Cash Converters International Limited

ABN 39 069 141 546

Appendix 4D and Half-year Report for the period ended 31 December 2021

Cash Converters International Limited
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Half-year Report for the period ended 31 December 2021

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Cash Converters International Limited ABN 39 069 141 546
Appendix 4D
Preliminary Financial Report
for the half-year ended 31 December 2021
(previous corresponding period half-year ended 31 December 2020)

Appendix 4D – Results for announcement to the market

	31-Dec 2021 $'000	Restated 31-Dec 2020 $'000	Change $'000	%
Revenue from ordinary activities	115,193	93,887	21,306	23%
Operating Profit from ordinary activities after tax and before significant items	7,656	7,620	36	
Significant items [1]	(7,654)	-	(7,654)	
Profit from ordinary activities after tax attributable to members	2	7,620	(7,618)	-100%
Net profit for the period attributable to members	2	7,620	(7,618)	-100%
Basic profit earnings per fully paid ordinary share	0.00	1.24	cents per share	
Net tangible asset backing per ordinary share [2]	29.59	30.07	cents per share	

1 The operating profit for 1H22 is presented excluding the non-cash impairment expense of $10.934 million ($7.654 million after tax effect) on the carrying value excluding goodwill of the assets of individual corporate stores where forecast cash flows have been negatively impacted due to factors directly associated with the impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date. The operating result is presented to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business. This information should be considered in addition to, but not instead of or superior to, the Group's financial statements prepared in accordance with IFRS. The operating results presented may be determined or calculated differently by other companies, limiting the usefulness of those measures for external comparative purposes.

2 The calculation of net tangible assets per ordinary share includes right-of-use assets and lease liabilities.

This report should be read in conjunction with any announcements made in the period by the Company in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2021 half-year financial statements and accompanying notes.

Dividends per ordinary share / distributions

	Amount per security (cents)	Franked amount per security	Record date	Paid / payable date
2021 final dividend	1.00	100%	24-Sep-21	14-Oct-21
2022 interim dividend	1.00	100%	25-Mar-22	14-Apr-22

Dividends

The directors of the Company have declared an interim final dividend of 1.00 cent per share with the release of the half-year results and reporting date of 24 February 2022. The dividend will be 100% franked and will be paid on 14 April 2022 to those shareholders on the register at the close of business on 25 March 2022.

The Company's Dividend Reinvestment Plan (DRP) remains suspended.

There is no provision for a final dividend in respect of the half-year ended 31 December 2021. Provisions for dividends to be paid by the Company are recognised in the Consolidated Statement of Financial Position as a liability and a reduction in retained earnings once the dividend has been declared.

Financial statements

Released with this Appendix 4D report are the following statements:

- Consolidated statement of profit or loss and other comprehensive income together with the notes to the Statement
- Consolidated statement of financial position together with the notes to the Statement
- Consolidated statement of changes in equity together with the notes to the Statement
- Consolidated statement of cash flows together with the notes to the Statement

This report is based on consolidated financial statements which have been reviewed.

Details of entities over which control has been gained or lost

During the period the Group acquired trade and other assets of three franchise stores.

Details of associates and joint venture entities

The Group holds a 25% equity interest in Cash Converters Master Franchise for New Zealand which generates income from corporate stores, franchise contracts, financial services and software. The Group's share of the profit of $0.374 million is reflected in the financial result for the period (December 2020: $1.097 million).

Directors' report

The directors of Cash Converters International Limited submit the following report of the Company for the half-year ended 31 December 2021. To comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

Mr Jason Kulas	Non-Executive Chairman
Mr Peter Cumins	Executive Deputy Chairman
Mr Sam Budiselik	Managing Director
Ms Julie Elliott	Non-Executive Director
Mr Lachlan Given	Non-Executive Director
Mr Robert Hines	Non-Executive Director
Mr Henry Shiner	Non-Executive Director (appointed 1 July 2021)

Dividends

	Amount per security (cents)	Franked amount per security	Record date	Paid / payable date
2022 interim dividend	1.00	100%	25-Mar-22	14-Apr-22

The directors of the Company have declared a final dividend of 1.00 cent per share with the release of the half-year results and reporting date of 24 February 2022. The dividend will be 100% franked and will be paid on 14 April 2022 to those shareholders on the register at the close of business on 25 March 2022.

The Company's Dividend Reinvestment Plan (DRP) had been suspended at the last final dividend and will not apply to this dividend.

There is no provision for a final dividend in respect of the half-year ended 31 December 2021. Provisions for dividends to be paid by the Company are recognised in the Consolidated Statement of Financial Position as a liability and a reduction in retained earnings once the dividend has been declared.

Principal activities

The principal activity of Cash Converters International Limited and its subsidiaries (the "Group") is operating owned and franchised second-hand goods and financial services stores, and providing unsecured personal loans, operating under the Cash Converters name. Provision of secured vehicle finance operates under the Green Light Auto brand.

International jurisdiction 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

Cash Converters International Limited ("Cash Converters" or "the Company") and entities controlled by the Company and its subsidiaries ("the Group") is diverse, generating earnings from franchising, consumer retail store operations, personal finance and vehicle finance and is supported by a corporate head office in Perth, Western Australia. The Group operates in Australia and the United Kingdom and has an equity interest of 25% in Cash Converters New Zealand. There is a franchise presence in a further 12 countries around the world.

Impact of COVID-19

While the 2022 financial year commenced with great promise the rapid extent of change by the end of August 2021 was a pertinent reminder that the COVID-19 impact is dependent upon the longevity and severity of the pandemic, the pace of business re-openings and rebound, the impact of government responses and the degree within which customer behaviours return to historical norms.

The COVID-19 pandemic has adversely impacted all Australians in one way or another. Faced with uncertainty and complexity, Cash Converters has centred efforts to listen to and respond to customer needs. Our purpose has assisted us well, especially as we responded to rolling and, at times, extended lockdowns throughout the country.

The broader impacts on economic factors such as consumer confidence and business investment will depend on the existence of further outbreaks or increases in hospitalisations, and the restrictions, lockdown measures and other responses of governments to the developing situation. This has required consideration and forecast scenario analyses considering the impacts of possible further restrictions, government responses and resultant economic conditions.

Although the easing of lockdowns and border restrictions (and the related Omicron wave) was in place before half-year end, there is every possibility of new or reintroduced restrictions, further lockdowns, border closures or other related changes in 2022.

It will be important to continue to closely monitor subsequent developments. Outlook impacts considered include the impact of staff shortages and supply chain disruptions experienced due to the rapid increase in infections and the potential for further support measures from governments or third parties in response to the current or emerging situation. Despite the progress made domestically and abroad towards limiting the spread of COVID-19, significant uncertainty remains. There is prevailing uncertainty with respect to forward-looking statements and there has been a focus on presenting appropriate disclosure with respect to business impacts, risks and uncertainties and key assumptions.

Key financial performance highlights:

The Group recorded a net profit after tax for the half-year ended 31 December 2021 of $2 thousand (half-year ended 31 December 2020 $7.620 million) including the impact of a non-cash impairment expense of $10.934 million ($7.654 million after tax effect), and provision raised against the carrying value of certain individual corporate store assets.

Excluding this impairment expense, Cash Converters recorded an operating profit after tax of $7.656 million (half-year ended 31 December 2020 $7.620 million). Under challenging conditions, a strong operating result was achieved in the financial year, compared to the previous corresponding year. While the majority of stores have demonstrated resilience to the macroeconomic impact of COVID-19 and have not been impaired, similar to the experience of other national retailers there are certain individual stores whose momentum and outlook has been impacted by COVID-19 and government-mandated lockdowns, with the first quarter of the financial year resulting in over 24% of lost store trading days across the network.

	As reported		Operating [1]	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	$'000	$'000	$'000	$'000
Total revenue	115,193	93,887	115,193	93,887
Profit / (loss) for the year	2	7,620	7,656	7,620
EBIT [2]	6,109	16,251	17,043	16,251
EBITDA [2]	13,469	24,633	24,403	24,633

1 The operating results for 1H22 are presented excluding the non-cash impairment expense of $10.934 million ($7.654 million after tax effect) on the carrying value excluding goodwill of the assets of individual corporate stores where forecast cash flows have been negatively impacted due to factors directly associated with the impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date. The operating result is presented to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business. This information should be considered in addition to, but not instead of or superior to, the Group's financial statements prepared in accordance with IFRS. The operating results presented may be determined or calculated differently by other companies, limiting the usefulness of those measures for external comparative purposes.

2 The Company reports EBIT calculated as earnings before interest expense and tax and EBITDA calculated as EBIT before depreciation and amortisation. EBIT and EBITDA are non-IFRS measures and are alternative performance measures reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods. The non-IFRS measures calculated and disclosed have not been audited in accordance with Australian Accounting Standards although the calculation is compiled from financial information that has been reviewed.

Revenue growth of 23% reflects a return to a longer-term norm in international franchise fees as well as improved interest earned on the growing personal loan books. As the loan book growth has been weighted to the end of the half year, earnings are offset by the significant volume driven increase in the expected credit loss ("ECL") allowance expense.

Through the half-year, the loan book growth rate has continued to improve, most significantly in MACC personal lending in the last two months of the year. Australian consumer lending demand accelerated over the December quarter as key markets emerged from COVID lockdowns, a surge in monthly originations was recorded in December. First half earnings are suppressed due to up-front expected credit loss allowance expensed, with a $192.052 million gross loan book recorded at the close of the half-year ($178.065 million at 30 June 2021). The anticipated higher interest revenue earned on the increased loan book will benefit the second-half and future earnings, over the lifetime of the customer arrangements.

Vehicle finance demand has recovered with the easing of government stimulus through the period. The 543 % rise in loan origination since the previous corresponding period illustrates the low base to which demand fell as a result of government stimulus to customers including early draw down of Superannuation. The loan book value at this reporting date reflects limited net growth period to period as the improved origination pattern needs to sustain meaningfully into future periods with a lower early settlement rate.

	31-Dec-21	31-Dec-20	Variance
	$'000	$'000	
Principal advanced[1]			
Personal finance	124,420	97,195	28.0%
Vehicle finance	9,606	1,494	543.0%
Total	134,026	98,689	

1 Principal advanced represents the aggregate loan funding advance to customers, Pawnbroking and Cash Advance services are included in personal finance.

The significant growth in the loan book in the first half compared to the prior comparative period has resulted in a net expense charge from the period to period expected credit loss allowance representing a significant $7.703 million variance to the prior period. The period to 31 December 2020 reflected a net release of the allowance due to the books being in decline at that point as a result of fiscal stimulus.

	31-Dec-21 $'000	31-Dec-20 $'000	
Net bad debt expense	14,546	3,097	369.7%
Bad debts written off	15,469	12,670	22.1%
Recovery of write offs	(3,749)	(4,696)	-20.2%
Movement in ECL	2,826	(4,877)	n/m

	31-Dec-21 $'000	30-Jun-21 $'000	31-Dec-20 $'000	30-Jun-20 $'000
Gross Loan Books	192,052	178,065	156,424	165,585
Comprising:				
Personal finance	148,615	133,786	106,687	104,129
Vehicle finance	43,437	44,279	49,737	61,456

The impact of COVID-19 lockdowns during 1H22 continues to impact momentum in retail, with store retail operations results below expectation. The Group's Australian customer service and retail locations have optimised productivity while transitioning to a combination of work-from-home and safe store or office-based activity for employees, including provision of services online for customers. Focus remained on customer service with emphasis on safe work practices protecting both customers and employees alike. The Group has continued to focus on the health and wellbeing of its employees and customers, observing the necessary hygiene and social distancing measures.

The outlook for the remainder of FY 2022 contemplates lost retail store trading volumes due to the impact of employees and customers attending testing centres and self-isolating, as well as reduced consumer sentiment impacting retail trade. During the first half of FY 2022 over 24 % of available national retail store trade days (compared to available trading days) have been lost to past intermittent COVID-19 lockdowns. The peak impact has been in Victoria, with New South Wales and Queensland also affected significantly.

The impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date have necessitated a review of performance expectations and cash flow forecasts for retail stores in the short term through to the end of the financial year with the anticipation of improvements in conditions in the new financial year. During the period there were indicators of impairment due to declining market conditions within our retail sector including the impacts to the economy, results of operations and impact on outlook of COVID-19, and a deficiency of the market capitalisation position to net assets at 31 December 2021.

Impairment testing completed by management has supported the conclusion that there is no requirement for a goodwill impairment provision, with goodwill monitored by management and reported on at the operating segment level. Included in the assessment of the recoverable value of goodwill is the application of judgement with respect to possible regulatory changes on which there remains uncertainty and on which the Group has determined a low likelihood, as well as the potential impact of COVID-19.

Consistent with prior reporting periods, where impairment triggers exist, an impairment test at the individual store cash generating unit (CGU) level is required to determine the recoverability of the carrying amount. The assessment of the carrying value of the relevant assets is on an individual store basis for store fixtures and fittings, intangible assets and right-of-use assets. At the half year, testing completed by management on individual stores has resulted in the conclusion that there is a requirement for a non-cash impairment provision on a number of individual stores amounting to $10.934 million. The impairment at individual store level which is not a goodwill impairment, may reverse in future accounting periods. The impairment expense does not impact debt facility undertakings and is a non-cash expense which does not impact operating earnings as reported by the Group.

Store locations continue to provide customers with convenient access to our products and services. We continue to focus on capturing improved lease terms and optimal store locations for the Company to ensure we are well positioned to meet the needs of our customers into the future. During the half-year, in Australia, the Company acquired the trade and other assets of three franchise stores, resulting in a national Australian store footprint totalling 79 owned stores by the end of the half year.

The nature of the retail trade in which second-hand goods brought in by customers are appraised and acquired in store has meant the operations have been directly insulated from higher than anticipated international supply chain costs as a result of international shipping rates being significantly higher than historical levels. Retail inventory which is generated through the second-hand goods trade cycle has recovered during the year as consumer retail behaviour trended back to longer term norms.

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

	Segment revenues		Operating basis [1] Segment EBITDA [2]		As reported basis Segment EBITDA [2]	
	31-Dec-21 $'000	31-Dec-20 $'000	31-Dec-21 $'000	31-Dec-20 $'000	31-Dec-21 $'000	31-Dec-20 $'000
Personal finance	41,248	26,747	19,881	18,064	19,881	18,064
Vehicle financing	5,917	7,252	3,655	6,411	3,655	6,411
Store operations	59,687	52,239	7,593	6,258	(3,341)	6,258
Franchise operations	8,299	7,522	5,859	5,917	5,859	5,917
Total	115,151	93,760	36,988	36,650	26,054	36,650
Head Office	42	127	(12,585)	(12,017)	(12,585)	(12,017)
Total	115,193	93,887	24,403	24,633	13,469	24,633
Depreciation and amortisation expense					(7,360)	(8,382)
Finance costs					(6,261)	(5,886)
(Loss) Profit before tax					(152)	10,365
Income tax benefit / (expense)					154	(2,745)
Profit for the period					2	7,620

1 The Company reports EBIT calculated as earnings before interest expense and tax and EBITDA calculated as EBIT before depreciation and amortisation. EBIT and EBITDA are non-IFRS measures and are alternative performance measures reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods. The non-IFRS measures calculated and disclosed have not been audited in accordance with Australian Accounting Standards although the calculation is compiled from financial information that has been reviewed.

2 The operating results for 1H22 are presented excluding the non-cash impairment expense of $10.934 million ($7.654 million after tax effect) on the carrying value excluding goodwill of the assets of corporate stores where forecast cash flows have been negatively impacted due to factors directly associated with the impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date. The operating result is presented to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business. This information should be considered in addition to, but not instead of or superior to, the Group's financial statements prepared in accordance with IFRS. The operating results presented may be determined or calculated differently by other companies, limiting the usefulness of those measures for external comparative purposes.

Key financial position highlights:

	31-Dec-21 $'000	30-Jun-21 $'000	Variance
Cash and cash equivalents	64,101	72,166	-11.2%
Net Loan receivables	161,324	150,286	7.3%
Trade and other receivables	12,737	10,860	17.3%
Inventories	22,801	24,128	-5.5%
Intangible assets	129,947	128,903	0.8%
Right of use assets	53,742	60,248	-10.8%
Tax assets	24,222	20,902	15.9%
Investment in associate	7,054	7,168	-1.6%
Plant & Equipment	4,779	5,941	-19.6%
Total Assets	**480,707**	**480,602**	
Borrowings	69,652	69,353	0.4%
Lease Liabilities	68,520	64,409	6.4%
Other liabilities	26,899	25,992	3.5%
Total Liabilities	**165,071**	**159,754**	3.3%
Total Equity	**315,636**	**320,848**	-1.6%

The Group closed the reporting period with a strong balance sheet, which has included the loan book rebuilding through late 1H22. The Group reported a net cash balance of $64.101 million (June 2021: $72.166 million) having funded loan book growth with cash and closing the year with undrawn securitisation facility funding lines of $79.750 million.

- Net operational cash flow generated after loan book funding was $5.339 million (2020: $8.598 million)
- Net cash flow used in investing activities was $3.948 million (2020: $1.378 million)

The Group continues to respond in the assessment of the expected credit loss allowance to the potential impact of COVID-19. In addition to the usual considerations applied, the assessment has required the application of judgement in anticipation of potential pandemic related influences. Suitable reserves have been incorporated including for an assessment of economic risk and the impact to modelling risk of potentially unrepresentative data because of out of norm consumer behaviour due to fiscal stimulus. The overall allowance as a percentage of the gross loan book has increased slightly on the year end 30 June 2021 from 15.6 % to 16.0 %.

The disciplined evaluation of investment opportunities and allocation of capital continues and with a strong balance sheet in place the Board has, with the results release, declared a fully franked interim dividend of 1 cent per fully paid ordinary share.

The Fortress Investment Group ("Fortress") securitisation funding facility balance reflects the funding of lending activity from operationally generated cash flow during the period. The facility limit is $150 million. Under the facility terms, in the ordinary course of business, the consolidated entity currently expects to utilise the facility until at least the Maturity Date of 18 December 2022, and the consolidated entity currently has the ability to extend the facility term by two years beyond the initial Maturity Date. The Group is in compliance with the requirements of the facility.

Outlook

Cash Converters' proven ability to respond effectively to change as well as the geographic and product offering diversity continues to provide a competitive advantage. The acceleration of online retail continued in the 2021 calendar year, as many consumers made it their channel of choice. Reliance on technology and new reporting capabilities has hit a new high due to the acceleration in volumes of online sales, which has now become the preferred channel for many customers. The Group has expanded the omnichannel offering to enhance the customer experience and attract new customers.

The Company continues to be well positioned to respond to the continued increase in demand for personal and vehicle financing. A key pillar of Cash Converters' strategy remains to continue to consolidate its position domestically as a lender and retailer of choice, and to expand its financial product offering. Cash Converters has strengthened its earnings profile by transitioning away from small loans to medium amount loans.

Dealing with so many customers in the personal lending market provides an opportunity to leverage data analytics to generate new product insights, optimise default rates and offer risk rated pricing. This capability provides an opportunity to address new markets and serve new customer segments. New product research, development and testing continues to progress well and continuing to diversify loan books remains an ongoing priority. Cash Converters remains committed to continue offering all personal finance products under the National Consumer Credit Protection Act.

In addition to leveraging digital assets, the network expansion strategy of the Company is dependent upon its ability to generate earnings growth from its existing stores and to open or acquire new stores in accordance with its expansion strategy. Generating growth from existing stores will be dependent on a number of factors, including improving operational efficiencies and maintaining inventory levels of appropriate products. The opening of new stores from time to time will depend on the availability of suitable sites, including existing franchise stores, and the ability of the Company to negotiate acceptable acquisition and lease terms.

With greater clarity on the path out of COVID-19 restrictions in most parts of Australia, confidence is gradually increasing that the worst of the pandemic is behind us. However, the outlook remains uncertain on the back of possible new variants, the pace of economic recovery and the potential for the pandemic to have left 'structural' or permanent effects on the economy in areas such as consumer spending and organisational profitability.

Subsequent events

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

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 12.

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

On behalf of the directors

Sam Budiselik
Managing Director

Perth, Western Australia
24 February 2022

Deloitte.

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The Board of Directors
Cash Converters International Limited
Level 11, 141 St Georges Terrace
Perth WA 6000

24 February 2022

Dear Directors

Auditor's Independence Declaration to Cash Converters International Limited

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

As lead audit partner for the review of the half year financial report of Cash Converters International Limited for the year half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

Half-year Financial statements

This interim financial report does not include all the notes of the type normally included in an annual financial report.

Accordingly, this report is be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Cash Converters International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This interim report is presented in the Australian currency.

Cash Converters International Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Cash Converters International Limited
Level 11, 141 St Georges Terrace
Perth, Western Australia
6000

Consolidated statement of profit or loss and other comprehensive income

	Notes	31-Dec-21 $'000	Restated 31-Dec-20 $'000
Continuing operations			
Franchise fee revenue		7,120	5,971
Financial services interest revenue	3	67,552	52,217
Sale of goods	3	39,257	34,032
Other revenues	3	1,264	1,667
Total revenue		115,193	93,887
Financial services cost of sales	4	(15,689)	(4,574)
Cost of goods sold		(22,633)	(17,698)
Other cost of sales		(1,230)	(745)
Total cost of sales		(39,552)	(23,017)
Gross profit		75,641	70,870
Employee expenses	4	(36,214)	(31,536)
Administrative expenses	4	(4,069)	(3,354)
Advertising expenses		(5,898)	(3,600)
Occupancy expenses	4	(1,948)	(2,065)
Depreciation and amortisation expense	4	(7,360)	(8,382)
Other expenses	4	(3,483)	(6,779)
Finance costs	4	(6,261)	(5,886)
Impairment non-current assets	4	(10,934)	-
Share of net profit of equity accounted investments		374	1,097
(Loss) / Profit before income tax		(152)	10,365
Income tax benefit / (expense)		154	(2,745)
Profit for the period		2	7,620
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		217	(139)
Total comprehensive profit for the period		219	7,481
Profit per share			
Basic (cents per share)		0.00	1.24
Diluted (cents per share)		0.00	1.19

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

Consolidated statement of financial position

	Notes	31-Dec-21	Restated 30-Jun-21
		$'000	$'000
Current assets			
Cash and cash equivalents	5	64,101	72,166
Trade and other receivables	6	5,038	4,733
Loan receivables	7	128,774	120,586
Inventories		22,801	24,128
Prepayments		3,024	1,233
Current tax receivable		593	-
Total current assets		224,331	222,846
Non-current assets			
Trade and other receivables	6	4,675	4,894
Loan receivables	7	32,550	29,700
Plant and equipment		4,779	5,941
Right-of-use assets	1.a)	53,742	60,248
Deferred tax assets	1.a)	23,629	20,902
Goodwill	8	110,481	109,305
Other intangible assets		19,466	19,598
Investments in associates		7,054	7,168
Total non-current assets		256,376	257,756
Total assets		480,707	480,602
Current liabilities			
Trade and other payables		14,365	13,027
Lease liabilities		6,783	6,925
Current tax payable		-	587
Borrowings	10	51,384	51,318
Provisions		9,856	9,620
Total current liabilities		82,388	81,477
Non-current liabilities			
Lease liabilities		61,737	57,484
Borrowings	10	18,268	18,035
Provisions		2,678	2,758
Total non-current liabilities		82,683	78,277
Total liabilities		165,071	159,754
Net assets		315,636	320,848
Equity			
Issued capital	13	251,213	251,213
Reserves		8,718	7,656
Retained earnings	1.a)	55,705	61,979
Total equity		315,636	320,848

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

Consolidated statement of changes in equity

	Notes	Issued capital	Foreign currency translation reserve	Share-based payment reserve	Restated Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	1.a)	248,714	6,730	338	50,406	306,188
Profit for the period	1.a)	-	-	-	7,620	7,620
Exchange differences arising on translation of foreign operations		-	(139)	-	-	(139)
Total comprehensive (loss) / profit for the year		-	(139)	-	7,620	7,481
Share-based payments		-	-	535	-	535
Balance at 31 December 2020	1.a)	248,714	6,591	873	58,026	314,204
Balance at 1 July 2021	1.a)	251,213	6,940	716	61,979	320,848
Profit for the period		-	-	-	2	2
Exchange differences arising on translation of foreign operations		-	217	-	-	217
Total comprehensive profit for the year		-	217	-	2	219
Share-based payments		-	-	845	-	845
Dividends paid	12	-	-	-	(6,276)	(6,276)
Balance at 31 December 2021		251,213	7,157	1,561	55,705	315,636

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

Consolidated statement of cash flows

	Notes	31-Dec-21 $'000	31-Dec-20 $'000
Cash flows from operating activities			
Receipts from customers		64,243	63,379
Payments to suppliers and employees		(85,219)	(74,442)
Payment for Class Action settlement		-	(10,000)
Interest received		42	209
Interest received from personal loans		38,701	31,887
Net (increase) / decrease in personal loans advanced		(2,436)	4,387
Interest and costs of finance paid		(6,213)	(5,873)
Income tax refunded (paid)		(3,779)	(949)
Net cash flows provided by operating activities		5,339	8,598
Cash flows from investing activities			
Payment for acquisition of stores, net of cash acquired	11.b)	(3,144)	(3,255)
Acquisition of intangible assets		(1,155)	(650)
Proceeds on sale of plant and equipment		-	31
Purchase of plant and equipment		(577)	(539)
Instalment credit loans repaid by franchisees		440	2,279
Return on equity investment		488	756
Net cash flows used in investing activities		(3,948)	(1,378)
Cash flows from financing activities			
Proceeds from borrowings		56,500	35,500
Repayment of borrowings		(56,500)	(54,500)
Repayment of lease liabilities		(3,258)	(3,400)
Dividends paid	12	(6,276)	-
Net cash flows used in financing activities		(9,534)	(22,400)
Net increase / (decrease) in cash and cash equivalents		(8,143)	(15,180)
Cash and cash equivalents at the beginning of the year		72,166	106,548
Effects of exchange rate changes on the balance of cash held in foreign currencies		78	(112)
Cash and cash equivalents at the end of the year	5	64,101	91,256

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

Notes to the financial statements

Contents

1. Basis of preparation

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 interim financial report of the Company for the half-year period ended 31 December 2021 was authorised for issue in accordance with a resolution of directors dated 24 February 2022. The financial report comprises the consolidated financial report of Cash Converters International Limited and its subsidiaries.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Cash Converters International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The condensed interim consolidated financial statements have been prepared on the basis of historical cost, except where noted otherwise and all amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements have been prepared on a going concern basis.

1.a) Changes in presentation

Certain classifications on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and in the notes to the financial statements have been reclassified. The group believes that this will provide more relevant information to stakeholders. The comparative information has been reclassified accordingly.

Changes in presentation of commissions

Commissions paid by the Group to external parties are accounted for under the effective interest rate method as prescribed by the Australian Accounting Standards. For 2021, the commissions expense has been included in Financial services interest revenue and prepaid commissions have been included in loan receivables and the comparatives have been reclassified as follows:

- commissions expense of $4.541 million has been included in Financial services interest revenue;

There is no impact to the net profit of the Group as outlined below:

	31-December-2020		
	As reported	**Adjusted**	**Restated**
	$'000	**$'000**	**$'000**
Financial services interest revenue	56,758	(4,541)	52,217
Financial services cost of sales	(9,115)	4,541	(4,574)
Gross profit	47,643	-	47,643

Restatement of comparative information

Adjustment 1 - Right-of-use asset and "make-good" provision

The Group recognises right-of-use assets at the commencement date of the lease. The cost of the right-of-use asset is required to include an estimate of the costs that are anticipated to be incurred in dismantling and removing the underlying asset and restoring the site on which it is located to the condition required by the terms and conditions of the lease. These "make-good" obligations are required to be recognised as a provision.

During the reporting period the Company conducted a review of all existing lease contracts and identified leases where a make-good clause exists, and for which the required provision had not been recognised. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has corrected the right-of-use asset and the related make-good provision comparative balances and the associated profit or loss items in the comparative period. The differences arising on initial application of the revised calculation of the lease make-good provision and right-of-use assets has been recognised from 1 July 2019. The adjustments to prior year comparative information resulting from the recognition of the provision are included in the table below. In addition, the current provisions recognised as at 30 June 2021 have been reassessed and an amount has been reclassified as non-current based on management's schedule of works.

Adjustment 2 - Deferred tax asset for the Group's UK operations

During the reporting period the Company identified that the deferred tax asset, which includes carry forward tax losses, recognised as at 30 June 2021 in relation to the Group's subsidiary, Cash Converters UK Holdings PLC, was determined using the current UK corporate tax rate of 19% and did not contemplate the rate increase to 25% with effect from 1 April 2023 from which a portion of the associated carry forward tax losses expect to be utilised. The UK Finance Bill 2021 was substantively enacted on 24 May 2021 and therefore the additional increase in tax rate should have been accounted for as part of the FY 2021 Annual Report of Cash Converters International Limited. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has corrected the deferred tax asset comparative balance by recording an additional $1.446 million in deferred tax assets included in the table below.

The comparative profit or loss has not been restated as the change in tax rate was not substantially enacted until after the comparative profit or loss reporting date.

	30-June-2021				30-June-2020		
	As reported	Adjustment 1	Adjustment 2	Restated	As reported	Adjustment 1	Restated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Right-of-use assets	59,177	1,071	-	60,248	50,523	1,262	51,785
Deferred tax assets	19,295	161	1,446	20,902	18,181	79	18,260
	78,472	1,232	1,446	81,150	68,704	1,341	70,045
Provisions - Current	9,799	(179)	-	9,620	8,055	32	8,087
Provisions - Non-current	971	1,787	-	2,758	1,257	1,492	2,749
	10,770	1,608		12,378	9,312	1,524	10,836
Retained earnings	60,909	(376)	1,446	61,979	50,589	(183)	50,406

	31-December-2020		
	As reported	Adjustment 1	Restated
	$'000	$'000	$'000
Depreciation and amortisation expense	(8,282)	(100)	(8,382)
Finance costs	(5,882)	(4)	(5,886)
Income tax expense	(2,776)	31	(2,745)
Profit for the year	7,693	(73)	7,620
Profit per share			
Basic (cents per share)	1.25	(0.01)	1.24
Diluted (cents per share)	1.20	(0.01)	1.19

Where “make-good” obligations exist in leases, 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, the carrying amount is the present value of those future cash flows. The assessment of the present value of the future obligation requires the application of judgment.

1.b) New and amended standards adopted by the Group

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board (the Board) that are effective for the Group’s annual reporting period that began on 1 July 2021. The application of these amendments has not resulted in any significant changes to the Group’s accounting policies nor any material effect on the measurement or disclosure of the amounts reported for the current or prior periods.

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021.

1.c) Rounding of amounts

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

2. Segment information

2.a) Description of segments and principal activities

The Group's operating segments are organised and managed separately according to the nature of their operations. Each segment represents a strategic business unit that provides different services to different categories of customer. The Managing Director and Chief Executive Officer (chief operating decision-maker) monitor 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, and personal lending including cash advance and pawnbroking operations at corporate owned stores in Australia.

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

Vehicle financing
This segment comprises Green Light Auto Group Pty Ltd, which provides motor vehicle finance.

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

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

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

Period ended 31 December 2021	Personal finance $'000	Vehicle financing $'000	Store operations $'000	Franchise operations $'000	Head office $'000	Total $'000
Interest revenue [1]	46,448	5,917	15,047	140	-	67,552
Other revenue	-	-	39,440	8,159	-	47,599
Transaction with other segments	(5,200)	-	5,200	-	-	-
Segment revenue	41,248	5,917	59,687	8,299	-	115,151
External interest revenue [2]	-	-	-	-	42	42
Total revenue	41,248	5,917	59,687	8,299	42	115,193
EBITDA [3] before impairment of non-current assets	19,881	3,655	7,593	5,859	(12,585)	24,403
Impairment of non-current assets	-	-	(10,934)	-	-	(10,934)
EBITDA [3]	19,881	3,655	(3,341)	5,859	(12,585)	13,469
Transaction with other segments	(309)	-	1,345	(1,036)	-	-
EBITDA [3] after impairment of non-current assets	19,572	3,655	(1,996)	4,823	(12,585)	13,469
Depreciation and amortisation	(1,019)	(323)	(4,974)	(164)	(880)	(7,360)
EBIT [4]	18,553	3,332	(6,970)	4,659	(13,465)	6,109
Interest expense	(2,607)	(1,018)	(2,340)	(9)	(287)	(6,261)
Profit (Loss) before tax	15,946	2,314	(9,310)	4,650	(13,752)	(152)
Income tax benefit						154
Profit for the period						2

Period ended 31 December 2020	Personal finance $'000	Vehicle financing $'000	Store operations $'000	Franchise operations $'000	Head office $'000	Total $'000
Interest revenue [1]	30,110	7,252	14,698	157	-	52,217
Other revenue	-	-	34,178	7,365	-	41,543
Transaction with other segments	(3,363)	-	3,363	-	-	-
Segment revenue	26,747	7,252	52,239	7,522	-	93,760
External interest revenue [2]	-	-	-	-	127	127
Total revenue	26,747	7,252	52,239	7,522	127	93,887
EBITDA [3]	18,064	6,411	6,258	5,917	(12,017)	24,633
Transaction with other segments	(380)	-	1,083	(703)	-	-
EBITDA [3]	17,684	6,411	7,341	5,214	(12,017)	24,633
Depreciation and amortisation	(305)	(237)	(4,538)	(276)	(3,026)	(8,382)
EBIT [4]	17,379	6,174	2,803	4,938	(15,043)	16,251
Interest expense	(2,513)	(1,325)	(1,857)	(13)	(178)	(5,886)
Profit (Loss) before tax	14,866	4,849	946	4,925	(15,221)	10,365
Income tax expense						(2,745)
Profit for the period						7,620

1 Interest revenue comprises personal loan interest, cash advance fee income, pawnbroking interest from customers and commercial loan interest from third parties
2 External interest is interest received on bank deposits
3 EBITDA is earnings before interest, tax, depreciation and amortisation
4 EBIT is EBITDA after depreciation and amortisation

2.b) Segment assets

	31-Dec 2021 $'000	30-Jun 2021 $'000
Group assets by reportable segment		
Personal finance	227,191	212,581
Vehicle financing	39,996	40,497
Store operations	121,112	124,618
Franchise operations	17,697	14,758
Total of all segments	405,996	392,454
Unallocated assets	74,711	88,148
Consolidated total assets	480,707	480,602

2.c) Segment liabilities

	31-Dec 2021 $'000	30-Jun 2021 $'000
Group liabilities by reportable segment		
Personal finance	55,808	54,551
Vehicle financing	21,711	21,817
Store operations	70,043	65,359
Franchise operations	4,396	3,132
Total of all segments	151,958	144,859
Unallocated liabilities	13,113	14,895
Consolidated total liabilities	165,071	159,754

3. Revenue

	31-Dec 2021 $'000	31-Dec 2020 $'000
Financial services interest revenue		
Personal loan interest and establishment fees	45,570	29,262
Pawnbroking fees	12,979	12,632
Cash advance fee income	2,947	2,917
Vehicle loan interest and establishment fees	5,916	7,249
Other financial services revenue	140	157
	67,552	52,217
Sale of goods		
Retail sales	39,257	34,032
Other revenue		
Bank interest	42	127
Commission earned on online sales	1,108	798
Other revenue	114	742
	1,264	1,667

4. Expense items

	31-Dec 2021 $'000	31-Dec 2020 $'000
Financial services cost of sales		
Bad debts written off	15,469	12,670
Movement in expected credit loss allowance	2,826	(4,877)
Recovery of bad debts written off	(3,749)	(4,696)
Other financial services cost of sales	1,143	1,477
	15,689	4,574
Employee expenses		
Employee benefits	32,617	28,495
Share-based payments	845	536
Superannuation expense	2,752	2,505
	36,214	31,536
Administrative expenses		
General administrative expenses	1,793	1,550
Communications expenses	402	357
IT expenses	1,743	1,422
Travel costs	131	25
	4,069	3,354
Occupancy expenses		
Rent	27	134
Outgoings	840	965
Other - cleaning, repairs, security, electricity	1,081	966
	1,948	2,065
Depreciation and amortisation expense		
Depreciation	999	885
Depreciation of right-of-use assets	4,359	5,157
Amortisation of other intangible assets	2,028	2,327
(Gain) / Loss on write down of assets	(26)	13
	7,360	8,382
Other expenses		
Legal fees	570	316
Professional and registry costs	661	2,725
Auditing and accounting services	470	436
Bank charges	462	394
Other expenses from ordinary activities	1,320	2,908
	3,483	6,779

	31-Dec 2021 $'000	31-Dec 2020 $'000
Finance costs		
Interest	3,554	3,733
Interest expense on lease liabilities	2,707	2,153
	6,261	5,886
Impairment non-current assets		
Plant and equipment	1,006	-
Right-of-use assets	9,596	-
Other intangible assets	332	-
	10,934	-

See note 9 relating to the impairment of non-current assets.

5. Cash and cash equivalents

	31-Dec 2021 $'000	30-Jun 2021 $'000
Cash on hand	3,072	2,993
Cash at bank	61,029	69,173
	64,101	72,166

Cash at bank includes restricted cash of $9.021 million (June 2021: $4.836 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 repay, among other things, interest and principal on amounts borrowed or to fund the purchase of new loans securitised. 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 $6.220 million (June 2021: $6.220 million) on deposit as security for banking facilities.

6. Trade and other receivables

	31-Dec 2021 $'000	30-Jun 2021 $'000
Current		
Trade receivables	1,693	1,315
Allowance for expected credit losses	(150)	(99)
Total trade receivables (net)	1,543	1,216
Vendor finance loans	772	818
Other receivables	2,723	2,699
Total trade receivables	5,038	4,733
Non-current		
Vendor finance loans	-	394
Loan to associate	2,868	2,837
Other receivables	1,807	1,663
Total trade and other receivables	4,675	4,894

7. Loan receivables at amortised cost

31-December-2021	Personal Finance $'000	Vehicle Financing $'000	Store Operations $'000	Total $'000
Current				
Outstanding balance	118,873	20,264	14,438	153,575
Allowance for expected credit losses	(20,071)	(3,005)	(1,725)	(24,801)
Net	98,802	17,259	12,713	128,774
Non-current				
Outstanding balance	15,304	23,173	-	38,477
Allowance for expected credit losses	(2,491)	(3,436)	-	(5,927)
Net	12,813	19,737	-	32,550

30-June-2021	Personal Finance $'000	Vehicle Financing $'000	Store Operations $'000	Total $'000
Current				
Outstanding balance	105,954	21,091	16,834	143,879
Allowance for expected credit losses	(17,072)	(4,141)	(2,080)	(23,293)
Net	88,882	16,950	14,754	120,586
Non-current				
Outstanding balance	10,998	23,188	-	34,186
Allowance for expected credit losses	(1,543)	(2,943)	-	(4,486)
Net	9,455	20,245	-	29,700

The credit period provided in relation to personal short-term unsecured loans varies from 30 days to 24 months. Interest is charged on these loans at a fixed rate which, for pawnbroking loans, varies dependent on the state of origin. An expected credit loss 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 internally developed scoring system, which uses available credit data, 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.

Vehicle finance loans are secured loans advanced for financing the purchase of vehicles.

Allowance for expected credit losses

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 loss allowance required in excess of the loss allowance.

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. The Group has made a provision based on known historical losses and a 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 loss allowance required in excess of the loss allowance for expected credit losses.

8. Goodwill

Gross carrying amount

	31-Dec 2021 $'000	30-Jun 2021 $'000
Balance at beginning of year	109,305	106,967
Recognition on business combinations	1,176	2,338
Balance at end of year	110,481	109,305

Goodwill related to acquisitions of franchise stores completed during the period as disclosed in note 11 has been provisionally allocated to Store operations. The allocation of goodwill will be finalised within the measurement period of 12 months from acquisition date and disclosed in subsequent reporting.

Allocation of goodwill to cash generating units

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

	31-Dec 2021 $'000	30-Jun 2021 $'000
Personal finance	90,561	90,561
Store operations	19,920	18,744
	110,481	109,305

Impairment testing and key assumptions

In relation to Goodwill no impairment losses have been recognised in the periods ending 31 December 2021 or 30 June 2021.

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 industry growth rates and 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. There is inherent uncertainty associated with the key assumptions supporting the cash flow projections including the duration of the economic downturn associated with COVID-19 and the recovery period.

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.

Significant accounting estimates and assumptions

Significant management judgement is required with respect to estimating the timing and amount of forecast cash flows including:

- projecting loan origination volumes, customer repayments and the forecast expected credit losses;
- consideration of the impact of COVID-19 on lending volumes, loan loss rates and retail sales, including expected recovery timing and rates in these metrics
- allocation of overheads on a reasonable apportionment basis; and
- the potential impact of possible future changes in legislation, including the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020 (“the Bill”)

Significant management judgement is required with respect to the application of an appropriate discount rate to present value the forecast cash flows in which the purpose is to estimate, as far as possible:

- a market assessment of expectations about possible variations in the amount or timing of those cash flows;
- the time value of money, represented by the current market risk-free rate of interest;
- the price for bearing the uncertainty inherent in the asset; and
- other, sometimes unidentifiable, factors (such as illiquidity) that market participants would reflect.

Impact of COVID-19

The impact of COVID-19 on the general economy is sufficiently pervasive to be considered an impairment indicator. Impairment testing undertaken incorporates assumptions on lending and retail recovery in forecast years reflecting the trends observed in FY 2021 and 1H22.

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, at the date of the impairment testing, being 31 December 2021.

There has been consideration of the potential impact of possible future regulatory changes that are not yet legislated, in particular the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020 (“the Bill”).

The Bill includes the potential consideration for Small Amount Credit Contract (SACC) 'protected earnings amounts' (PEA legislation) changes. While the Bill remains in the Bills List before Senate a very low (less than 10%) chance is ascribed to the potential for the Bill to complete the legislative process in its current form for the foreseeable future. The considerations behind this assumption included the lobbying undertaken, the reported lack of support for the Bill in the required Senate majority, and the postponement of prior readings (March 2021) and removal from the debate list in the most recent Senate period.

Given the very low probability for the potential impact on cashflows from the PEA legislation becoming enacted, the forecast cashflows supporting the recoverable value do not include the potential impact of such changes.

Key Assumptions

Forecast revenue and expense growth rates in the table below reflect the assumptions in the forecast cashflows. Revenue growth projections for FY 2022 reflect returns towards pre-COVID-19 lending volumes from a diminished revenue base for FY 2021. Revenue forecasts for Personal Finance in FY 2022 incorporate projected interest and fees on the existing loan book at 31 December 2021, reflecting actual post-COVID-19 lending. Revenue is not forecast to return to pre-COVID-19 levels until FY 2023.

The following key assumptions were used in the impairment testing at 31 December 2021:

Assumption	**Personal finance**	**Store operations**
2022 budget revenue growth / (reduction)	33%	13%
2022 budget expense growth / (reduction)	53%	12%
2023 forecast revenue growth / (reduction)	4%	15%
2023 forecast expense growth / (reduction)	5%	8%
Revenue growth rate beyond year 2	3% to 5%	3%
Expense growth rate beyond year 2	3% to 5%	1 to 2%
Terminal growth rate > 5 years	2%	2%
Post-tax discount rate applied to cash flows	10.6%	10.6%

For the year ended 30 June 2021, the key assumptions, for forecast revenue and expense growth rates are included below for comparison.

Assumption	**Personal finance**	**Store operations**
2022 budget revenue growth / (reduction)	34%	30%
2022 budget expense growth / (reduction)	44%	17%
2023 forecast revenue growth / (reduction)	2%	1%
2023 forecast expense growth / (reduction)	4%	2%
Revenue growth rate beyond year 2	3% to 4%	2%
Expense growth rate beyond year 2	5%	2%
Terminal growth rate > 5 years	2%	2%
Post-tax discount rate applied to cash flows	10.6%	10.6%

Impairment sensitivity

Based on current economic conditions and CGU performances no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to Goodwill.

9. Impairment of non-financial assets other than Goodwill

Accounting policy

A test for impairment of the carrying value of assets can be triggered by a change in a number of indicators, both internal and external. During the reporting period, there were indicators of impairment due to declining market conditions within the second-hand retail and pawn-broking sector including the impacts to the economy, results of Store operations and impact on outlook of the COVID-19 pandemic. Where indicators of impairment exist, it remains a requirement to perform an impairment test of the carrying amount of the individual store CGUs. Goodwill is not allocated to the individual store CGUs as it is monitored by management at the Store Operations operating segment. Included in the assessment of the individual store assets recoverable amount is the application of judgement with respect to the potential impact of COVID-19 on which there remains uncertainty.

An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. Recoverable amounts for individual store CGUs are calculated based on a value in use model which uses cash flow projections based on forecasts prepared by management and approved by the Board, covering a five-year period. Cash-flows beyond the five-year period are calculated based on a terminal growth rate under standard valuation principles.

Each individual store CGU carrying amount primarily comprises right-of-use assets, store fixture and fittings as well as other intangibles that are subject to impairment testing. Corporate assets such as software are allocated to the individual stores on a proportionate basis and also tested for impairment.

Significant accounting estimates and assumptions

Significant management judgement is required with respect to the application of an appropriate discount rate to present value the forecast cash flows. Impairment testing for individual store CGUs has been undertaken using a post-tax discount rate of 10.6% consistent with that applied in the testing of CGUs to which goodwill is allocated.

Significant management judgement is required with respect to the determination of cashflow projections based on assumptions for short-term and long-term business performance including revenue and expense growth rates.

Impairment losses recognised

A number of individual store CGUs included in the Store Operations reportable segment were impaired to their recoverable amount at 31 December 2021 and an impairment expense of $10.934 million was recognised. The impairment comprises $9.596 million against right-of-use assets, $1.006 million against store fit out plant and equipment and $332,000 against other specific intangible assets including software. See note 4 relating to the impairment expense. The assets were impaired to their recoverable amount based on the value in use of the CGU to which they relate.

The impairment at individual store level, which is not an impairment of goodwill, may reverse in future accounting periods if the carrying value of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying value that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Sensitivity to key assumptions

Impairment testing assumptions are subject to significant management judgement. Sensitivity to a 0.5% increase in the post-tax discount rate assumption would result in an additional impairment of $0.758 million.

Any other adverse movements in key assumptions including a decline in performance against forecast may lead to further impairment.

10. Borrowings

	31-Dec 2021 $'000	30-Jun 2021 $'000
Current		
Securitisation facility	51,384	51,318
Non-current		
Securitisation facility	18,268	18,035
Total	69,652	69,353

The securitisation facility represents a liability owed by CCPF Receivables Trust No 1, a consolidated subsidiary established as part of the borrowing arrangement with the Fortress Investment Group. This liability is secured against eligible receivables (which includes Small and Medium Amount Credit Contracts issued by Cash Converters Personal Finance and secured vehicle loans provided by Green Light Auto) which have been assigned to the Trust. Collections from Trust receivables are used to pay interest of the securitisation facility, with the remainder remitted to the Group twice per month. Receivables have maturities of up to 5 years and the facility has accordingly been presented as current and non-current liabilities in line with the maturities of the underlying receivables.

The facility limit is $150 million. Under the facility terms, in the ordinary course of business, the consolidated entity currently expects to utilise the facility until at least the Maturity Date of 18 December 2022, and the consolidated entity currently has the ability to extend the facility term by two years beyond the initial Maturity Date. The Group is in compliance with the requirements of the facility.

11. Business combination – provisional accounting applied

The values identified in relation to the acquisitions during the period are provisional as at the reporting date.

During the period the Group acquired the trade and other assets of three Cash Converters franchised stores in Australia for total consideration of $3.172 million.

Store	**State**	**Acquisition date**
Corio	VIC	30 September 2021
Dandenong	VIC	30 September 2021
Geelong	VIC	30 September 2021

The trade and other assets of the following stores were acquired in the year ended 30 June 2021.

Store	**State**	**Acquisition date**
Morley	WA	8 October 2020
Melbourne City	VIC	10 December 2020
Blacktown	NSW	11 March 2021
Richmond	NSW	11 March 2021
Coconut Grove	NT	17 June 2021
Palmerston	NT	18 June 2021

11.a) Summary of acquisition

The provisionally determined fair values of the assets and liabilities of the acquired stores during the period as at the date of acquisition are as follows:

	31-Dec 2021 $'000	**30-Jun 2021 $'000**
Net assets acquired		
Cash and cash equivalents	28	54
Trade and other receivables	7	55
Loan receivables	377	1,156
Inventories	475	824
Plant and equipment	240	425
Other intangible assets	1,073	2,260
Right-of-use assets	2,323	5,291
Deferred tax liability	(26)	(158)
Provisions	(258)	(363)
Lease liabilities	(2,243)	(5,144)
	1,996	4,400
Consideration satisfied in cash	3,172	6,738
Goodwill arising on acquisition	1,176	2,338

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the stores. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the stores. These benefits are not recognised separately from goodwill as the future economic benefits from them cannot be reliably measured.

No amount of the goodwill recognised is expected to be deductible for tax purposes.

11.b) Purchase consideration – cash outflow

	31-Dec 2021 $'000	30-Jun 2021 $'000
Cash outflow to acquire franchise stores		
Cash consideration	3,172	6,738
Less Cash balances acquired	(28)	(54)
Net outflow of cash - investing activities	3,144	6,684

11.c) Revenue and profit or loss contribution

The acquired businesses contributed revenues of $822,000 and net loss before income tax of $24,000 to the Group for the period from 30 September 2021 to 31 December 2021. If the acquisitions had all occurred on 1 July 2021, for the half-year ended 31 December 2021 consolidated pro-forma revenue for the Group would include an additional $838,000 and the consolidated pro-forma net loss before income tax would include an additional $44,000. These amounts have been calculated using the data examined as part of the due diligence conducted prior to each store acquisition.

The acquired businesses were loss making at the time of acquisition due to COVID related poor trading conditions and were acquired by the Group with the intention of improving the earnings by implementation of the Group's management and operational practices. Government mandated lockdown was ongoing at the date of acquisition and continued until 21 October 2021, with limited restrictions continuing thereafter.

The Group has integrated the stores into its operating structure and has forecast improved earnings in future periods.

11.d) Acquisition related costs

Acquisition-related costs of $106,615 (June 2021: $ 449,511) (relating only to the application of the required GST treatment) are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

11.e) Prior period business combinations measurement period

The business combinations completed in the period ended 31 December 2020 have now been finalised and there are no material changes to the initial accounting for these business combinations.

12. Dividends

			Half-year ended 31-Dec-2021 Cents per share	Half-year ended 31-Dec-2021 $'000	Half-year ended 31-Dec-2020 Cents per share	Half-year ended 31-Dec-2020 $'000
Recognised amounts on fully paid ordinary shares						
2021 Final dividend	Paid	14-Oct-21	1.00	6,276	-	-
Unrecognised amounts on fully paid ordinary shares						
2021 Interim dividend	Paid	14-Apr-21			1.00	6,164
2022 Interim dividend	To be paid	14-Apr-22	1.00	6,276		

13. Issued Capital

	31-Dec 2021 Number	30-Jun 2020 Number	31-Dec 2021 $'000	30-Jun 2020 $'000
Balance at beginning of period	627,545,015	616,437,946	251,213	248,714
Issued during the period	-	11,107,069	-	2,499
Balance at end of period	627,545,015	627,545,015	251,213	251,213

14. 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.

AUSTRAC has issued Notices on reporting entities within the Group under subsection 167(2) of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), requiring information and documents be given and produced. The relevant period to which the Notices have applied is 14 February 2014 to 1 October 2021.

The Company has continued to co-operate fully with AUSTRAC and complied by responding to the requirements outlined in the Notices on or before the required due dates, as well as addressing in a timely manner all follow up information requests.

Additionally, the Group has significantly strengthened its Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Program with ongoing constructive engagement with the regulator. An Independent Review has been completed by a leading AML/CTF compliance expert. The review was completed to ensure that the AML/CTF Program is aligned to the money laundering/terrorism funding risks faced, is compliant with the AML/CTF Rules, and is being followed. Where opportunities have been identified where Cash Converters could enhance the AML/CTF Program to more appropriately document and reflect the systems and controls it has designed and implemented, these were considered, and the required changes have been actioned and completed. The close out of the Independent Review has included keeping the regulator informed.

At the date of this report the outcome is unknown as AUSTRAC have not completed their investigation and therefore it is not possible to determine the extent of any potential financial impact to the Group. Consequently, no amounts have been recognised or provided for as contingent liabilities at the date of this report.

The directors are not aware of any other material contingent liabilities in existence as at 31 December 2021 requiring disclosure in the financial statements.

15. Events occurring after the reporting period

There were no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Directors’ declaration

The directors declare that:

a) in the directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

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

On behalf of the directors

Sam Budiselik
Managing Director

Perth, Western Australia
24 February 2022

Deloitte.

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cash Converters International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 14 to 38.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 24 February 2022