



Chairman and Managing Director's Review

The 2014 financial year was marked by contrasting halves where we experienced a strongly improved second half following the transitory period that impacted the first half due to the implementation of the new micro credit regulatory requirements in Australia. Cash Converters International Limited ("Cash Converters") reported revenue growth of 13% in the second half of FY14 compared to the first half and net profit after tax growth of 45% in the second half.

Strong Second Half Performance

As previously disclosed, the first half result of FY14 was impacted by the effect of the transition to new micro credit regulatory requirements in Australia. Whilst the normalised annual EBITDA result for FY14 is marginally down on the previous year, it is pleasing that there has been an upward trend in the second half. The EBITDA second half result was up 37.5% on the first half and indications are that growth will continue into the 2015 financial year.

The following table provides a breakdown between the first half and second half for the 2014 financial year.

	2nd Half 30 June 2014 \$	1st Half 31 Dec 2013 \$	Variance %
Revenue	175,908,565	155,760,342	+12.9
EBITDA	29,870,275	21,731,131	+37.5
EBIT	25,747,739	17,929,956	+43.6
Net profit after tax	14,311,922	9,880,413	+44.9
Basic earnings per share	3.35	2.32	+44.4
Divisional EBITDA	30 June 2014	31 Dec 2013	Variance %
Franchise operations	3,454,130	3,179,386	+8.6
Store operations	8,745,306	6,870,046	+27.3
Financial services – administration	5,489,982	4,920,328	+11.6
Financial services – personal loans	21,547,173	18,288,097	+17.8
Green Light Auto (after minority)	(685,768)	(292,880)	+134.1
Total	38,550,823	32,964,977	+16.9
Corporate head office costs	(8,680,548)	(11,233,846)	-22.7
Total EBITDA after head office costs	29,870,275	21,731,131	+37.5



Full Year Results Summary

Cash Converters revenue grew by 21.6% to \$331.7 million in FY 14 (FY13:\$272.7 million) and the normalised EBITDA was \$56.9 million, a decrease of 1.9% over the previous year.

Financial Results Summary	30 June 2014	30 June 2013	Variance
	\$	\$	%
Revenue	331,668,907	272,722,719	+21.6
EBITDA	51,601,406	57,035,934	-9.5
Depreciation and amortisation	(7,923,711)	(6,455,993)	+22.7
EBIT	43,677,695	50,579,941	-13.6
Income tax	(10,908,176)	(14,794,235)	-26.3
Finance costs	(8,577,184)	(2,915,734)	+194.2
Net profit after tax	24,192,335	32,869,972	-26.4
Basic earnings per share	5.67	8.09	-29.9
Divisional EBITDA	30 June 2014	30 June 2013	Variance
			%
Franchise operations	6,633,516	6,387,128	+3.9
Store operations	15,615,352	9,100,109	+71.6
Financial services – administration	10,410,310	14,196,639	-26.7
Financial services – personal loans	39,835,270	42,460,724	-6.2
Green Light Auto (after minority)	(978,648)	-	-
Total	71,515,800	72,144,600	-0.9
Corporate head office costs	(19,914,394)	(15,108,666)	-31.8
Total EBITDA after head office costs	51,601,406	57,035,934	-9.5
Normalised EBITDA	30 June 2014	30 June 2013	Variance
			%
EBITDA	51,601,406	57,035,934	-9.5
Ausgroup provision	1,358,333	1,000,000	+35.8
Stamp duty on store acquisition	1,820,093	6,151	-
Green Light Auto (after minority)	978,648	-	-
GST adjustment	1,135,883	-	-
EBITDA normalised	56,894,363	58,042,085	-1.9

The above table provides a normalised EBITDA with adjustments to the respective periods to better reflect the underlying performance of the Cash Converters business.



Highlights

- Revenue growth of 21.6% to \$331.7 million. The major drivers for revenue growth over the year included an increase in personal loan interest of \$29.6 million and establishment fees of \$7.5 million, and an increase in corporate store revenue of \$35.9 million;
- The Australian personal loan book has grown by 19.3% from \$91.5 million at 30 June 2013 to \$109.2 million as at 30 June 2014;
- The growth of the online personal loan business in Australia continues to be very strong with the value of loans written increasing 81% to \$48.7 million (2013: \$26.9 million);
- The value of online cash advance in Australia has also been strong with the value of loans written increasing by 373.3% to \$7.1 million. (2013: \$1.5 million);
- The Australian cash advance business suffered a drop in the volume of loans advanced in the first half of the year compared to the corresponding period and also experienced a drop in the margin per loan from 1 July 2013 as a result of implementing the new rate cap required by the new regulatory regime. As a result the EBITDA for the Australian cash advance products fell 28.3%, to \$9.6 million. (2013: \$13.4 million);
- The trend, however, is upward for the Australian cash advance product with a second half EBITDA result of \$5.1 million, up 13.3% on the first half result of \$4.5 million;
- The corporate store network in the UK and Australia has seen revenue grow by 26.3% to \$171.9 million over the previous corresponding period. The corporate store network EBITDA was \$15.6 million, representing an increase of 71.4% on the corresponding period. (2014: \$9.1 million).

Dividend

The directors have declared a fully franked final dividend of two cents per share. The dividend will be paid on 30 September 2014 to those shareholders on the register at the close of business on 16 September 2014, with the final election date for the dividend reinvestment plan being 17 September 2014. This will take the total dividend payment for the year to four cents per share, fully franked. This represents a pay-out ratio of approximately 70.5% of net profit after tax.

Financial services operations

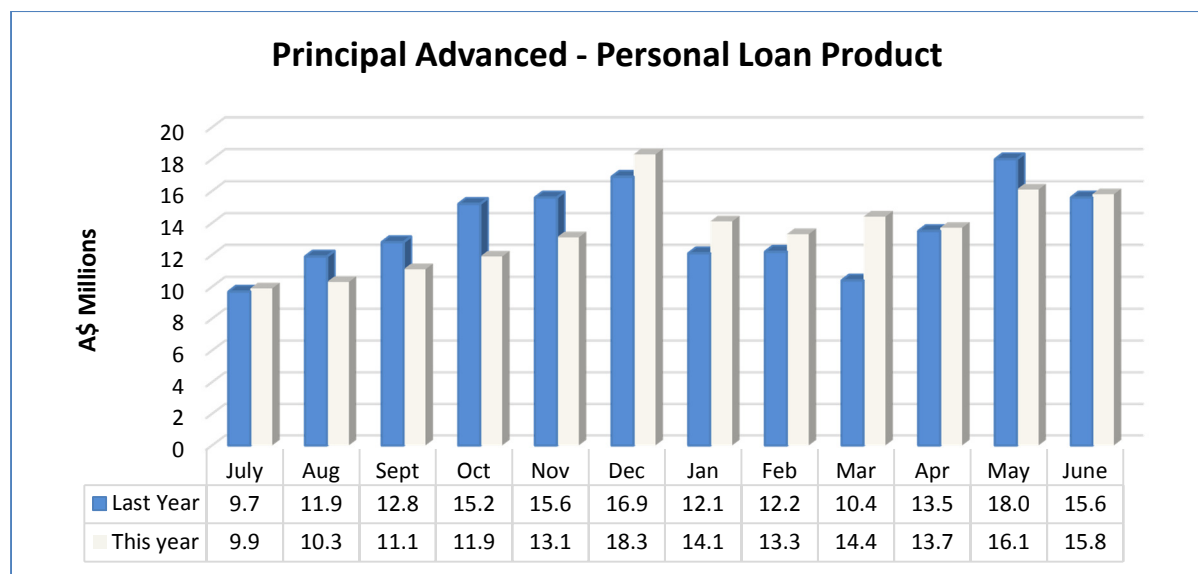
Australia

The Australian personal loan book has grown by 19.3% from \$91.5 million at 30 June 2013 to \$109.2 million at 30 June 2014. Part of this growth has been generated by our online lending platform, with 43,728 loans made totalling \$48.7 million, up 81% on the previous period. Online personal loans represent 30.1% of the total principal lent during the period.



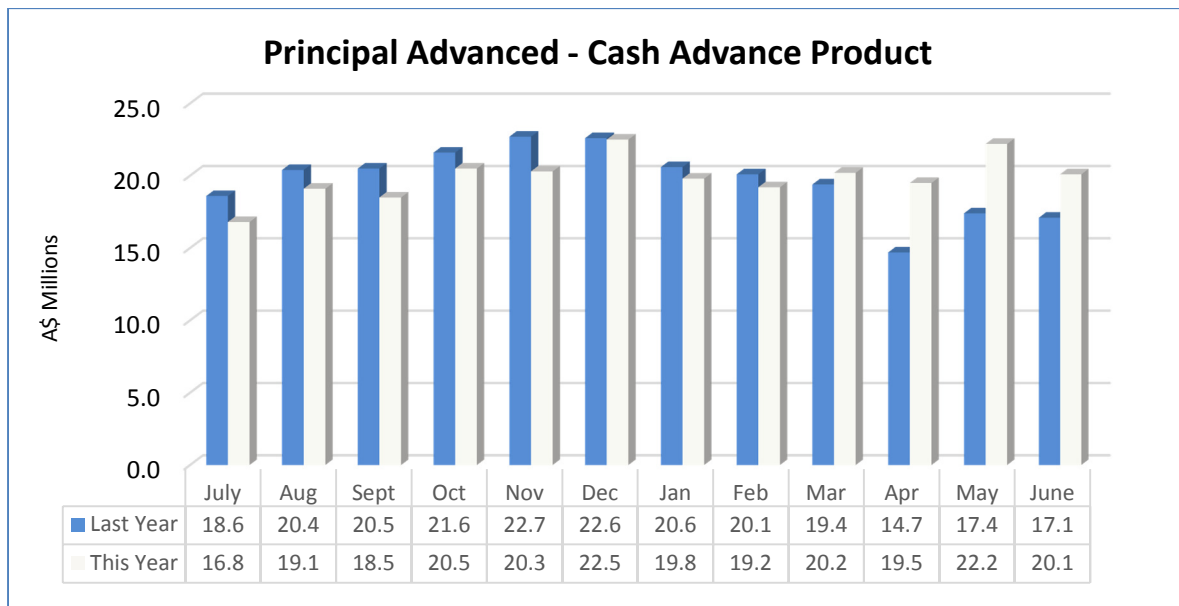
The Australian personal loan book produced an EBITDA of \$38.7 million (2013: \$40.7 million) down 4.9% on the previous period. During the period this division also incurred an additional GST charge of \$1.1 million relating to third party financial support services where the GST input credit was denied on the services provided under the current GST legislation.

The bad debt percentage of net principal written off to principal advanced for the Australian business increased to 6.6% (2013: 5.3%). This marginal increase has resulted from the new lending legislation and Cash Converters is looking more closely at loan applications and improving company collection procedures to ensure the bad debt percentage improves over the next reporting period.



The Australian cash advance business suffered a decrease in the volume of loans advanced in the first half of the year compared to the corresponding period. This product also experienced a drop in the margin per loan from 1 July 2013, as a result of implementing the new rate cap required by the new regulatory regime. As a result the EBITDA for the Australian cash advance products fell 28.3%, to \$9.6 million. (2013: \$13.4 million).

The trend, however, is upward with the second half EBITDA of \$5.1 million, up 13.3% on the first half result of \$4.5 million.



Cash Advance

- Total principal loaned increased by 1.3% to \$238.8 million
- Average loan amount increased from \$341 to \$413
- Total customer numbers increased by 15.2% to 535,738

Personal Loans

- Total number of loans approved increased by 15.4% to 155,820
- Total number of active customers increased by 53.7% to 124,853
- Loan book increased by 19.3% to \$109.2 million

United Kingdom

The UK personal loan book decreased by 22.7% from £20.3 million at 30 June 2013 to £15.7 million at 30 June 2014. The main driver of this decrease is due to the static loan outgoings during the period and the planned running down of the loan book as the Company awaits the outcome of the rate cap review in the UK. The Financial Conduct Authority (FCA) has issued a discussion paper which calls for industry participants to respond by 1 September 2014.

The online lending platform performed well, with 4,531 loans made totalling £3.1 million (2013:£2.8 million), up 10.7% on the previous period.

The UK personal loan book produced an EBITDA of £654K (2013:£1.1 million), down 41.6%. The provision for doubtful debt decreased to £3.5 million (2013:£10.2 million) as the loan book was run down. The bad debt percentage of net principal written off to principal advanced for the UK business increased from 12.1% to 16.6% during the period.



The UK cash advance business has struggled to grow in the period, generating an EBITDA of £430K (2013:£491K) down 12.4% on the previous period.

Cash Advance

- Total principal loaned decreased 8.9% to £34.8 million
- Average loan amount increased from £134 to £136
- Total customer numbers increased by 31.6% to 154,987

Personal Loans

- Total number of loans approved increased by 4.65% to 27,288
- Total number of active customers decreased by 23.1% to 18,345
- Loan book increased by 22.7% to £15.7 million

The UK business has always been a small contributor to the overall group profit but we have continued to grow the operations and believe that the opportunity remains for the UK to be a significant contributor to the Company's earnings in the future. We are now responding to the discussion paper released by the FCA in which they propose a rate cap, set at 0.8% interest accruing on the outstanding daily balance. Our early modelling suggests that with a revamped product offering there is still potential in the UK to sustain our financial service offering albeit on a reduced margin.

Webshop

Cash Converters online presence allows us to stretch the 'Brand' and present the business to a new audience of potential customers at a low delivery cost.

We have seen new customers visit stores and purchase products after their first contact with the brand commenced with their online search.

The Company receives a commission based on an agreed percentage of sales for providing the 'Webshop' online service to its franchisees. The Webshop provides a platform for the store network to display inventory items in an online shop format. Online product sales have grown by 82.5% in the UK operations and by 8.8% in the Australian operations in the past 12 months.

Some key online statistics:

	UK	Australia
Registered Users	199,506	70,344
Unique Visitors	3,281,575	3,248,979
Total Page Views	35,935,625	29,479,434
Retail Sales	£ 2,338,194	\$ 3,852,100



Corporate stores

Australia

The corporate store network in Australia produced an EBITDA of \$16.4 million (2013: \$8.8 million) up 86.4% on the previous period.

The strong EBITDA performance has resulted from the acquisition of eight stores in South Australia in May 2013 and one store in Western Australia acquired in February 2013, delivering a full year result in the FY 2014. The performance has also been helped by the acquisition of one store in Western Australia in November 2013, five stores in Victoria and New South Wales in January 2014 and to a lesser extent the three stores acquired in Queensland during June 2014.

With nine ex-franchised stores acquired during the period, the total number of corporate store numbers in Australia as at 30 June 2014 is 64.

United Kingdom

The UK corporate store network has struggled in tough trading conditions. The EBITDA for the period was a loss of £413K, down from the previous corresponding period profit of £188K.

During the period five stores were closed due to poor trading conditions which incurred closure and redundancy costs. There are now 58 corporate stores trading in the UK.

Green Light Auto (Trading as Carboodle)

The Carboodle brand was established by Green Light Auto Group Pty Ltd in 2010 ("GLA"). GLA is a licensed motor vehicle dealer providing customers who don't have access to main stream credit with a reliable and well maintained car (retail and commercial).

GLA provides late model vehicles to its customers via a four year lease term including most running costs (insurance, maintenance, registration, roadside assistance) for a weekly payment.

GLA has been successful in securing \$40 million of funding to cover 80% of the purchase price of vehicles with Fortress, a USA based lender.

Cash Converters acquired an 80% equity interest in GLA in September 2013. GLA produced an EBITDA loss of \$979K after non-controlling interests for the period.

Trading Highlights

- Active leases increased by 52.8% to 807 over the twelve months to 30 June 2014 (FY2013: 528)
- Forward contracted lease payments increased to \$25.6 million at 30 June 2014 (FY2013: \$21.2 million)
- Total revenue for the twelve months to 30 June 2014 of \$8.7 million (FY2013: \$5.5 million)



Outlook

As in previous years, the main profit driver of the group has been the financial service products delivered in store and now online in Australia.

We are encouraged by the strong second half experienced across the Australian business with the second half EBITDA for the cash advance products of \$5.1 million, up 13.3% on the first half result of \$4.5 million and a second half EBITDA result of \$21.3 million, up 22.4% on the first half of \$17.4 million for the personal loan products. The Australian personal loan book continued to grow and finished FY14 at \$109.2 million.

The Australian corporate stores performed very well in the second half with an EBITDA contribution of \$10.2 million, up 64.5% on the first half result of \$6.2 million. With the recent acquisition, in late June, of three franchised stores in Queensland, we expected to see further profit growth next year.

Following the transition to the new micro credit regulatory regime in Australia we are confident that we will see the improvement we experienced in the second half continue into the 2015 financial year.

In closing, we wish to thank the staff, management and franchisees for their contribution during this difficult transitional period.

Reginald Webb
Chairman

Peter Cumins
Managing Director

21 August 2014