for executives were in relation to a given reporting period. It should be noted that typically STI for a reporting period is paid after the end of the financial year / reporting period, following audit, and that LTI vesting is similarly delayed. The following table brings these outcomes back to the year of performance to which the outcome relates, and which is the reporting period i.e. STI is presented as being part of the remuneration for the year in which performance was tested, and LTI would be presented as being part of the remuneration for the year during which performance testing was completed.

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Name & role	Year	FAR		Total STI awarded following completion of financial year (cash and equity) (i)		Value of LTI vested following completion of measurement period / financial year (ii)		Total remuneration package (TRP)	Gain / loss on vested LTI from change in value during vesting period (iii)
		$	% of TRP	$	% of TRP	$	% of TRP	$	$
Mr P Cumins									
Executive Deputy									
Chairman	2017	874,942	71%	364,875	29%	–	0%	1,239,818	–
Managing Director	2016	864,246	100%	–	0%	–	0%	864,246	–
Mr M Reid									
Chief Executive Officer	2017	^550,923	66%	*285,046	34%	–	0%	835,969	–
Chief Executive									
Officer – Australia	2016	#323,825	87%	47,500	13%	–	0%	371,325	–
Mr M Jenkins									
Chief Operating									
Officer – Personal Finance	2017	278,318	79%	75,833	21%	–	0%	354,151	–
General Manager – UK	2016	296,012	86%	50,000	14%	–	0%	346,012	–
Mr S Prior									
Chief Operating	2017	292,933	86%	39,168	12%	8,143	2%	340,244	(5,466)
Officer – Stores	2016	287,453	87%	41,500	13%	–	0%	328,953	–
Mr N Carbone									
Chief Risk Officer	2017	-321,308	89%	39,000	11%	–	0%	360,308	–
N/A	2016	–	0%	–	0%	–	0%	–	–
Mr R Groom									
Chief Financial Officer	2017	447,865	80%	38,064	7%	73,446	13%	559,375	(49,296)
& Company Secretary	2016	432,367	100%	–	0%	–	0%	432,367	–
Mr G Fee									
Chief Information	2017	321,639	91%	16,062	4%	16,286	5%	353,987	(10,931)
Officer	2016	320,688	92%	28,631	8%	–	0%	349,319	–

(i) This is the value of the total STI award calculated following the end of the Financial Year
(ii) This is the value as at time of the calculation of the grant of the LTI (using a Right value of $0.96) that vested in relation to the completion of the specified financial year, noting that vesting is determined and occurs following the end of the Measurement Period i.e. number that vested multiplied by the undiscounted Right Value
(iii) This is the number of LTI Rights that vested following the completion of the Financial Year, multiplied by the closing Share Price on the date of vesting (being $0.315), less the grant value
^ Remuneration adjusted 23 January 2017 from FAR $495,517 to $620,633
* Includes $35,625 ex gratia payment during FY 2017
# Part year employment from 2 November 2015 to 30 June 2016
- Based on contract role from 1 July 2016 to 31 December 2016 and permanent role from 1 January 2017 to 30 June 2017

Details regarding the assessments of performance that gave rise to the incentive outcomes for FY 2017 are given below.

7. Performance outcomes for FY 2017 including STI and LTI assessment

7.1 Company performance

Financial performance during the year met expectations despite the significant changes to the business and its circumstances delivering a profit of $20.618 million for FY 2017 up from a loss of $5.272 million in FY 2016. Key aspects to this delivery include strengthening our digital presence, broadening our personal finance product offering, striving to achieve being the most compliant lender in our sector, and achieving growth within the auto finance business.

During the reporting period the Company has delivered on a number of key objectives:

- Successful launch of new Medium Amount Credit Contract (MACC) loan products
- Growth of the Green Light Auto finance business
- Growth in retail and pawn broking revenues
- UK operations returned to profitability
- Expanded leadership team, bringing new insights and capabilities
- New electronic assessing platform to improve compliance and adherence to responsible lending requirements
- Fulfilment of Enforceable Undertaking requirements

The following outlines the performance of the Company over the year ended 30 June 2017 and the previous four financial years in accordance with the requirements of the Corporations Act:

	Year ended 30 June				
	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Revenue from continuing operations	271,473	311,599	288,666	331,669	272,723
Net profit before tax from continuing operations	28,198	31,171	3,855	32,040	47,664
Net profit / (loss) after tax					
– continuing operations	20,618	25,894	(1,255)	21,132	32,870
– discontinued operations	–	(31,166)	(20,430)	–	–
Profit / (loss) after tax	**20,618**	**(5,272)**	**(21,685)**	**21,132**	**32,870**
Share price	cents	cents	cents	cents	cents
– beginning of year	43.5	70.0	108.0	107.0	64.5
– end of year	31.5	43.5	70.0	108.0	107.0
Dividend (i)					
– interim	–	2.00	2.00	2.00	2.00
– final dividend	–	1.00	–	2.00	2.00
Earnings per share from continuing and discontinued operations					
– basic	4.21	(1.09)	(4.69)	5.67	8.09
– diluted	4.12	(1.09)	(4.69)	5.56	7.92

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

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Remuneration Report (audited) (continued)

The table below sets out the comparison between Cash Converters internal targets set by the Company compared to actual performance for the key performance metrics that are the main drivers of incentive outcomes in FY 2017. This gives some indication of a correlation between planning and outcomes.

Year ended 30 June	Actual EBITDA $'000	Budgeted EBITDA $'000
2017	45,725	44,210
2016	47,697	73,969

For FY 2017, the normalised EBITDA result, for the purpose of incentive plan calculation, was $49.108 million. Refer to Section 7.3 for information on normalisation adjustments.

7.2 Links between performance and reward including STI and LTI determination

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

- FAR, 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 intended to deliver a variable reward based on long-term measures of Company performance.

Short Term Incentives

The Board believes there are strong links between internal measures of Company performance and the payment of short-term incentives. The STI achieved in relation to the FY 2016 period, was paid during the FY 2017 period in September 2016. As a result of the FY 2016 full year result being below expectations, only a small number of individual and operational STI payments were made and, as previously reported, on average equated to 12% of the maximum award opportunity.

The STI achieved in relation to the FY 2017 period being completed will be paid after the end of the period (i.e. during FY 2018, usually in September). On average 78.4% of the target award opportunity or 47.3% of the maximum award opportunity available was paid. This level of award was considered appropriate under the STI plan since the objectives were set and offers made in relation to the achievement of each KPI at the beginning of the financial year, and the majority of those objectives were met.

In relation to the completed FY 2017 period the payment of STI was calculated as follows:

Name & role	FY 2017 KPI summary						Award outcomes FY 2017, paid FY 2018		
	KPI summary	Weighting %	Threshold	Target	Stretch	Target award $	Achievement	Awarded $	Total STI award $
Mr P Cumins Executive Deputy Chairman	Normalised Group EBITDA	60%	95% budget	110% budget	140% budget	250,200	100%	250,196	
	Operational objectives	30%	Pro rata	Achieved	Achieved	125,100	Partially achieved	93,825	364,875
	Individual effectiveness	10%	Meets expectations	Above expectations	Outstanding	41,700	Meets expectations	20,850	
Mr M Reid (1) Chief Executive Officer	Normalised Australian EBITDA	40%	95% budget	110% budget	140% budget	105,020	100%	105,020	
	Operational objectives	40%	Pro rata	Achieved	Achieved	105,020	Achieved	105,050	249,420
	Individual effectiveness	10%	Meets expectations	Above expectations	Outstanding	26,255	Meets expectations	13,125	
	Group normalised EBITDA	10%	95% budget	110% budget	140% budget	26,255	Achieved	26,255	
Mr M Jenkins Chief Operating Officer – Financial Services Australia	Normalised Group and Australian EBITDA	63%	N/A	110%	N/A	75,833	100%	75,833	75,833
	Operational objectives	27%	N/A	Achieved	N/A				
	Behaviours	10%	N/A	Achieved	N/A				
Mr S Prior Chief Operating Officer – Stores	Normalised Divisional and Australian EBITDA	45%	N/A	110%	N/A	97,920	40%	39,168	39,168
	Operational objectives	45%	N/A	Achieved	N/A				
	Behaviours	10%	N/A	Achieved	N/A				
Mr N Carbone (2) Chief Risk Officer	Normalised Divisional and Australian EBITDA	45%	N/A	110%	N/A	39,000	100%	39,000	39,000
	Operational objectives	45%	N/A	Achieved	N/A				
	Behaviours	10%	N/A	Achieved	N/A				

Remuneration Report (audited) (continued)

Name & role	FY 2017 KPI summary						Award outcomes FY 2017, paid FY 2018		
	KPI summary	Weighting %	Threshold	Target	Stretch	Target award $	Achievement	Awarded $	Total STI award $
Mr R Groom Chief Financial Officer & Company Secretary	Normalised Group EBITDA	60%	95% budget	110% budget	140% budget	76,128	50%	38,064	
	Operational objectives	30%	N/A	Achieved	Achieved	38,064	–	–	38,064
	Individual effectiveness	10%	Meets expectations	Above expectations	Outstanding	12,688	–	–	
Mr G Fee Chief Information Officer	Normalised Divisional and Australian EBITDA	45%	N/A	110%	N/A				
	Operational objective	45%	N/A	Achieved	N/A	29,203	55%	16,065	16,065
	Operational effect	10%	N/A	Achieved	N/A				

(1) Pro rata during FY 2017 for change of role / salary effective 23 January 2017

(2) Pro rata during FY 2017 based on 6 months contract (target 10%) from 1 July 2016 and permanent from 1 January 2017 (target 20%)

The KPIs selected were based on them reflecting and linking to the most significant matters expected to contribute to the success of the Company during FY 2017 in the case of each role. As previously outlined in this report, the KPI Metrics for FY 2017 for Other Senior Executives were tailored to specific objectives relevant to role and shared objectives of financial performance of the relevant business unit and Company set with reference to the annual budget for the financial year. The KPIs were consistently grouped into key metrics including Financial, Operations & Customer, and Risk & Compliance. Financial target metrics were based on normalised Group consolidated and divisional EBITDA and accounted for a minimum weighting of the overall KPI result of 45%.

Following the end of the Measurement Period (the financial year), the Company accounts were audited and reports on the Company's activities during the year were prepared for the Board. The Board then assessed the extent to which target levels of performance had been achieved in relation to each KPI and used the pro-rata scales (for non-binary measures) to calculate the total award payable. This method of performance assessment was chosen because it is the most objective approach to short term incentive governance, and reflective of market best practices.

As part of implementing the STI plan in FY 2016, the Board formed the view that normalised Group EBITDA, divisional EBITDA and strategy implementation, particularly in areas of risk and compliance and operations and customer services are the key short-term drivers of long term value creation for shareholders. Responding to shareholder feedback, and as noted elsewhere, the Board is considering using net profit after tax as a financial metric for FY 2018. The matter of normalisation is addressed below.

During FY 2017 the Board exercised its discretion to increase the awarding of STI for Mark Reid by making an ex gratia payment of $35,625 in line with the addition to responsibilities and achievements thereon.

Long Term Incentives

In FY 2017 grants of equity were made to executive KMP in relation to the LTI Plan as part of remuneration for FY 2017, but did not vest due to the presence of the long-term measurement period and vesting conditions that are yet to be completed / assessed. Details are given elsewhere in this report in relation to changes in equity interests.

Previous grants of equity made under the previous LTI plan (Tranches 2, 9 and 11) did not vest during FY 2017 due to the financial performance of FY 2016 year and vesting conditions not being met.

In relation to the completion of the FY 2017 reporting period, previous grants of equity made under the previous LTI plan vested in relation to grants that were made on 25 September 2014 (Tranche 12) i.e. vesting during FY 2018 in relation to the performance period completed during FY 2017. This Tranche 12 is the last of the grants made under the previous LTI plan, which has been replaced with the existing LTI plan approved by shareholders in November 2015.

The vesting conditions of Tranche 12 and performance against the conditions is as follows:

- The executive's responsible entity / division achieving budgeted Net Profit After Tax for the financial year ended 30 June 2017.

  The responsible entity for Mr Groom and Mr Fee is the consolidated Group of Cash Converters International Limited.

  Budgeted Net Profit After Tax for year ended 30 June 2017 for the Company was $20.333 million.

  Actual Net Profit After Tax for year ended 30 June 2017 for the Company was $20.618 million.

  The responsible entity / division for Mr Prior is Corporate Stores – Australia.

  Budgeted Net Profit After Tax for the year ended 30 June 2017 for Corporate Stores – Australia division was $5.456 million.

  Actual Net Profit After Tax for the year ended 30 June 2017 for Corporate Stores – Australia division was $5.519 million.

- Continuous employment through to vesting determination date, being 1 July 2017.

  Only those participants who were employed by the Company on 1 July 2017 were deemed eligible.

  Having reviewed the performance against vesting conditions and noting that the conditions had been met, the Board approved the vesting of performance rights under Tranche 12 as follows:

Name	Tranche	Grant date	Rights eligible to vest during FY 2018 for FY 2017 completion	% of grant vested	Rights vested	Grant date value *	Value of LTI that vested (at grant date VWAP)
			Number		Number	$	$
Mr S Prior	12	24 Sep 2014	8,500	100%	8,500	0.96	8,143
Mr R Groom	12	24 Sep 2014	76,666	100%	76,666	0.96	73,446
Mr G Fee	12	24 Sep 2014	17,000	100%	17,000	0.96	16,286
Total			102,166		102,166		97,875

*Performance rights were valued using a binomial option pricing model.

7.3 Impact of normalisation on incentives

The Board recognises that the use of normalisation to adjust indicators of profitability has been an issue of concern to some external stakeholders in recent years, particularly with regards to the calculation of incentive outcomes. It is important that there is transparency regarding this practice and the rationale for its use, and therefore the following information is provided in this regard.

The Board sees it as appropriate to apply normalisation to profit measures for the purposes of incentive calculation so as to ensure that the right behaviours are motivated, and inappropriate behaviours are not motivated, in respect of the profit calculation. Generally, adjustments will be balanced so that the impact of normalisation is not skewed to create advantage e.g. if the cost of the acquisition of a new business is excluded, the revenue from the business unit will also be excluded. The Board has discretion to determine which adjustments will be appropriate given the circumstances, and business plans, and the following summarises where / how the Board exercised its discretion in relation to FY 2017 and FY 2016 outcomes:

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Remuneration Report (audited) (continued)

FY 2017 net adjustments – $3.383 million

- Legal expenses (excess to budget class action legal costs).
- Risk and Compliance Project costs (excess to budget one off costs associated with EU remediation).
- Restructuring costs related to operating efficiency projects and permanent ongoing reduction in annual expenses.
- Portion of 2016 incentive and other payments expensed but not utilised and released to FY 2017 result.

FY 2016 net adjustments – nil

- No adjustments made.

7.4 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:

- positioning FAR (the fixed element) around relevant market data benchmarks when they are undertaken, and
- supplementing the FAR with at-risk remuneration, being incentives that motivate executive focus on:
  - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments, 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.

To the extent appropriate, the Company links strategic implementation and measures of success of the strategy, directly to incentives in the way that measures are selected and calibrated.

8. Changes in KMP-held equity

The following tables outline the changes in equity held by KMP over the financial year.

Fully paid ordinary shares of Cash Converters International Limited

	Balance at 1 July 2016	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June 2017
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	10,513,030	–	–	(2,937,336)	7,575,694
Mr S Grimshaw	–	–	–	–	–
Mr L Given	–	–	–	–	–
Mr K Dundo	–	–	–	–	–
Ms A Waters (1)	–	–	–	–	–
Ms E Comerford (1)	–	–	–	–	–
Mr R Webb (2)	1,012,500	–	–	–	1,012,500
Other key management personnel					
Mr M Reid	–	–	–	–	–
Mr M Jenkins	3,375	–	–	–	3,375
Mr S Prior	–	–	–	–	–
Mr N Carbone (1)	–	–	–	–	–
Ms A Manners (1)	–	–	–	–	–
Mr B Edwards (1)	84,511	–	–	–	84,511
Mr R Groom	249,525	–	–	(249,525)	–
Mr G Fee	102,000	–	–	(90,000)	12,000
Mr M Cooke (2)	–	–	–	–	–
	11,964,941	–	–	(3,276,861)	8,688,080

(1) Opening balance at date of appointment
(2) Closing balance at date of resignation

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Remuneration Report (audited) (continued)

Fully paid ordinary shares of Cash Converters International Limited (continued)

	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

Performance rights of Cash Converters International Limited

	Balance at 1 July 2016	Granted as remuneration	Options / rights exercised	Options lapsed / forfeited	Balance at 30 June 2017
	Number	Number	Number	Number	Number
Directors					
Mr P Cumins	3,730,000	4,572,920	–	–	8,302,920
Mr S Grimshaw	–	–	–	–	–
Ms A Waters (1)	–	–	–	–	–
Ms E Comerford (1)	–	–	–	–	–
Mr L Given	–	–	–	–	–
Mr K Dundo	–	–	–	–	–
Mr R Webb	–	–	–	–	–
Other key management personnel					
Mr M Reid	844,440	1,035,220	–	–	1,879,660
Mr M Jenkins	523,200	106,904	–	–	630,104
Mr S Prior	90,518	100,548	–	–	191,066
Mr N Carbone (1)	–	–	–	–	–
Ms A Manners (1)	–	–	–	–	–
Mr B Edwards (1)	–	–	–	–	–
Mr R Groom	1,305,226	1,506,120	–	(1,413,600)	1,397,746
Mr G Fee	107,552	111,012	–	(104,192)	114,372
Mr M Cooke (2)	–	–	–	–	–
	6,600,936	7,432,724	–	(1,517,792)	12,515,868

(1) Opening balance at date of becoming member of KMP
(2) Closing balance at date of resignation

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Remuneration Report (audited) (continued)

Performance rights of Cash Converters International Limited (continued)

	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

Terms and conditions of share-based payment arrangements affecting remuneration of KMP 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 12 (ii)	25 Sep 2014	0.96	–	01 Jul 2017	01 Jul 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
Tranche 17	23 Nov 2016	0.20	–	30 Jun 2019	30 Jun 2019
Tranche 18	23 Nov 2016	0.31	–	30 Jun 2019	30 Jun 2019
Tranche 19	12 Dec 2016	0.17	–	30 Jun 2019	30 Jun 2019
Tranche 20	12 Dec 2016	0.29	–	30 Jun 2019	30 Jun 2019

(i) The grant date fair value is calculated as at the grant date using a Monte Carlo pricing model for tranches 13, 15, 17 and 19 and a binomial pricing model for other tranches.
(ii) Tranche 12 is the last existing tranche under the previous LTI plan. The vesting date was previously incorrectly reported in the FY 2016 annual report as 15 September 2017.

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

The following table outlines the value of equity granted to KMP during the year that may be realised in the future:

Name	Tranche	Number of rights	Value at grant		Value expensed in current year	Value to be expensed in future years
			Per right $	Total $	$	$
Mr P Cumins	17	2,286,460	0.20	448,832	103,577	345,255
	18	2,286,460	0.31	712,415	164,404	548,011
Mr M Reid	19	517,610	0.17	89,805	19,313	70,492
	20	517,610	0.29	151,494	32,579	118,915
Mr M Jenkins	19	53,452	0.17	9,274	1,994	7,280
	20	53,452	0.29	15,644	3,364	12,280
Mr S Prior	19	50,274	0.17	8,723	1,876	6,847
	20	50,274	0.29	14,714	3,164	11,550
Mr R Groom (i)	19	251,020	0.17	43,552	28,098	15,454
	20	251,020	0.29	73,469	47,399	26,070
Mr G Fee (i)	19	18,502	0.17	3,210	2,071	1,139
	20	18,502	0.29	5,415	3,494	1,921
Total		6,354,636		1,576,547	411,333	1,165,214

(i) Pro rata value expensed for Mr Groom and Mr Fee given their departure from the Company in July 2017

Remuneration Report (audited) (continued)

9. Non-Executive Director fee policy rates for FY 2017 and FY 2018 and fee limit

Non-executive director fees are managed within the current annual fees limit (AFL or fee pool) of $800,000 which was approved by shareholders on 18 November 2015.

The following table outlines the NED Remuneration policy rates that were applicable as at the end of FY 2017.

The Non-Executive Director Remuneration policy is designed to ensure that remuneration is reasonable, appropriate, and produces outcomes that fall within the fee limit, at each point of being assessed. The Board assessed the current level of NED fees and determined that no change would be applicable at this time.

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

10. Remuneration records for FY 2017 (statutory disclosures)

The following table outlines the remuneration received by directors and senior executives of the Company during the years ended 30 June 2017 and 2016, 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 STI	Non-monetary benefits	Termination benefits	Super-annuation			
2017	$	$	$	$	$	$	$	$
Non-executive directors								
Mr S Grimshaw	170,000	–	–	–	–	–	–	170,000
Mr L Given	106,250	–	–	–	–	–	–	106,250
Mr K Dundo	114,583	–	–	–	–	–	–	114,583
Ms A Waters (1)	42,513	–	–	–	–	–	–	42,513
Ms E Comerford (1)	16,918	–	–	–	25,478	–	–	42,396
Mr R Webb (2)	59,375	–	–	–	–	–	–	59,375
Executive director								
Mr P Cumins	754,056	364,875	108,626	–	35,201	130,310	728,792	2,121,860
Other executives								
Mr M Reid	540,834	285,046	11,017	–	30,973	–	176,213	1,044,083
Mr M Jenkins	246,056	75,833	8,603	–	19,616	5,290	82,386	437,784
Mr S Prior	266,604	39,168	11,017	–	19,616	4,047	20,058	360,510
Mr N Carbone (3)	314,177	39,000	3,126	–	9,808	–	–	366,111
Ms A Manners (4)	94,353	–	3,834	–	7,180	–	–	105,367
Mr B Edwards (5)	25,082	–	–	–	2,051	–	–	27,133
Mr R Groom	430,872	38,064	25,010	515,910	35,000	12,492	282,912	1,340,260
Mr G Fee	270,107	16,062	9,991	84,240	23,721	13,381	24,782	442,284
Mr M Cooke (6)	91,190	–	1,871	–	–	–	–	93,061
Total	3,542,970	858,048	183,095	600,150	208,644	165,520	1,315,143	6,873,570

Directors' report

For the year ended 30 June 2017

Remuneration Report (audited) (continued)

2016*	Short-term employee benefits: Salary and fees	Cash STI	Non-monetary benefits	Termination benefits	Post-employment benefits: Super-annuation	Other long-term benefits	Share-based payments	Total
	$	$	$	$	$	$	$	$
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	–	81,043	–	19,046	–	(1,731,868)	(867,622)
Other executives								
Mr R Groom	400,159	–	13,283	–	18,925	–	123,217	555,584
Mr M Reid (7)	303,793	47,500	7,160	–	12,872	–	52,453	423,778
Mr G Fee	286,306	28,631	15,074	–	19,308	–	16,025	365,344
Mr M Jenkins	275,000	50,000	–	–	21,012	–	32,499	378,511
Mr M Cooke	543,336	–	10,645	–	–	–	(447,785)	106,196
Mr S Prior	257,500	41,500	10,645	–	19,308	–	10,295	339,248
Mr S Budiselik (8)	93,970	–	–	–	8,045	–	–	102,015
Mr I Day (9)	51,942	–	1,774	270,332	4,444	–	–	328,492
Total	3,463,663	167,631	139,624	270,332	122,960	–	(1,945,164)	2,219,046

(1) Appointed 9 February 2017
(2) Retired 14 February 2017
(3) Appointed 1 January 2017
(4) Appointed 24 February 2017
(5) Appointed 6 June 2017
(6) Retired 31 August 2016
(7) Appointed 2 November 2015
(8) Appointed February 2016, resigned 30 June 2016
(9) Retired August 2015

*Non-monetary benefits for the year ended 30 June 2016 have been adjusted to include car parking benefits to be comparable with the current period.

Except for the payment of an ex gratia bonus to CEO Mr Reid of $35,625 during FY 2017, 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 2017 is the value earned in FY 2017 and paid during FY 2018).

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).

Where a market based measure of performance is used such as iTSR, no adjustments can be made to reflect actual LTI vesting. However, in relation to non-market conditions, such as EPS, adjustments have been made to ensure the accounting charge matches the vesting.

Both Target and awarded values of STI and LTI remuneration are outlined in the relevant sections of the Remuneration Report to assist shareholders to obtain a more complete understanding of remuneration as it relates to senior executives.

11. Employment terms for KMP and Senior Executives

11.1 Service agreements

The remuneration and other terms of employment for executive KMP are covered in formal employment contracts. All service agreements are for unlimited duration. All KMP are entitled to receive pay in lieu of any accrued but untaken annual and long service leave on cessation of employment. The treatment of incentives in the case of termination is addressed in separate sections of this report that give details of incentive design.

A summary of contract terms in relation to executive KMP is presented below:

Name	Position held	Period of notice: From Company	From KMP
Mr P Cumins	Executive Deputy Chairman	12 months	6 months
Mr M Reid	Chief Executive Officer	12 months	12 months
Mr M Jenkins	Chief Financial Officer	6 months	6 months
Mr S Prior	Chief Operating Officer – Stores	3 months	3 months
Mr N Carbone	Chief Risk Officer	3 months	3 months
Ms A Manners	Chief Manager Digital, Marketing and Product	6 months	6 months
Mr B Edwards	General Counsel and Company Secretary	3 months	3 months
Mr R Groom	Chief Financial Officer and Company Secretary	12 months	12 months
Mr G Fee	Chief Information Officer	1 month	1 month
Mr S Budiselik	Chief Operating Officer – Personal Finance	6 months	6 months
Ms M Cutten	Chief Human Resources Officer	3 months	3 months

On appointment to the Board, all NEDs enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of the director and does not include a notice period. NEDs are not eligible to receive termination payments under the terms of the appointments.

12. Other remuneration-related matters

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

- Mr Martyn Jenkins' remuneration was reviewed and amended as part of being appointed Chief Financial Officer effective 3 July 2017 and increased to $331,066 FAR with a 50% STI target.
- Mr Sam Budiselik was employed by the Company on a consultant basis for the duration of FY 2017 and the company paid $385,000 (plus GST) for these services. He was appointed Chief Operating Officer – Personal Finance effective 3 July 2017 with a remuneration package comprising $320,049 FAR and 50% STI Target.
- Mr Nathan Carbone was employed by the Company on a consultant basis for the period 1 July 2016 to 31 December 2016 and the company paid $181,500 (plus GST) for those services. This amount has been included in the statutory table in Section 10 above. His remuneration has been reviewed since the close of FY 2017 considering external benchmarking input and internal relativities and the Board approved an amount of $320,049 FAR and 20% STI target.
- Ms Myrrhine Cutten was employed by the Company on a contract basis from 17 April 2017 to 30 June 2017. She was appointed Chief Human Resources Officer effective 3 July 2017 with a remuneration package comprising $251,066 FAR and 30% STI Target.

The following outlines other transactions with KMP of the Group:

- There were no loans to Directors or other KMP at any time during the reporting period.
- During the year ended 30 June 2017, the Group paid $35,428 to HopgoodGanim, a law firm in which Mr K Dundo is a partner, for legal services. Legal services were provided to the Company 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.
- There were no other relevant material transactions involving KMP other than compensation and transactions concerning shares, performance rights / options as discussed in this report.

Directors' report

For the year ended 30 June 2017

Remuneration Report (audited) (continued)

The following summarises the treatment of remuneration in respect of those KMP who are no longer employed by the Company during or since the reporting period:

Mr Michael Cooke – Group Legal Counsel

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. Mr Cooke was not eligible for participation in the STI plan in FY 2017. The Company entered into a separate arrangement with Mr Cooke on 19 September 2016 for payment of a monthly retainer in regard to ongoing provision of legal services.

Mr Ralph Groom – Chief Financial Officer and Company Secretary and Mr Glen Fee – Chief Information Officer

In addition to contractual termination payments accounted for in FY 2017 and disclosed in Section 10, Mr Groom and Mr Fee continue to participate in the Company LTI Plan on a pro rata basis in Tranches 15, 16, 19 and 20. It is anticipated that this continued participation supports alignment with the interest of shareholders post the incumbents' separation from the Company.

13. External remuneration consultant advice

During the reporting period, the Board approved and engaged an external remuneration consultant (ERC) to provide KMP remuneration recommendations and advice. The consultants and the amount payable for the information and work that led to their recommendations are listed below:

Godfrey Remuneration Group Pty Limited	Review of and advice on role transitioning addressing role changes and unvested equity	$10,000
	Activities approved by the Board and not classified as remuneration advice / recommendation including providing feedback on the FY 2016 Remuneration Report prior to it being published, and reviewing LTI vesting scenarios in relation to the FY 2016 LTI grant.	$9,500

Subsequent to the end of the reporting period, the ERC has continued to be engaged to support the Board with ongoing KMP remuneration considerations. Specifically, the ERC has been engaged to assist with re-drafting the remuneration report, to provide the 2017 GRG Remuneration guide and to proffer advisory input in regard to the LTI incentive plan. Fees charged in relation to this activity of $13,700 have been expensed in FY 2017.

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related. The reasons the Board is so satisfied include that it is confident that the policy for engaging external remuneration consultants is being adhered to and is operating as intended, the Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

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

Stuart Grimshaw
Director

Perth, Western Australia
7 September 2017

Corporate governance

For the year ended 30 June 2017

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:

- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Securities Trading Policy
- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter
- Gender Equality Report 2016-17
- Short Term Incentive Policy and Procedure
- Long Term Incentive Policy and Procedure
- Engaging External Remuneration Consultants Policy
- Non-Executive Director Remuneration Policy and Procedure
- Senior Executive Remuneration Policy and Procedure
- Diversity and Inclusion Policy

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Continuing operations			
Franchise fee revenue		15,444	16,603
Financial services interest revenue	2.1	174,590	212,338
Sale of goods	2.1	76,799	74,161
Other revenues	2.1	4,640	6,893
Total revenue		271,473	309,995
Financial services cost of sales	2.2	(49,841)	(63,876)
Cost of goods sold		(42,596)	(40,039)
Other cost of sales		(5,366)	(5,169)
Total cost of sales		(97,803)	(109,084)
Gross profit		173,670	200,911
Employee expenses	2.2	(75,754)	(74,036)
Administrative expenses	2.2	(8,302)	(8,853)
Advertising expenses		(10,844)	(12,626)
Occupancy expenses	2.2	(14,443)	(15,023)
Other expenses	2.2	(27,039)	(47,387)
Finance costs	2.2	(9,404)	(9,659)
Share of net profit / (loss) of equity accounted investments	5.2	314	(2,156)
Profit before income tax		28,198	31,171
Income tax expense	2.3	(7,580)	(5,277)
Profit for the year from continuing operations		20,618	25,894
Discontinued operations			
Loss for the year from discontinued operations	5.1	–	(31,166)
Profit / (loss) for the year		20,618	(5,272)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(1,208)	(4,154)
Other comprehensive income / (loss) for the year		(1,208)	(4,154)
Total comprehensive profit / (loss) for the year		19,410	(9,426)
Profit / (loss) attributable to:			
Owners of the Company		20,618	(5,272)
Non-controlling interest		–	–
		20,618	(5,272)
Total comprehensive profit / (loss) attributable to:			
Owners of the Company		19,410	(9,426)
Non-controlling interest		–	–
		19,410	(9,426)
Earnings / (loss) per share			
From continuing operations			
Basic (cents per share)	2.4	4.21	5.37
Diluted (cents per share)	2.4	4.11	5.24
From continuing and discontinued operations			
Basic (cents per share)	2.4	4.21	(1.09)
Diluted (cents per share)	2.4	4.11	(1.09)

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

Consolidated statement of financial position

As at 30 June 2017

	Notes	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	4.1	80,571	73,609
Trade receivables	3.1	7,571	13,651
Loan receivables	3.2	87,933	102,419
Inventories	3.3	20,991	17,612
Prepayments		5,512	9,767
Current tax receivable		35	9,851
		202,613	226,909
Assets associated with discontinued operations	5.1	–	7,448
Total current assets		202,613	234,357
Non-current assets			
Trade and other receivables	3.1	23,480	25,766
Loan receivables	3.2	14,037	2,102
Plant and equipment	3.4	10,233	13,853
Deferred tax assets	2.3	9,879	13,075
Goodwill	3.5	107,009	107,009
Other intangible assets	3.6	26,987	24,034
Investments in associates	5.2	4,607	4,295
Total non-current assets		196,232	190,134
Total assets		398,845	424,491
Current liabilities			
Trade and other payables	3.7	21,288	19,821
Borrowings	4.2	46,303	70,023
Provisions	3.8	7,064	22,427
Total current liabilities		74,655	112,271
Non-current liabilities			
Borrowings	4.2	60,934	63,961
Provisions	3.8	2,417	5,974
Total non-current liabilities		63,351	69,935
Total liabilities		138,006	182,206
Net assets		**260,839**	**242,285**
Equity			
Issued capital	4.4	210,203	207,540
Reserves		7,206	(8,726)
Retained earnings		43,430	43,471
Total equity		**260,839**	**242,285**

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 2017

	Issued capital $'000	Foreign currency translation reserve $'000	Non-controlling interest acquisition reserve $'000	Share-based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2015	205,399	10,697	(15,809)	3,032	58,379	261,698
Loss for the year	–	–	–	–	(5,272)	(5,272)
Exchange differences arising on translation of foreign operations	–	(4,154)	–	–	–	(4,154)
Total comprehensive income for the year	–	(4,154)	–	–	(5,272)	(9,426)
Dividend reinvestment plan	1,572	–	–	–	–	1,572
Share-based payments	–	–	–	(1,923)	–	(1,923)
Shares issued on exercise of performance rights	569	–	–	(569)	–	–
Dividends paid	–	–	–	–	(9,636)	(9,636)
Balance at 30 June 2016	**207,540**	**6,543**	**(15,809)**	**540**	**43,471**	**242,285**
Profit for the year	–	–	–	–	20,618	20,618
Exchange differences arising on translation of foreign operations	–	(1,208)	–	–	–	(1,208)
Total comprehensive income for the year	–	(1,208)	–	–	20,618	19,410
Dividend reinvestment plan	2,663	–	–	–	–	2,663
Share-based payments	–	–	–	1,331	–	1,331
Dividends paid	–	–	–	–	(4,850)	(4,850)
Transfer reserve balance to retained earnings	–	–	15,809	–	(15,809)	–
Balance at 30 June 2017	**210,203**	**5,335**	**–**	**1,871**	**43,430**	**260,839**

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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		196,661	261,950
Payments to suppliers and employees		(193,578)	(253,761)
Payment for settlement expense	2.2	(12,152)	(23,128)
Interest received		1,797	1,622
Interest received from personal loans		50,463	94,743
Net decrease / (increase) in personal loans advanced		4,487	(25,801)
Interest and costs of finance paid		(9,404)	(10,841)
Income tax refunded / (paid)		5,260	(14,710)
Net cash flows provided by operating activities	2.7	43,534	30,074
Cash flows from investing activities			
Acquisition of intangible assets	3.6	(6,272)	(3,426)
Purchase of plant and equipment		(1,149)	(5,283)
Proceeds on disposal of non-current assets		–	415
Instalment credit loans repaid by franchisees		1,020	92
Net cash flows used in investing activities		(6,401)	(8,202)
Cash flows from financing activities			
Dividends paid		(2,186)	(8,065)
Proceeds from borrowings		57,500	77,816
Repayment of borrowings		(85,098)	(69,612)
Capital element of finance lease and hire purchase payment		(32)	(104)
Net cash flows (used in) / provided by financing activities		(29,816)	35
Net increase in cash and cash equivalents		7,317	21,907
Cash and cash equivalents at the beginning of the year		73,609	52,379
Effects of exchange rate changes on the balance of cash held in foreign currencies		(355)	(677)
Cash and cash equivalents at the end of the year	4.1	**80,571**	**73,609**

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 2017

These financial statements have been organised into the following six sections:
1. Basis of preparation
2. Financial performance
3. Assets and liabilities
4. Capital structure
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 undestand 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.

(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 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 2017 was authorised for issue in accordance with a resolution of directors dated 7 September 2017.

(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 Cash Converters International Limited and its subsidiaries (the Group, as outlined in note 5.3). Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

(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.

Notes to the financial statements

For the year ended 30 June 2017

(1) Basis of preparation (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 *'Financial Instruments'*, and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 *'Revenue from Contracts with Customers'*, AASB 2014-5 *'Amendments to Australian Accounting Standards arising from AASB 15'*, AASB 2015-8 *'Amendments to Australian Accounting Standards – Effective date of AASB 15'*	1 January 2018	30 June 2019
AASB 16 *'Leases'*	1 January 2019	30 June 2020
AASB 2014-10 *'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'* and AASB 2015-10 *'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'*	1 January 2018	30 June 2019
AASB 2016-1 *'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'*	1 January 2017	30 June 2018
AASB 2016-2 *'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'*	1 January 2017	30 June 2018
AASB 2016-5 *'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'*	1 January 2018	30 June 2019
AASB 2017-2 *'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016'*	1 January 2017	30 June 2018
AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Tax Treatment	1 January 2017	30 June 2018

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 Company has considered the potential impact of these new standards as outlined below.

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

AASB 9 will be applied from 1 July 2018 and replaces AASB 139 'Financial instruments: Recognition and measurement'. AASB 9 significantly changes the recognition of impairment on customer receivables with the standard introducing an expected loss model. Under this approach impairment provisions are recognised at inception of the loan based on the life time expected loss on a loan. This differs from the current incurred loss model under AASB 139 whereby impairment provisions are only reflected when there is objective evidence of impairment. The standard also includes a single approach for the classification and measurement of financial assets based on cash flow characteristics and the business model used for the management of the financial instruments. Additionally, the standard amends the rules on hedge accounting to align the treatment with risk management practices. While the Company does not currently utilise hedge accounting this development could provide opportunities to implement hedge accounting in the future.

The Company has been assessing the potential impact of AASB 9, which includes the establishment of a project plan and production of a timetable for implementation and an initial impact assessment.

Of the changes that AASB 9 introduces, the Company has identified the impact of the revised credit provisioning approach to have the most significant impact. The impact would be that impairment provisions under AASB 9 are recognised earlier in the income statement. This will result in a one-off adjustment to receivables and reserves on adoption and for those loan products experiencing growth, the growth in profitability will be slower. Due to the recent enhancements to internal credit assessment processes and the relatively immature loan books for new products, any assessment on historic performance by the Company to quantify the impact of AASB 9 will be unlikely to reflect the impact when the standard is adopted. As the changes to the composition of the loan book stabilise in the period prior to application date, the Company will be able to quantify the impact with more relevance to the actual outcome. The Company will formalise its impact assessments and choice of transition approach before June 2018.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 replaces AASB 118 'Revenue' and will be applied from 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced.

An initial impact assessment has been performed and, based on material revenue streams in FY 2017, no significant risk of an impact to revenue recognition has been identified. This analysis considered the Company's current accounting policies for material revenue streams to which the new standard applies, including retail goods sold and franchise fees. The Company will formalise its impact assessment during FY 2018.

AASB 16 'Leases'

AASB 16 replaces AASB 117 'Leases' and will be applied from 1 July 2019. AASB 16 will significantly impact the accounting for operating leases as it requires the recognition of a lease liability being the present value of future lease payments and corresponding right-of-use asset, which will initially be recognised at the same value as the lease liability or lower amount depending on the transition approach adopted. The Company operates a corporate store network of 71 stores, each carrying a property lease and therefore the impact of the standard will most likely result in significant increases in assets and liabilities. It will also likely result in increased EBITDA, as the current operating lease expense will be recognised as a combination of interest and depreciation under the new standard, and result in earlier recognition of expenses over the life of the contract due to the front-loading of interest expense under the new standard.

(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)
- Classification of contingent liabilities – see note 6.1

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
- Impairment for inventory obsolescence – see note 3.3

(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.

Notes to the financial statements

For the year ended 30 June 2017

(1) Basis of preparation (continued)

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.

(g) Reclassification of comparative financial information

Comparative information within the statement of financial position relating to current vehicle finance loans of $1.104 million and non-current vehicle finance loans of $2.102 million has been reclassified from current trade and other receivables to current loan receivables and from non-current trade and other receivables to non-current loan receivables respectively due to an increase in the vehicle loan business during the year, to be comparable to the current year presentation.

Comparative information in the statement of profit or loss and other comprehensive income and segment note has been reclassified as follows to be comparable to the current year presentation:

- advertising and training revenues and expenses have been grossed up by $6.740 million to reflect revenue and expenses that were netted off in the prior year
- other revenue of $367 thousand has been reclassified from financial services interest revenue to other revenues
- area agent fees / commission of $16.345 million and $5.710 million of other expenditure has been reclassified from other expenses to financial services cost of sales in the current period to better align with management's consideration of these costs following operational changes in the current period
- a further $475 thousand of cost of sales expenditure has been reclassified from other expenses to other cost of sales
- several other changes to the line items included within administrative expenses and other expenses have been made to provide further detail on expenses.

(h) Rounding

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

(2) Financial performance

In this section

This section explains the results and performance of the 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 Group, 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

	2017 $'000	2016 $'000
Financial services interest revenue		
Personal loan interest	65,932	85,981
Loan establishment fees	45,737	53,481
Pawn broking fees	29,057	28,128
Cash advance fee income	26,702	40,260
Vehicle loan interest	2,546	94
Vehicle loan establishment fees	1,043	4
Other financial services revenue	3,573	4,390
	174,590	212,338
Sale of goods		
Retail sales	76,125	73,728
Vehicle trade sales	674	433
	76,799	74,161
Other revenue		
Bank interest	591	593
Other vehicle revenue	3,103	4,920
Other revenue	946	1,380
	4,640	6,893

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, cash advance, 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. Due to the short term nature of the Cash Advance product, Cash Advance fee income is recognised on a cash basis as repayments are successfully collected.

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 Group 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

	Notes	2017 $'000	2016 $'000
Financial services cost of sales			
Net bad and doubtful debt expense		29,759	41,068
Commissions		14,357	16,345
Other financial services cost of sales		5,725	6,463
		49,841	63,876
Refer below for details of finance costs.			
Employee expenses			
Employee benefits		69,416	70,639
Share-based payments	(i)	1,331	(1,923)
Superannuation expense		5,007	5,320
		75,754	74,036
Administrative expenses			
General administrative expenses		2,784	3,223
Communications expenses		2,119	2,673
IT expenses		2,523	745
Travel costs		876	1,368
		8,302	8,009

(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.

	Notes	2017 $'000	2016 $'000
Occupancy expenses			
Rent		10,540	10,938
Outgoings		1,745	1,839
Other		2,158	2,246
		14,443	15,023
Other expenses			
Legal fees		5,209	3,636
Professional and registry costs		4,879	5,075
Auditing and accounting services		670	671
Bank charges		1,775	3,111
ASIC compliance settlement provision	3.8	–	12,500
Green Light Auto restructure costs		–	2,228
Other expenses from ordinary activities		6,383	9,562
Depreciation		3,580	3,589
Amortisation		3,717	3,278
Loss on write down of assets		826	3,737
		27,039	47,387
Finance costs			
Interest		9,339	9,592
Finance lease charge		65	67
		9,404	9,659

ASIC compliance settlement

On 9 November 2016 the Company announced that it had entered into an enforceable undertaking with ASIC in relation to its compliance with certain provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth). Prior to this announcement, the Company had recognised a provision of $12.500 million in respect of any potential compliance issues in its credit assessment processes, based on Cash Converters' best estimate of the likely outcome of discussions with ASIC at the date of the 2016 financial report. As at 30 June 2017 $391 thousand for customer remediation remains outstanding and is classified within trade payables, the balance having been paid during the year.

Settlement expense

During the year ended 30 June 2016 a payment of $23.128 million was made in respect of the settlement of the NSW Class Action. This was recognised in profit and loss in the year ended 30 June 2015.

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 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 note 4.2 below).

Notes to the financial statements

For the year ended 30 June 2017

2.2 Expenses (continued)

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:

	2017 $'000	2016 $'000
Current income tax expense		
Current year	4,153	7,868
Adjustment for prior years	402	(134)
Deferred income tax expense		
Temporary differences	2,685	(2,635)
Adjustment for prior years	340	178
Income tax expense reported in income statement	7,580	5,277
Tax reconciliation		
Profit before tax from continuing operations	28,198	31,171
Income tax at the statutory rate of 30% (2016: 30%)	8,459	9,351
Research and development tax benefits recognised	(958)	–
Adjustments relating to prior years	(20)	44
Income tax rate differential	(170)	(1,625)
Non-deductible items	203	(2,677)
Tax effect of share-based payment expense	399	(653)
Recognition of previously impaired tax losses	(341)	
Impairment of tax losses	–	837
Other	8	–
Income tax expense on profit before tax	7,580	5,277

(b) Deferred tax

Deferred income tax in the statement of financial position relates to the following:

	2017 $'000	2016 $'000
Deferred tax assets		
Allowance for doubtful debts	7,082	7,892
Accruals	665	573
Provision for employee entitlements	1,858	1,986
Other provisions	665	691
Other	1,665	2,943
Carry forward losses	2,620	2,792
	14,555	16,877
Deferred tax liabilities		
Fixed assets	(3,375)	(2,583)
Intangible assets	(1,301)	(1,219)
	(4,676)	(3,802)
Net deferred tax assets	9,879	13,075
Reconciliation of net deferred tax assets		
Opening balance at beginning of period	13,075	10,875
Tax (expense) / benefit during period recognised in profit or loss	(2,685)	2,635
Prior year adjustment	(340)	(179)
Other	(171)	(256)
Closing balance at end of period	9,879	13,075

(c) Unrecognised deferred tax balances

Deferred income tax relating to the UK in the balance sheet excludes the following:

Tax losses – revenue	4,904	5,253

Notes to the financial statements

For the year ended 30 June 2017

2.3 Taxation (continued)

(d) Carry forward tax losses

Carry forward losses of $2.620 million (2016: $2.792 million) have been recognised in relation to the Group's UK operations, which are profitable in the current year, however have had a recent history of losses. Refer to note 5.1 for more information on the UK operations and background to prior 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 Group

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.

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) that affect 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 $9.879 million (2016: $13.075 million) has been recognised in the consolidated statement of financial position. This includes $2.620 million (2016: $2.792 million) of carried forward tax losses in relation to the Group's UK operations, which although profitable in the current year, have a recent history of losses. The UK tax losses have an indefinite availability period subject to satisfaction of the same ownership and continuity of business tests. A deferred tax asset for the UK operations has only been recognised to the extent tax losses are expected to be 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 2017.

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 arising from temporary differences 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

	2017 $'000	2016 $'000
Basic and diluted earnings per share		
Profit / (loss) attributable to shareholders of the Company used in calculating earnings per share		
From continuing operations	20,618	25,894
From discontinued operations	–	(31,166)
	20,618	(5,272)

Weighted average number of shares used as the denominator

	Number	Number
Weighted average number of shares – basic	490,327,477	482,214,271
Dilutive effect of performance rights	10,890,748	11,866,600
Weighted average number of shares – diluted	501,218,225	494,080,871

The number of potential ordinary shares not included in the above calculation is 12,755,380 (2016: 14,798,151), equating to a weighted average dilutive effect of 10,890,748 (2016: 11,866,600).

Notes to the financial statements

For the year ended 30 June 2017

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 Chief Executive Officer (chief operating decision-maker) monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's reportable segments under *AASB 8 Operating Segments* are therefore as follows:

Franchise operations

This involves the sale of franchises for the retail sale of new and 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 new and second hand goods, cash advance and pawn broking operations at corporate owned stores in Australia.

Personal finance

This segment comprises the Cash Converters Personal Finance personal loans business and Mon-E, which is responsible for providing the internet platform and administration services for the Cash Converters network in Australia to offer small cash advance loans to customers. In prior years, this segment has been disclosed as two separate segments, financial services – personal loans and financial services – administration.

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 Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

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

	Franchise operations	Store operations	Personal finance	Vehicle financing	Corporate head office	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2017						
Interest revenue (i)	2,898	56,511	121,652	5,604	–	186,665
Other revenue	17,983	75,222	–	3,777	–	96,982
Gross revenue	20,881	131,733	121,652	9,381	–	283,647
Less inter-company sales	(682)	(7,524)	(4,558)	–	–	(12,764)
Segment revenue	20,199	124,209	117,094	9,381	–	270,883
External interest revenue (ii)	–	13	97	12	468	590
Total revenue	20,199	124,222	117,191	9,393	468	271,473
EBITDA (iii)	11,172	12,318	54,014	(401)	(31,378)	45,725
Less inter-company eliminations	(682)	5,231	(4,542)	(7)	–	–
Segment EBITDA	10,490	17,549	49,472	(408)	(31,378)	45,725
Depreciation and amortisation	(149)	(3,859)	(1,116)	(69)	(2,930)	(8,123)
EBIT	10,341	13,690	48,356	(477)	(34,308)	37,602
Interest expense	–	–	(4,154)	(415)	(4,835)	(9,404)
Profit / (loss) before tax from continuing operations	10,341	13,690	44,202	(892)	(39,143)	28,198
Year ended 30 June 2017						
Interest revenue (i)	2,053	67,170	158,416	2,743	–	230,382
Other revenue	24,977	73,197	2	5,398	14	103,588
Gross revenue	27,030	140,367	158,418	8,141	14	333,970
Less inter-company sales	(6,441)	(11,132)	(6,995)	–	–	(24,568)
Segment revenue	20,589	129,235	151,423	8,141	14	309,402
External interest revenue (ii)	–	77	474	5	37	593
Total revenue	20,589	129,312	151,897	8,146	51	309,995
EBITDA (iii) (iv)	7,271	17,420	65,537	(4,599)	(37,932)	47,697
Less inter-company eliminations	(346)	6,121	321	–	(6,096)	–
Segment EBITDA	6,925	23,541	65,858	(4,599)	(44,028)	47,697
Depreciation and amortisation	(235)	(3,936)	(302)	(133)	(2,261)	(6,867)
EBIT	6,690	19,605	65,556	(4,732)	(46,289)	40,830
Interest expense	–	(1)	(4,116)	(508)	(5,034)	(9,659)
Profit / (loss) before tax from continuing operations	6,690	19,604	61,440	(5,240)	(51,323)	31,171

(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 million in corporate head office

Notes to the financial statements

For the year ended 30 June 2017

2.5 Segment information (continued)

	2017 $'000	2016 $'000
Group assets by reportable segment		
Franchise operations	36,573	39,992
Store operations	73,409	84,052
Personal finance	186,195	244,527
Vehicle financing	24,977	13,260
Total of all segments	321,154	381,831
Unallocated assets	77,691	35,212
Total segment assets	398,845	417,043
Assets relating to discontinued operations		
Unallocated	–	7,448
Consolidated total assets	398,845	424,491

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

	2017 $'000	2016 $'000
Group liabilities by reportable segment		
Franchise operations	6,879	–
Store operations	7,604	7,636
Personal finance	51,226	87,606
Vehicle financing	3,978	10,291
Total of all segments	69,687	105,533
Unallocated liabilities	68,319	76,673
Consolidated total liabilities	138,006	182,206

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

Other segment information

	Depreciation, amortisation and impairment *		Additions to non-current assets	
	2017 $'000	2016 $'000	2016 $'000	2016 $'000
Franchise operations	104	1,999	570	4,010
Store operations	3,855	3,935	1,555	3,182
Personal finance	1,081	302	4,291	159
Vehicle financing	72	133	364	136
Total of all segments	5,112	6,369	6,780	7,487
Unallocated	2,185	498	224	321
Total	7,297	6,867	7,004	7,808

* Depreciation, amortisation and impairment from continuing operations

Geographical information

The Group operates in two principal geographical areas – Australia (country of domicile) and the United Kingdom. The Group'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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Australia	259,345	295,435	142,516	143,654
United Kingdom	11,389	15,707	1,713	1,242
Rest of world	739	457	–	–
	271,473	311,599	144,229	144,896

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

	2017		2016	
	Per share cents	Total $'000	Per share cents	Total $'000
Recognised amounts				
Final dividend – prior year 100% franked at 30%	1.00	4,850	–	–
Interim dividend – current year 100% franked at 30%	–	–	2.00	9,637
	1.00	4,850	2.00	9,637
Unrecognised amounts				
Final dividend – current year 100% franked at 30%	–	–	1.00	4,850

On 28 October 2016 the Company paid a fully franked final dividend of 1.0 cent per share in respect of the financial year ended 30 June 2016. The total interim dividend paid was $4.850 million.

On 22 August 2017 the Company announced that there would be no final dividend in respect of the financial year ended 30 June 2017.

The Company has Australian franking credits available of $57.782 million on a tax paid basis (2016: $67.786 million).

Notes to the financial statements

For the year ended 30 June 2017

2.7 Notes to cash flow statement

Reconciliation of loss to net cash flow from operating activities:

	2017 $'000	2016 $'000
Profit / (loss) after tax	20,618	(5,272)
Non-cash adjustment to reconcile profit after tax to net cash flows:		
Amortisation	3,717	3,334
Depreciation	3,580	5,293
Impairment of non-current assets	–	2,247
Share-based payments	1,331	(1,923)
Loss on disposal of non-current assets	826	12,878
Share of net (profit) / loss of equity accounted investment	(314)	2,032
Changes in assets and liabilities:		
Trade and loan receivables	14,786	14,917
Inventories	(3,469)	7,648
Other assets	3,879	976
Trade and other payables	(1,686)	(6,692)
Provisions	(12,574)	3,503
Income tax payables	12,840	(8,867)
Net cash provided by operating activities	43,534	30,074

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

	Notes	2017 $'000	2016 $'000
Current			
Trade receivables	(i)	1,187	5,940
Allowance for impairment losses		(58)	(2,309)
Total trade receivables (net)		1,129	3,631
Finance lease receivables	(ii)	506	4,091
Vendor finance loans	(iii)	1,521	1,049
Other receivables	(iv)	4,415	4,880
Total trade receivables		7,571	13,651
Non-current			
Finance lease receivables	(ii)	1,932	2,677
Vendor finance loans	(iii)	6,628	8,164
Loan to associate	(v)	14,908	14,841
Other receivables	(iv)	12	84
Total trade and other receivables		23,480	25,766

(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 ceased entering into such finance lease arrangements from March 2016.

(iii) Vendor finance loans are loans made to purchasers of the Group's UK corporate stores during the prior year as part of the purchase agreement. The loans have various terms of up to 6 years, and bear interest at rates between nil and 9%. The receivables are held at amortised cost. No receivables are past due or impaired at 30 June 2017 (2016: nil).

(iv) Other receivables include GST receivable, development agent fees outstanding, sub-master license sales, Mon-E fees, financial commission and instalment credit loans. None of these receivables are past due or considered impaired.

(v) 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.

Notes to the financial statements

For the year ended 30 June 2017

3.1 Trade and other receivables (continued)

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

	2017 $'000	2016 $'000
0 to 30 days	634	3,623
31 to 60 days past due not impaired	21	1
61 to 90 days past due not impaired	22	7
90 + days past due not impaired	452	–
Considered impaired	58	2,309
Balance at end of year	1,187	5,940

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 2017, trade receivables and instalment credit loans of $58 thousand (2016: $2.309 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2017	2016
Balance at beginning of year	2,309	2,553
Impairment losses recognised on receivables	58	311
Amounts written off as uncollectible	(2,309)	(555)
Balance at end of year	58	2,309

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Not later than one year	3,309	7,030	1,768	5,174
Later than one year and not later than five years	1,734	7,614	1,932	2,677
	5,043	14,644	3,700	7,851
Less unearned finance income	(1,343)	(6,793)	–	–
Present value of minimum lease payments receivable	3,700	7,851	3,700	7,851
Allowance for uncollectible lease payments	(1,262)	(1,083)	(1,262)	(1,083)
	2,438	6,768	2,438	6,768

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at $1.312 million (30 June 2016: $2.213 million). 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 26.0% (30 June 2016: 26.6%) per annum.

3.2 Loan receivables

	Notes	2017 $'000	2016 $'000
Current			
Personal short term loans	(i)	117,585	139,526
Allowance for impairment losses		(25,286)	(26,302)
Deferred establishment fees	(ii)	(9,575)	(11,909)
Total personal short term loans (net)		82,724	101,315
Vehicle finance loans	(iii)	5,586	1,134
Allowance for impairment losses		(377)	(30)
Total vehicle finance loans (net)		5,209	1,104
Total loan receivables		87,933	102,419
Non-current			
Vehicle finance loans	(iii)	14,037	2,102

(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 Group 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) 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 then 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.

(iii) Vehicle finance loans are secured loans advanced for financing the purchase of vehicles. The average term of these loans is 4.6 years and the average interest rate is 25.0%.

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

	2017	2016
0 to 30 days	91,277	110,461
31 to 60 days past due not impaired	698	1,434
61 to 90 days past due not impaired	173	401
90 + days past due not impaired	151	161
Considered impaired	25,286	27,069
Balance at end of year	117,585	139,526

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

	2017	2016
0 to 30 days	18,442	3,206
31 to 60 days past due not impaired	590	–
61 to 90 days past due not impaired	111	–
90 + days past due not impaired	103	–
Considered impaired	377	30
Balance at end of year	19,623	3,236

Notes to the financial statements

For the year ended 30 June 2017

3.2 Loan receivables (continued)

Allowance for impairment losses

As at 30 June 2017, personal loan receivables of $25.286 million (2016: $26.302 million) were impaired and fully provided for. Movements in the provision for impairment of personal loan receivables were as follows:

	2017 $'000	2016 $'000
Balance at beginning of year	26,302	29,104
Impairment losses recognised on receivables	37,295	39,303
Amounts written off as uncollectible	(38,311)	(42,105)
Balance at end of year	25,286	26,302

In determining the recoverability of a personal loan, the Group 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.

As at 30 June 2017 vehicle finance loan receivables of $377 thousand (2016: nil) were impaired and fully provided for. Movements in the provision for impairment of vehicle finance loan receivables were as follows:

Balance at beginning of year	30	–
Impairment losses recognised on receivables	347	30
Amounts written off as uncollectible	–	–
Balance at end of year	377	30

In determining the recoverability of a vehicle finance loan, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. As the current customer base is relatively small, the Group has made a provision based on known historical losses and reasonable estimation of expected future losses. As these loans are secured by the underlying vehicle financed, the total loss will be reduced by the recoverable amount. 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 Group 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

New and pre-owned goods at cost	20,651	16,927
New and used motor vehicles at cost	340	685
	20,991	17,612

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. With a significant proportion of inventory being jewellery, which retains its value, acquired from customers across 71 corporate stores and by the diverse range of other products, the overall exposure to obsolescence is minimal. Inventory is appropriately discounted in stores as it ages in order to effect a sale. The Company has therefore determined no obsolescence provision is required.

3.4 Plant and equipment

	Leasehold improvements $'000	Plant and equipment $'000	Leasehold improvements under finance lease $'000	Total $'000
Cost				
Balance at 1 July 2015	13,219	36,351	1,049	50,619
Additions	2,652	1,346	–	3,998
Transfers to intangible assets	–	(4,626)	–	(4,626)
Disposals	(3,497)	(19,765)	(1)	(23,263)
Foreign currency exchange differences	(29)	(187)	–	(216)
Balance at 30 June 2016	12,345	13,119	1,048	26,512
Additions	543	666	–	1,209
Transfers between asset categories	772	276	(1,048)	–
Transfers to intangible assets	–	(1,020)	–	(1,020)
Disposals	–	(1,298)	–	(1,298)
Foreign currency exchange differences	(4)	(39)	–	(43)
Balance at 30 June 2017	13,656	11,704	–	25,360
Depreciation and impairment				
Balance at 1 July 2015	5,670	18,760	831	25,261
Disposals	(2,106)	(15,698)	–	(17,804)
Depreciation expense	1,693	3,478	122	5,293
Impairment	–	116	–	116
Foreign currency exchange differences	(24)	(183)	–	(207)
Balance at 30 June 2016	5,233	6,473	953	12,659
Disposals	–	(1,070)	–	(1,070)
Transfers between asset categories	181	772	(953)	–
Depreciation expense	1,688	1,892	–	3,580
Foreign currency exchange differences	(4)	(38)	–	(42)
Balance at 30 June 2017	7,098	8,029	–	15,127
Net book value				
As at 30 June 2016	7,112	6,646	95	13,853
As at 30 June 2017	6,558	3,675	–	10,233

Total depreciation expense for the year ended 30 June 2016 includes $1.704 million of depreciation 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.

Notes to the financial statements

For the year ended 30 June 2017

3.4 Plant and equipment (continued)

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	2017 $'000	2016 $'000
Gross carrying amount			
Balance at beginning of year		107,009	118,565
Derecognised on disposal of discontinued operations	5.1	–	(11,459)
Foreign currency exchange differences		–	(97)
Balance at end of year		107,009	107,009
Accumulated impairment losses			
Balance at beginning of year		–	7,157
Impairment losses for year		–	1,354
Derecognised on disposal of discontinued operations	5.1	–	(8,515)
Foreign currency exchange differences		–	4
Balance at end of year		–	–
Net carrying amount			
At beginning of year		107,009	111,408
At end of year		107,009	107,009

Accounting policies

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. CGUs 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 CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata based on the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

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

Allocation of goodwill to CGUs

Goodwill has been allocated for impairment testing purposes to the following CGUs or groups of CGUs:

	2017 $'000	2016 $'000
Personal finance	90,561	90,561
Store operations	16,448	16,448
	107,009	107,009

Impairment losses recognised

No impairment losses have been recognised in the year ended 30 June 2017.

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 $1.354 million, other intangible asset balances of $777 thousand and plant and equipment balances of $116 thousand 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. Refer to note 5.1 for further information.

Impairment testing and key assumptions

Impairment testing approach applicable to all CGUs

Impairment modelling for each CGU has been prepared separately based on a value in use model which uses cash flow projections based on budgets approved by management covering a five-year period. Cash flows beyond the five-year period are estimated using a terminal value calculated based on a terminal growth rate under standard valuation principles.

Key assumptions are based on a combination of past experience for mature products and external sources (market data) for less mature products and economic metrics such as interest rates. In FY 2018 revenue and expenses are forecast to reduce due to decreasing loan volumes as a result of the changes to the Company's credit assessment process before recovering to grow at levels below those historically observed. Growth in lending volumes is expected to be driven primarily by the recently launched MACC product.

Working capital requirements are factored into the modelling based on historic requirements for each CGU, and vary in line with earnings growth. Capital investment, required to run the business (i.e. replacement and non-expansionary capital expenditure) has been included based on budgeted amounts 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.

Impact of regulations

The Personal Finance business operates in a regulated industry. The impairment testing for this business segment is based on management's expectation of performance, taking into account applicable legislative requirements at the date of the impairment testing, being 30 June 2017. Any material change to legislation impacting this business in future periods may have a significant positive or negative impact on future performance and may result in an impairment.

Notes to the financial statements

For the year ended 30 June 2017

3.5 Goodwill (continued)

The following key assumptions were used in the impairment testing:

Assumption	Personal finance	Store operations
2018 budget revenue growth / (reduction)	(7%)	(3%)
2018 budget expense growth / (reduction)	(5%)	(5%)
Revenue growth rate > 1 year	1% – 5%	1% – 3%
Expense growth rate > 1 year	(2%) – 2%	2% – 3%
Terminal growth rate > 5 years	2.5%	2.5%
Pre-tax discount rate applied to cash flows	14.9%	16.0%

Bad debt rates have been forecast based on current average rates and are adjusted in future periods to move towards industry and historical averages for individual products experienced by the Group. This projection reflects the benefits of the enhanced credit assessment processes which were implemented in the current year, and consequent anticipated lower bad debt rates.

For the year ended 30 June 2016 the key assumptions used included:

- 2017 growth rates for revenue and expenses in Personal finance of -22% and -17% respectively, in the following years growth rates ranged from -9% to +11% for revenue and -2% to +6% for expenses;
- 2017 growth rates for revenue and expenses in Store operations of -8% and -3% respectively, in the following years growth rates ranged from +2% to +3% for revenue and +2% for expenses;
- Pre-tax discount rates ranging from 12.5% to 14.5% and terminal growth rates of 2.5%.

Impairment sensitivity disclosures

Based on the impairment testing completed for all CGUs, management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of each CGU as at 30 June 2017.

Reasonably possible changes are considered in the context of regulatory requirements that have been enacted or substantively enacted at the date of the impairment testing, or where the outcome of future changes can reasonably be modelled at the date of impairment testing.

With this in mind, potential future legislative changes not yet enacted or substantively enacted may significantly impact the Group's operations, should they be introduced in future periods.

On 3 March 2016, the Small Amount Credit Contracts Review Final Report (the Final Report) was delivered by the Review Panel (the Panel) to the Minister for Small Business and Assistant Treasurer. The report outlines proposed regulatory requirements relating to the Protected Earnings Amount (PEA) cap that have the potential to significantly impact Small Amount Credit Contract (SACC) lending volumes, which would impact the Group's Personal Loan and Cash Advance products.

On 28 November 2016, the Minister announced the Government's response to the report which supported the recommendation to extend the SACC PEA amount requirement to all consumers, and lowering it to 10 per cent of the consumer's net income.

Subsequent to this announcement there has been no further public consultation in relation to the proposed scope and form of any potential legislative changes, and no timetable has been released around when any such proposed draft legislation would be submitted to Parliament for consideration. Additionally, the industry continues to work with the Government on this important legislative matter.

Consequently, there is significant uncertainty with respect to the timing of enacting any legislative change, as well as the final scope and form of any eventual change, if any.

The recoverable value of both the *Personal finance and Store operations* businesses may be impacted by potential future legislative changes given the impact on both the Group's personal loan and cash advance operations. Refer to note 2.5 for further information on the Group's operations.

Whilst ultimately the Group's business operations could potentially be adjusted to mitigate the impact of these changes, the likely impact of the legislation if enacted in its current proposed form from 1 July 2018, based on the current profile of the loan book and with reasonably possible changes to other key assumptions being taken into account, may result in an impairment within a range of $35 million to $48 million.

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

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

3.6 Other intangible assets

Allocation of other intangible assets to CGUs

Other intangible assets are allocated to their respective CGU and tested for impairment when impairment indicators are identified. 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 CGUs.

No impairment has been recognised in the year ended 30 June 2017 (2016: $777 thousand).

The allocation of other intangible assets to CGUs is as follows:

	2017 $'000	2016 $'000
Franchise operations (excluding UK)	9,771	8,318
Franchise operations (UK)	2,805	1,222
Personal finance	8,491	11,576
Store operations	4,673	2,908
Vehicle financing	1,247	10
	26,987	24,034

Notes to the financial statements

For the year ended 30 June 2017

3.6 Other intangible assets (continued)

Categories of other intangible assets

	Reacquired rights	Trade names & customer relationships	Software	Total
	$'000	$'000	$'000	$'000
Cost				
Balance at 1 July 2015	11,360	16,936	12,356	40,652
Additions	172	–	3,638	3,810
Transfers from plant & equipment	–	–	4,626	4,626
Disposals	(3,698)	(68)	(6,100)	(9,866)
Foreign currency exchange differences	(135)	–	–	(135)
Balance at 30 June 2016	7,699	16,868	14,520	39,087
Additions	–	–	6,305	6,305
Transfers from plant & equipment	–	–	1,020	1,020
Disposals	–	–	(2,719)	(2,719)
Foreign currency exchange differences	(61)	–	4	(57)
Balance at 30 June 2017	7,638	16,868	19,130	43,636
Amortisation and impairment				
Balance at 1 July 2015	4,597	6,506	4,842	15,945
Disposals	(1,838)	(163)	(2,972)	(4,973)
Amortisation expense	480	1,044	1,810	3,334
Impairment	777	–	–	777
Foreign currency exchange differences	(30)	–	–	(30)
Balance at 30 June 2016	3,986	7,387	3,680	15,053
Disposals	–	–	(2,109)	(2,109)
Amortisation expense	542	964	2,211	3,717
Foreign currency exchange differences	(12)	–	–	(12)
Balance at 30 June 2017	4,516	8,351	3,782	16,649
As at 30 June 2016	3,712	9,481	10,840	24,034
As at 30 June 2017	3,122	8,517	15,348	26,987

Total amortisation expense for the year ended 30 June 2016 includes $56 thousand relating to discontinued operations.

Accounting policies

Reacquired rights and Customer relationships acquired through business combinations are recognised at fair value at acquisition date less accumulated amortisation and impairment.

Trade names relating to repurchased sub-master licenses both overseas and in Australia are recognised at cost less accumulated amortisation.

Software development expenditure is recognised as an asset when it is possible that future economic benefits attributable to the asset will flow. Software assets are recognised at cost less accumulated amortisation.

Intangible assets are amortised as follows:

Asset	Amortisation period
Reacquired rights	The remaining life of each franchise agreement as at the acquisition date
Customer relationships	Useful life of 5 years based on historic average customer relationships
Trade names	Useful life which is not more than 100 years
Software	Useful life of between 5 and 8 years based on historic experience

Key estimate – useful lives of other intangible assets

The Company 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 other intangible assets requires the entity to make significant estimates based on both past performance and expectations of future performance.

3.7 Trade and other payables

	Notes	2017 $'000	2016 $'000
Current			
Trade payables		2,495	2,415
Accruals		18,793	17,406
		21,288	19,821

The Group 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

	Notes	2017 $'000	2016 $'000
Current			
Employee benefits		5,834	6,321
Fringe benefits tax		168	49
ASIC compliance	(i)	–	12,500
Onerous lease contracts	(ii)	1,055	2,205
Other		7	1,352
		7,064	22,427
Non-current			
Employee benefits		790	298
Onerous lease contracts	(ii)	1,627	5,676
		2,417	5,974

(i) On 9 November 2016, the Company announced that it had entered into an enforceable undertaking with ASIC in relation to its compliance with certain provisions applicable to small amount credit contracts under the National Consumer Credit Protection Act 2009 (Cth). Prior to this announcement, the Company had recognised a provision of $12.500 million in respect of any potential compliance issues in its credit assessment processes, based on Cash Converters' best estimate of the likely outcome of discussions with ASIC at the date of the 2016 financial report. As at 30 June 2017 $391 thousand for customer remediation remains outstanding and is classified within trade payables, the balance having been paid during the year.

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

Notes to the financial statements

For the year ended 30 June 2017

3.8 Provisions (continued)

Accounting policies

Provisions are recognised when the Group 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.

(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 the Group, 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 the Group's 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

	2017 $'000	2016 $'000
Cash on hand	2,991	2,831
Cash at bank	77,580	70,778
	80,571	73,609

Cash at bank includes restricted cash of $15.101 million (2016: $21.060 million) that is held in accounts controlled by the CCPF Receivables Trust No 1 that was established to operate the Company's securitisation facility with Fortress Finance. 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. Cash at bank includes a further $5.482 million (2016: $5.871 million) on deposit as security for banking facilities.

4.2 Borrowings

	Notes	2017 $'000	2016 $'000
Current			
Securitisation facility	(i)	44,426	67,047
Loans – vehicle finance	(ii)	1,799	2,945
Hire purchase and lease liabilities		78	31
		46,303	70,023
Non-current			
Loans – vehicle finance	(ii)	1,229	4,432
Bonds	(iii)	59,705	59,452
Hire purchase and lease liabilities		–	77
		60,934	63,961

(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 Group 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.

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.

Notes to the financial statements

For the year ended 30 June 2017

4.2 Borrowings (continued)

Financing arrangements

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

	2017 $'000	2016 $'000
Total facilities		
Bank overdrafts	–	300
Securitisation facilities	100,000	100,000
Bond	60,000	60,000
	160,000	160,300
Used at balance date		
Bank overdrafts	–	–
Securitisation facilities	45,500	68,750
Bond	60,000	60,000
	105,500	128,750
Unused at balance date		
Bank overdrafts	–	300
Securitisation facilities	54,500	31,250
	54,500	31,550

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. The securitisation has various eligibility criteria which the receivables of the Group must meet to be funded under the facility. Under the bond facility, amongst other covenants, the Group must maintain sufficient interest cover in the event of new financial indebtedness being incurred and requires dividends only be paid out of available profits. During the reporting period there have been no events that would cause these covenants to be breached.

4.3 Financial risk factors

The 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

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	80,571	73,609
Trade and other receivables	31,051	39,417
Personal loan receivables	101,970	104,521
	213,592	217,547
Financial liabilities		
Trade and other payables	21,288	19,821
Borrowings	107,237	133,984
	128,525	153,805

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

(b) Financial risk management objectives

The Group'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 Group. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(c) Market risk

The Group'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 Group'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 Group 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 to translate transactions into the reporting currency. There are no foreign currency denominated monetary assets or monetary liabilities in the Group at the reporting date (2016: nil) other than in the functional currency of the operating entity.

(e) Interest rate risk management

The Company and the Group 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 Group are at fixed rates. The risk is managed by the Group by monitoring interest rates.

The Company and the Group'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 $61 thousand (2016: increase / decrease by approximately $1 thousand).

4.3 Financial risk factors (continued)

(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 Group. The Group measures credit risk on a fair value basis. The Group 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 Group 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 may be 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 / Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial liabilities

The following table details the Group'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 Group 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 Group may be required to pay.

	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	$'000	$'000	$'000	$'000
2017					
Non-interest bearing	0.00	21,288	–	–	21,288
Finance lease liability – fixed rate	7.59	83	–	–	83
Fixed interest rate instruments	7.93	1,936	66,565	–	68,501
Variable interest rate instruments	7.67	44,426	–	–	44,426
		67,733	66,565	–	134,298
2016					
Non-interest bearing	0.00	19,821	–	–	19,821
Finance lease liability – fixed rate	7.59	3,202	5,365	–	8,567
Fixed interest rate instruments	7.95	–	70,732	–	70,732
Variable interest rate instruments	7.90	74,182	–	–	74,181
		97,205	76,097	–	173,302

Financial assets

The following table details the Group'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 / Group 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
	%	$'000	$'000	$'000	$'000
2017					
Non-interest bearing	0.00	35,032	–	–	35,032
Fixed interest rate instruments	105.39	179,223	46,452	–	225,675
Variable interest rate instruments	2.10	33,224	–	–	33,224
		247,479	46,452	–	293,931
2016					
Non-interest bearing	0.00	6,105	–	–	6,105
Fixed interest rate instruments	112.94	175,673	17,600	–	193,273
Variable interest rate instruments	1.07	69,715	–	–	69,715
		251,493	17,600	–	269,093

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

(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 or 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 2017 and 30 June 2016, 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 2017 and 30 June 2016, 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.

Notes to the financial statements

For the year ended 30 June 2017

4.4 Issued capital

	2017 Number	2016 Number	2017 $'000	2016 $'000
Balance at beginning of year	484,976,037	481,248,259	207,540	205,399
Issued during the year				
Dividend reinvestment plan	8,071,387	3,144,278	2,663	1,572
Shares issued on exercise of performance rights	–	583,500	–	569
Placement	–	–	–	–
Share issue costs	–	–	–	–
Balance at end of year	493,047,424	484,976,037	210,203	207,540

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 to assist 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:
1. Changes to the structure that occurred during the prior year as a result of business combinations or the disposal of a discontinued operation;
2. Investments in associates;
3. Composition of the Group; and
4. Parent entity financial information.

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 ended 30 June 2016 are set out below.

	2016 $'000
Revenue	74,467
Expenses	(93,302)
Impairment of non-current assets	(2,248)
Loss on disposal of assets	(10,083)
Loss before income tax	(31,166)
Income tax expense	–
Loss after income tax of discontinued operations	(31,166)
Net cash flows from discontinued operations	
Net cash outflows from operating activities	(6,050)
Net cash inflows from investing activities	415
Net cash outflows from financing activities	(13)
Net cash (outflows) / inflows from discontinued operations	(5,648)

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.

5.1 Discontinued operations (continued)

(c) Loss on disposal of assets

	2016 $'000
Consideration received	
Cash	252
Deferred sales proceeds	9,900
Total consideration received	10,152
Assets disposed	
Current assets	9,780
Plant and equipment	4,938
Goodwill	2,808
Other intangible assets	2,709
Total assets disposed	20,235
Loss on disposal of assets	10,083

(d) Assets associated with discontinued operations

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

Assets associated with discontinued operations	
Personal loan receivables	7,448

5.2 Investment in associates

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

	2017 $'000	2016 $'000
Balance at beginning of year	4,295	6,288
Net profit / (loss) for year	314	(1,392)
Write off of investment in associate	–	(764)
Foreign exchange adjustment in value of investment	(2)	163
Balance at end of year	4,607	4,295

Associates are those entities over which the Company 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.

The financial statements include the Company's 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 the Company's 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 the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's 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 Cash Converters Holdings Limited Partnership, the master franchisor in New Zealand. The Company holds a 25% equity interest (ownership and voting 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 thousand was written off.

5.3 Controlled entities

(a) Composition of the Group

Controlled entities of Cash Converters International Limited:

Name of entity	Country of incorporation	Ownership interest 2017	Ownership interest 2016
BAK Property Pty Ltd (1)	Australia	100%	100%
Cash Converters (Cash Advance) Pty Ltd (1) (2)	Australia	100%	100%
Cash Converters Finance Corporation Limited (3)	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 (3)	USA	99.285%	99.285%
Cash Converters USA Limited (3)	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 Receivables Trust No 1	Australia	100%	100%

(1) These companies are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2017.
(2) These companies are members of the tax consolidated group.
(3) Non-controlling interest is not considered material in these subsidiaries.

Notes to the financial statements

For the year ended 30 June 2017

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 Corporations Instrument 2016/785, issued on 28 September 2016, 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 Corporations Instrument, a summarised consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017 and consolidated Statement of Financial Position as at 30 June 2017, 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

	2017 $'000	2016 $'000
Profit / (loss) before income tax	26,513	14,501
Income tax benefit / (expense)	(7,580)	(7,418)
Total comprehensive income	18,933	7,083

Summary of movements in Closed Group's retained earnings

Retained earnings at beginning of year	84,748	87,302
Transfer reserve balance	(15,809)	–
Net profit / (loss)	18,933	7,083
Dividends paid or provided for	(4,850)	(9,637)
Retained earnings at end of year	83,022	84,748

Statement of financial position

	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	74,645	68,697
Trade receivables	5,243	10,934
Loan receivables	87,933	102,419
Inventories	20,899	17,445
Other assets	5,305	9,102
Current tax receivable	–	9,850
Total current assets	194,025	218,447
Non-current assets		
Trade and other receivables	33,364	40,462
Loan receivables	14,037	2,102
Plant and equipment	10,230	13,833
Deferred tax assets	10,927	10,283
Goodwill	107,009	107,009
Other intangible assets	25,276	22,813
Investments in associates	4,607	4,295
Other financial assets	30,250	30,250
Total non-current assets	**235,700**	**231,047**
Total assets	**429,725**	**449,494**
Current liabilities		
Trade and other payables	17,091	18,100
Borrowings	46,303	70,023
Provisions	6,009	20,222
Current tax payable	3,633	–
Total current liabilities	**73,036**	**108,345**
Non-current liabilities		
Borrowings	60,934	63,961
Provisions	790	298
Total non-current liabilities	**61,724**	**64,259**
Total liabilities	**134,760**	**172,604**
Net assets	**294,965**	**276,890**
Equity		
Issued capital	210,203	207,540
Reserves	1,740	(15,398)
Retained earnings	83,022	84,748
Total equity	**294,965**	**276,890**

Notes to the financial statements

For the year ended 30 June 2017

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

	2017 $'000	2016 $'000
Assets		
Current assets	35	5,072
Non-current assets	276,315	267,284
Total assets	**276,350**	**272,356**
Liabilities		
Current liabilities	–	–
Non-current liabilities	**60,000**	**60,000**
Total liabilities	**60,000**	**60,000**
Net assets	**216,350**	**212,356**
Equity		
Issued capital	210,203	207,540
Reserves	1,871	540
Retained earnings	4,276	4,276
Total equity	**216,350**	**212,356**

(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 subsidiaries

Cross guarantees have been provided by the parent entity and its controlled entities as listed in note 5.3.

Guarantee provided under the deed of cross guarantee (1)	2,199	2,141

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

(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 Group 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.

On 31 July 2015, the Company was served with a statement of claim lodged with the New South Wales Registry of the Federal Court of Australia commencing a class action claim on behalf of borrowers resident in Queensland who took out personal loans from the Company's subsidiaries during the period from 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 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.

Both these proceedings relate to the brokerage fee charged to customers. The brokerage fee system has not been used since 30 June 2013. These proceedings are being vigorously defended. The potential financial impact of either class action noted above cannot be reliably estimated at this time.

The directors are not aware of any other material contingent liabilities in existence as at 30 June 2017 requiring disclosure in the financial statements.

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 Group exercises its option to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease commitments payable:

	2017 $'000	2016 $'000
Within one year	10,164	12,440
One to five years	24,664	30,006
Later than five years	5,133	7,562
	39,961	**50,008**

Capital expenditure

As at 30 June 2017, capital expenditure commitments were nil (2016: $391 thousand).

Other contractual commitments

	2017 $'000	2016 $'000
Within one year	535	–
One to five years	502	–
	1,037	**–**

Notes to the financial statements

For the year ended 30 June 2017

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 $35,428 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 in the year ended 30 June 2016 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 (KMP) (as disclosed in the remuneration report), the parent, its subsidiaries, associates and KMP made no related party transactions during the reporting period.

6.4 Key management personnel disclosures

Details of directors and other members of KMP of Cash Converters International Limited during the year are:

- Mr Stuart Grimshaw (Non-Executive Chairman)
- Mr Lachlan Given (Non-Executive Director)
- Mr Kevin Dundo (Non-Executive Director)
- Ms Andrea Waters (Non-Executive Director, appointed 9 February 2017)
- Ms Ellen Comerford (Non-Executive Director, appointed 9 February 2017)
- Mr Reginald Webb (Non-Executive Director, retired 14 February 2017)
- Mr Peter Cumins (Managing Director to 23 January 2017, Executive Deputy Chairman from 23 January 2017)
- Mr Mark Reid (Chief Executive Officer – Australia to 23 January 2017, Chief Executive Officer from 23 January 2017)
- Mr Martyn Jenkins (Chief Operating Officer – Financial Services Australia from 1 July 2016)
- Mr Shane Prior (Chief Operating Officer – Stores)
- Mr Nathan Carbone (Chief Risk Officer, appointed 1 January 2017)
- Ms Alice Manners (Chief Manager Digital and Marketing, appointed 24 February 2017)
- Mr Brad Edwards (Corporate Counsel, appointed 6 June 2017)
- Mr Ralph Groom (Company Secretary, Chief Financial Officer)
- Mr Glen Fee (Chief Information Officer)
- Mr Michael Cooke (Legal Counsel, retired 31 August 2016)

The aggregate compensation of the KMP of the Group is set out below:

	2017 $	2016 $
Short-term employee benefits	4,584,113	3,770,918
Post-employment benefits	208,644	122,960
Other long-term benefits	165,520	–
Share-based payments	1,315,143	(1,945,164)
Termination benefits	600,150	270,332
	6,873,570	2,219,046

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 2017, 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 14,232,846 performance rights under the new rights plan, to the then managing director (now Executive Deputy Chairman) and the Company's senior management team in various tranches with each tranche containing 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 7,598,694 performance rights were granted in Tranches 17, 18, 19 and 20 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
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	1,232,224	$0.26	$0.00	30 Jun 2018
16	28 Jan 2016	1,232,224	$0.45	$0.00	30 Jun 2018
17	23 Nov 2016	2,286,460	$0.20	$0.00	30 Jun 2019
18	23 Nov 2016	2,286,460	$0.31	$0.00	30 Jun 2019
19	12 Dec 2016	973,843	$0.17	$0.00	30 Jun 2019
20	12 Dec 2016	973,843	$0.29	$0.00	30 Jun 2019

Fair value of performance rights granted during the year

The weighted average fair value of the performance rights granted during the financial year is $0.25 (2016: $0.34). 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 17	Tranche 18	Tranche 19	Tranche 20
Grant date	23 Nov 2016	23 Nov 2016	12 Dec 2016	12 Dec 2016
Option pricing model	Monte Carlo	Binomial	Monte Carlo	Binomial
Grant date share price	$0.36	$0.36	$0.34	$0.34
Exercise price	$0.00	$0.00	$0.00	$0.00
Expected volatility	40%	40%	40%	40%
Option life	2.60 years	2.60 years	2.55 years	2.55 years
Dividend yield	5.33%	5.56%	5.80%	5.88%
Risk-free interest rate	1.88%	1.88%	1.95%	1.95%

Notes to the financial statements

For the year ended 30 June 2017

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.

	2017 Number	2016 Number
Outstanding at beginning of year	6,758,319	8,997,497
Granted during year	7,598,693	6,634,152
Forfeited / lapsed during year	(1,601,632)	(8,289,831)
Exercised during year	–	(583,499)
Outstanding at end of year	12,755,380	6,758,319

Share options exercised during the year

Tranche	Grant date	Number exercised	Exercise date	Share price at exercise date
Year ended 30 June 2017				
		–		
Year ended 30 June 2016				
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
		583,499		

Share options forfeited / lapsed during the year

Tranche	Grant date	Number lapsed
Year ended 30 June 2017		
12	25 Sep 2014	22,000
15	28 Jan 2016	219,852
16	28 Jan 2016	219,852
19	12 Dec 2016	569,964
20	12 Dec 2016	569,964
		1,601,632
Year ended 30 June 2016		
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
		8,289,831

Share options outstanding at year end

The total number of options outstanding at 30 June 2017 was 12,755,380 (2016: 6,758,318).

Tranche	Grant date	Number of rights	Grant date fair value	Exercise price	Expiry date
12	25 Sep 2014	102,166	$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	1,232,224	$0.26	$0.00	30 Jun 2018
16	28 Jan 2016	1,232,224	$0.45	$0.00	30 Jun 2018
17	23 Nov 2016	2,286,460	$0.20	$0.00	30 Jun 2019
18	23 Nov 2016	2,286,460	$0.31	$0.00	30 Jun 2019
19	12 Dec 2016	942,923	$0.17	$0.00	30 Jun 2019
20	12 Dec 2016	942,923	$0.29	$0.00	30 Jun 2019
		12,755,380			

The weighted average remaining contractual life for the performance rights outstanding at 30 June 2017 was 1.5 years (2016: 2.0 years).

Accounting policies

The Group provides benefits to executives of the Group in the form of share-based payment transactions, whereby KMP 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.

Notes to the financial statements

For the year ended 30 June 2017

6.6 Auditor's remuneration

	2017 $	2016 $
Auditor of the parent entity		
Audit / review of the financial report	402,000	545,900
Taxation services	23,680	12,500
Independent expert in relation to Enforceable Undertaking	276,100	–
Other non-audit services	85,950	–
Related practice of the parent entity auditor		
Audit	49,553	111,880
Taxation services	14,110	85,740
	851,393	756,020

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

6.7 Events subsequent to the end of the year

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 Group; 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

Stuart Grimshaw
Director

Perth, Western Australia
7 September 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
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Fax: +61 8 9365 7001
www.deloitte.com.au

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

7 September 2017

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 2017, 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

DELOITTE TOUCHE TOHMATSU

D Newman

David Newman
Partner
Chartered Accountants

Deloitte.

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 Audit of the Financial Report

Opinion

We have audited the financial report of Cash Converters International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of non-current assets
 	
As disclosed in notes 3.5 and 3.6, the carrying value of goodwill and other intangible assets as at 30 June 2017 relating to the personal finance and store operations was $99.0 million and $21.1 million respectively.
 	
The assessment of the recoverable value of these assets requires significant judgement in respect of assumptions such as discount rates, forecast loan volumes and forecast bad debt levels.
	Our procedures included, but were not limited to:
	
	• obtaining an understanding of the key controls management has in place in relation to the estimate of the recoverable amount of the personal finance and store operations;
	• comparing the forecasts used in calculating the recoverable amount to the Board approved business plan;
	• evaluating the forecasts used in calculating the recoverable amount by reference to recent performance of the business and assessing historical forecasting accuracy;
	• in conjunction with our valuation experts we assessed and challenged the assumptions and methodologies used, in particular:
	  • the discount rate against that of comparable companies;
	  • forecast loan volumes for personal loans against recent actual levels and related trending;
	  • forecast bad debt levels for personal loans;
	  • in relation to the assumptions applied above, where possible we corroborated market related assumptions by reference to external data;
	  • management's consideration of the impact of potential legislative changes on future personal loan volumes;
	  • sample testing management's models for mathematical accuracy;
	  • applying sensitivities to the forecast cash flows including growth in the number of loans and evolution of bad debt rates to reflect uncertainty with respect to the impact of:
	    • recent changes in lending criteria; and
	    • the early stage of growth of the Medium Amount Credit Contracts loan book.
	• evaluating the adequacy of the disclosures in the financial report.

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Key audit matter	How the scope of our audit responded to the Key Audit Matter
Allowance for impairment losses – personal loan receivables As disclosed in note 3.2, the carrying value of personal loan receivables as at 30 June 2017 was $82.7 million, net of allowances for impairment losses of $25.3 million. The assessment of the recoverable value of personal loans requires significant judgement in respect of assumptions such as default rates in making an estimate of the recoverability of loans, on either a specific or collective basis.	Our procedures included, but were not limited to: • evaluating the key controls management have in place in relation to the estimate of the recoverable value of personal loans; • challenging the assumptions and methodology used to determine both the specific and collective allowances; • evaluating forecast default rates against historically observed levels; • performing a look back test of the loans that were written off in the current financial year by aging category, to build an expectation of the allowance as at 30 June 2017 by comparable aging category; • developing an independent expectation of the allowance for doubtful debts based on independent statistical modelling using historic repayment data and comparing this with managements estimates; and • evaluating the adequacy of the disclosures included in the financial report.
Contingent liabilities As disclosed in note 6.1, the Company is subject to two class actions in relation to historic lending practices in Queensland associated with personal loans and cash advance loans. We focused on this area as a key audit matter due to the potential significance of the class actions to the Group.	We assessed the appropriateness of management's conclusion that the class actions gave rise to contingent liabilities as at 30 June 2017. Our procedures included, but were not limited to: • holding discussions with Group Internal Legal Counsel, Management and the Directors; • reviewing minutes of meetings of the board of directors; • obtaining copies of pleadings; • holding discussions with external legal counsel to gain an understanding of the current status of the class actions; and • assessing the adequacy of the disclosures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 58 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cash Converters International Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman

David Newman
Partner
Chartered Accountants
Perth, 7 September 2017

Additional securityholder information

As at 18 September 2017

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	806	405,259
1,001 to 5,000	1,799	5,104,369
5,001 to 10,000	1,098	8,630,126
10,001 to 100,000	1,795	56,385,926
100,001 and over	221	422,521,744
	5,719	493,047,424

(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 1,299, given a share price of $0.385 per share.

(d) Substantial shareholders

Ordinary shareholder	Number of shares	% of issued shares
EZCORP Inc	156,552,484	31.75
HSBC Custody Nominees (Australia) Limited	88,826,167	18.02
Citicorp Nominees Pty Limited	30,268,324	6.14

2. Twenty largest equity security holders

Ordinary shareholder	Number of shares	% of issued shares
1. EZCORP Inc	156,552,484	31.75
2. HSBC Custody Nominees (Australia) Limited	88,826,167	18.03
3. Citicorp Nominees Pty Limited	30,268,324	6.14
4. JP Morgan Nominees Australia Limited	21,881,596	4.44
5. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	12,523,642	2.54
6. BNP Paribas Noms Pty Ltd <DRP>	12,173,630	2.47
7. National Nominees Limited	7,749,676	1.57
8. Riolane Holdings Pty Ltd <Cumins Super Fund A/C>	6,895,226	1.40
9. RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	5,051,641	1.02
10. RBC Investor Services Australia Nominees Pty Ltd <VFA A/C>	4,987,873	1.01
11. Mr Noel D'Souza + Mrs Christine D'Souza <Mandovi Super Fund A/C>	3,949,898	0.80
12. MICPIP Nominees Pty Ltd <MICPIP Super Fund A/C>	2,775,206	0.56
13. National Nominees Limited <DB A/C>	2,500,014	0.51
14. Narlack Pty Ltd <Piperoglou Pension A/C>	2,361,809	0.48
15. Mr Craig Graeme Chapman <Nampac Discretionary A/C>	2,000,000	0.41
16. Dorran Pty Ltd	1,500,000	0.30
17. Investment Custodial Services Limited <990048401 A/C>	1,400,000	0.28
18. Ms Choi Chu Lee	1,250,000	0.25
19. Mr Frederick Benjamin Warmbrand <FB & LJ Warmbrand Super A/C>	1,240,000	0.25
20. Sporran Lean Pty Ltd <Sporran Lean S/F A/C>	1,199,999	0.24
	367,087,185	74.45