CASH CONVERTERS INTERNATIONAL LIMITED

ABN 39 069 141 546

ANNUAL REPORT 2012

Corporate Directory

DIRECTORS

Reginald Webb	*Chairman*
Peter Cumins	*Managing Director*
John Yeudall	*Non-Executive Director*
William Love	*Non-Executive Director*
Joseph Beal	*Non-Executive Director*

COMPANY SECRETARY

Ralph Groom

REGISTERED OFFICE

Level 18, Citibank House
37 St George's Terrace
Perth Western Australia 6000

WEBSITE

www.cashconverters.com

SHARE REGISTRARS

IN AUSTRALIA:
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000

IN UNITED KINGDOM:
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS 99 7NH

AUDITORS

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St George's Terrace
Perth Western Australia 6000

SOLICITORS

Cooke & Co
50 Eora Creek Terrace
Dianella Western Australia 6059

BANKERS

IN AUSTRALIA:
Westpac Business Bank
109 St George's Terrace
Perth Western Australia 6000

IN UNITED KINGDOM:
HSBC
8 Canada Square
London
United Kingdom E14 5HQ

STOCK EXCHANGE

IN AUSTRALIA:
Australian Stock Exchange
Exchange Plaza, 2 The Esplanade
Perth Western Australia 6000

IN UNITED KINGDOM:
London Stock Exchange Limited
London United Kingdom
EC2N 1HP

Chairman and Managing Director's Review

The directors of Cash Converters International Limited ('Cash Converters') are pleased to report a growth in revenue of 25.7% to $234.3 million and a record profit result of $29.4 million for the 2012 financial year, an increase of 6.2% over the previous year.

On an adjusted basis, excluding one-off items, the net profit after tax was $32.6 million compared to an adjusted net profit of $29.7 million in the corresponding period last year representing an increase of 9.8%. The statutory earnings per share were 7.75 cents per share (an increase of 6.5% on the previous corresponding period) and the adjusted earnings per share were 8.58 cents per share (an increase of 9.8% on the previous corresponding period).

The reported net profit after tax was impacted by the following expenses (pre-tax effect), most of which are non-recurring:

REPORTED NET PROFIT AFTER TAX:	**$29.4m**
■ **stamp duty on acquisition of new stores**	**$665k**
■ **independent IT review**	**$53k**
■ **store acquisition additional earn-out payment**	**$1,756k**
■ **additional legal and professional fees**	**$615k**
■ **redundancy costs**	**$88k**
ADJUSTED NET PROFIT AFTER TAX:	**$32.6m**

The majority of the one-off costs were incurred in the first half of the financial year.

The legal and professional fees noted above include costs incurred relating to the proposed Ezcorp Inc strategic alliance which was terminated during the first half of the financial year.

The business also incurred the following additional costs that were not incurred in the corresponding period last year:

ADDITIONAL COSTS:

■ **Share based long term incentives**	**$1,255k**

INVESTING FOR THE FUTURE:

■ **Additional interest costs**	**$1,392k**
■ **Additional brand and public relations costs**	**$182k**
■ **Additional support staff costs**	**$905k**

The investment associated with the implementation of the growth strategy transforming the company from a franchisor to a large, international entity, with our own store network and rapidly growing range of financial services products, has impacted the full year results, due to the increased corporate overheads necessary to drive the next stage of expansion.

This investment in overheads and personnel is significant but will be proportionally lower as the scale of the organisation grows and the costs are amortised over a far larger business.

The table below provides a summary of the financial performance.

FINANCIAL RESULTS SUMMARY

	30 June 2012 $	30 June 2011 $	Variance %
Revenue	234,354,795	186,384,204	**25.7**
EBITDA	48,105,111	43,231,175	**11.3**
Depreciation and amortisation	(4,291,780)	(2,964,480)	**44.8**
EBIT	43,813,331	40,266,695	**8.8**
Income tax	(12,009,250)	(11,578,126)	**3.7**
Finance costs	(2,388,057)	(996,136)	**139.7**
Net profit before minority interests	29,416,024	27,692,433	**6.2**
Less minority interests	-	-	
Net profit after minority interests	29,416,024	27,692,433	**6.2**
Basic earnings per share	7.75	7.28	**6.5**

DIVISIONAL OPERATING PROFIT

Franchise operations	6,054,033	6,509,558	**-7.0**
Store operations	5,628,791	8,569,649	**-34.3**
Financial services – administration	13,651,754	12,319,667	**10.8**
Financial services – personal loans	33,477,570	24,420,011	**37.1**
Total	58,812,148	51,818,885	**13.5**
Corporate head office costs	(17,386,874)	(12,548,326)	**38.6**
Total divisional operating profit before tax and minority interest	41,425,274	39,270,559	**5.5**

HIGHLIGHTS

- *Revenue growth of 25.7% to $234.3 million. The major drivers for revenue growth over the year included an increase in personal loan interest of $21.6 million and establishment fees of $7.1 million, an increase in corporate store revenue of $22.0 million and an increase in cash advance administration fees of $2.7 million.*
- *The statutory earnings per share were 7.75 cents per share (an increase of 6.5% on the previous corresponding period) and the adjusted earnings per share were 8.58 cents per share (an increase of 9.8% on the previous corresponding period).*
- *UK cash advance and personal loans business up 285.7% to a combined EBIT of $4.6 million, an outstanding result for a business launched in May 2010.*
- *The growth of the online personal loan business in Australia continues to be very strong with the value of loans written increasing 126.7% to $14.2 million (2011 $6.3 million). There continues to be a very high percentage of first time customers (76%), which suggests a significant untapped market for the Company.*
- *The personal loan book in Australia grew 28.0% to $67.6 million and the loan book in the UK grew 154.0% to £12.7 million. The personal loans business generated an EBIT of $33.5 million (2011 $24.4 million) which is 37.1% up on the previous year.*
- *The cash advance administration platform in Australia and the UK, generated an EBIT of $13.6 million (2011 $12.3 million) which is up 10.8% on the previous year.*
- *12 'greenfield' company owned stores were opened in the UK and one in Australia, taking total corporate store numbers as at 30 June 2012 to 102 (59 in the UK and 43 in Australia).*
- *The corporate store network in the UK and Australia has seen revenue grow by 21.8% to $122.8 million producing a combined EBIT of $5.6 million. On an adjusted basis, after adding back one off costs of stamp duty of $0.7 million and an earn-out payment on new store acquisitions, the EBIT was $8.1 million; (2011 $8.6 million). As expected and previously disclosed, the impact of the profit drag from opening 27 new stores in both Australia and the UK in 2011 and 2012 has reduced the result. On average, it takes at least 12 months from the establishment a new store until it reaches break-even point. The corporate store network has been an important platform for the ongoing growth in our financial product range.*

Some key Finance division statistics

FOR THE TWELVE MONTHS ENDING 30 JUNE 2012:

AUSTRALIA

CASH ADVANCE

- Total principal loaned increased by 12.3% to $229.8 million
- Average loan amount increased from $325 to $331
- Total customer numbers increased by 16.8% to 403,137

PERSONAL LOANS

- Total number of loans approved increased by 34.7% to 106,779
- Total number of active customers increased by 31.5% to 66,760
- Loan Book increased by 28.0% to $67.6 million

UNITED KINGDOM

CASH ADVANCE

- Total principal loaned increased by 177.3% to £29.1 million
- Average loan amount increased from £104 to £121
- Total customer numbers increased by 136.8% to 75,169

PERSONAL LOANS

- Total number of loans approved increased by 76.7% to 28,234
- Total number of active customers increased by 70% to 19,252
- Loan Book increased by 154.0% to £12.7 million

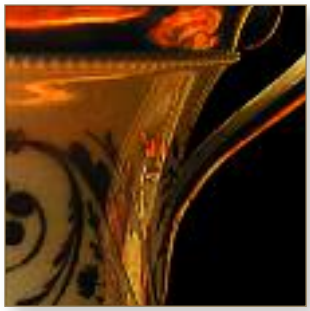
DIVIDEND

The directors have declared a fully franked final dividend of 1.75 cents per share. The dividend will be paid on 28 September 2012 to those shareholders on the register at the close of business on 14 September 2012. This will take the total dividend payment for the year to 3.5 cents per share, fully franked. This represents a payout ratio of approximately 45% of net profit after tax.

PERSONAL LOAN AND CASH ADVANCE HIGHLIGHTS

Cash Converters continued to experience strong growth for its financial services products during the financial year. The Australian personal loan book has continued to grow and is currently at $67.6 million. Bad debt levels continue to remain stable at 5.6% of the principal loaned (5.9% of the principal loaned in 2011). The UK personal loan book continues to grow at an exceptional rate, as at 30 June 2012 it was £12.7 million. Bad debt levels continue to remain at elevated levels of 11.3% of the principal loaned (10.8% of the principal loaned in 2011). Cash Converters is currently implementing a number of strategies to reduce this level of bad debts. The UK personal loan book is only two years old and the level of bad debts we are currently experiencing is in line with the levels we initially experienced when establishing our Australian personal loan business. As our UK database matures and our customer knowledge base increases, we expect the level of bad debts to decrease steadily over the coming years. We continue to invest in growing the UK personal loan business and, despite the elevated level of bad debts currently being experienced, our profitably continues to improve and the overall return on investment is strong.

Cash Converters is currently examining securitisation opportunities to provide capital to further increase the personal loan business.

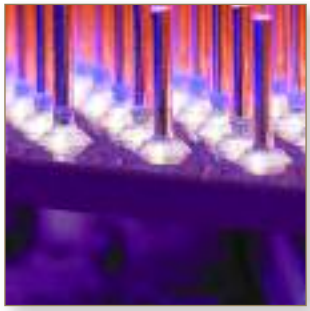


ONLINE STRATEGY HIGHLIGHTS:

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 44.4% across the Australian and UK operations over the past 12 months.



SOME KEY ONLINE STATISTICS:	UK	AUSTRALIA
Registered users	**134,236**	**42,486**
Unique visitors	**2,490,958**	**1,562,059**
Total page views	**21,239,366**	**22,724,721**
Retail Sales	**£832,120**	**$1,768,045**

These statistics show that we now have a significant number of visitors to our UK and Australian Webshop sites. Our strategy will be to maximise the commercial opportunities that these new customers present.

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.

ONLINE LENDING OPPORTUNITIES

AUSTRALIA

PERSONAL LOANS

In Australia the Company launched a fully integrated online personal loan system on 1 July 2010. This allows a customer to complete an application, sign contracts and receive funds without the inconvenience of visiting a store.

The results so far show that a high percentage (76%) of these customers are new to Cash Converters which demonstrates that this is an exciting growth opportunity. In just two years, the online loan product has grown to represent 11% of the overall personal loan book.

CASH ADVANCE

At this stage, online cash advance applications are being forwarded to stores for completion. This requires the customer to visit the store. The Company intends to launch a fully integrated online product during the course of the new financial year.

UK

PERSONAL LOANS

The Company launched the online personal loan system into the UK market in October 2011 with similar results to those experienced in Australia, in terms of new customers and the ramp up in loans being completed.

KEY METRICS FROM ONLINE LENDING:

	2012	2011	Variance %
AUSTRALIA			
Number of loans	8,066	4,327	**86.4**
Number new customers	6,157	3,471	**77.4**
% new customers	76%	80%	
Value of personal loans written	$14,202,789	$6,265,125	**126.7**
Value of cash advances written	$783,468	$545,859	**43.5**
Total value of loans written	$14,986,257	$6,810,984	**120.0**
UK			
Number of loans	1,305		
Number new customers	1,067		
% new customers	82%		
Value of personal loans written	£953,290		

COMPANY OWNED STORE RESULTS

The corporate store network in the UK and Australia has seen total revenue grow by 21.8% to $122.8 million producing a combined EBIT of $5.6 million. On an adjusted basis after adding back one off costs, the EBIT was $8.1 million; (2011 $8.6 million).

ADD BACKS;

- Stamp duty on acquisitions $0.7 million;
- The net profit has been impacted by an additional charge of $1.8 million resulting from the additional earn-out paid to acquire seven stores in Queensland. Under accounting standards it is not possible to capitalise this cost.

OTHER FACTORS AFFECTING THE RESULT;

- Negative profit impact ($1.6 million) associated with the opening of the 13 "greenfield" sites in this year and the additional drag of the 14 new stores opened last year. It takes on average 12 months for a new store to reach break-even;
- Support staff redundancy costs ($88k) and hiring additional business development managers ($100k);
- Additional amortisation charge to our UK business in relation to re-acquired franchise rights (£40k) in relation to store acquisitions.

On a same store sales basis, over the corresponding period last year, the retail sales growth from our Australian corporate stores was 4.5%, pawn broking interest growth 20.0%, and cash advance and personal loans commission's growth of 14.5% and 30.5% respectively. Our UK stores experienced retail sales growth of 4.1%, and cash advance and personal loan commission's growth of 67.2% and 26.0% respectively. However, pawn broking interest fell by 12.0% and buyback income fell by 6.1%.

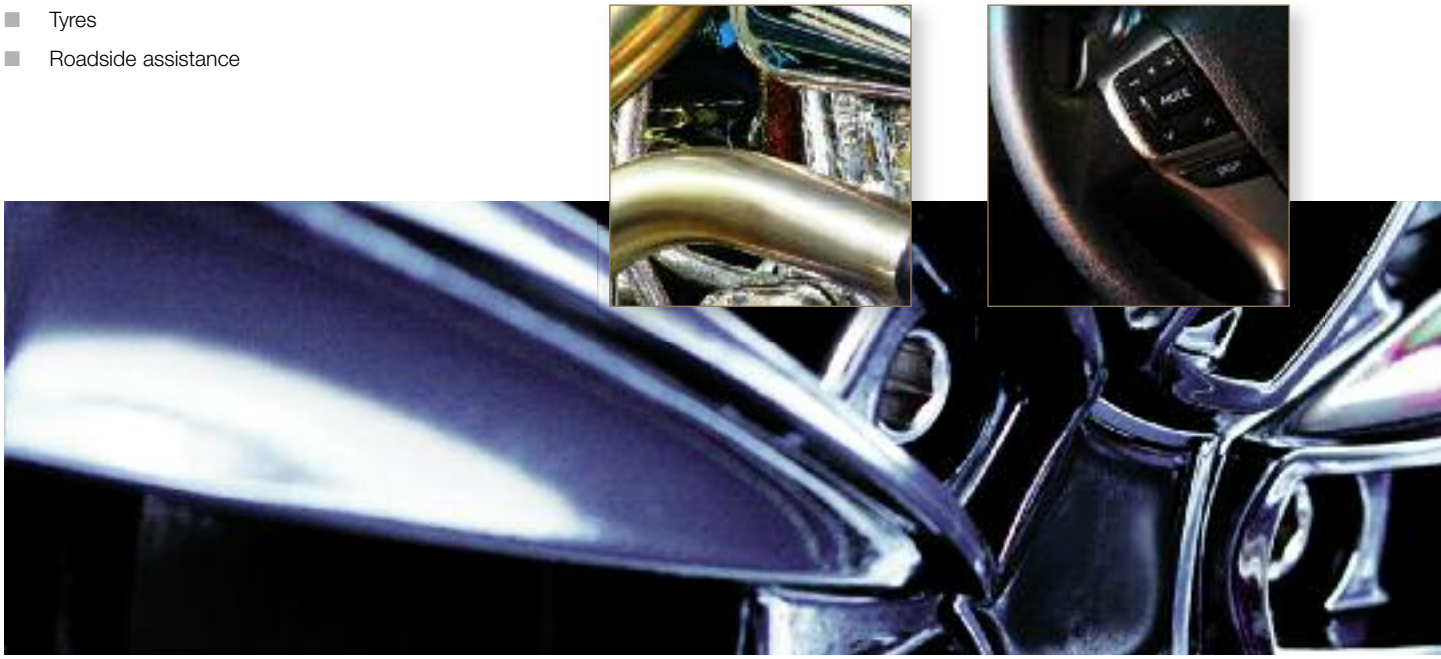
CARBOODLE

Cash Converters is associated with the Perth-based start-up company, Carboodle.

Carboodle was established in 2010 with the first lease contracted in October of that year. The concept is a car leasing business set up to meet the needs of customers who don't have access to main stream credit and need a reliable second hand car.

A Carboodle car has the running costs packaged up so that the customer can manage their personal budget without any untimely or unexpected bills. The packaged running costs can include:

- Annual registration
- Insurance premium
- Extended manufacturer's warranty
- Servicing
- Tyres
- Roadside assistance



The running costs are bundled into one easy weekly payment over a 48 month lease. For that weekly payment, the customer gets the ***"whole kit and Carboodle".***

Carboodle retains ownership of the car and at the end of the lease term, the customer hands back the car and may initiate a new lease on a new vehicle. Carboodle has been focussing on leasing a range of popular models, including commercial vehicles for tradesmen and small businesses.

Carboodle has an exclusive licence with Cash Converters that allows it to use the 146 Cash Converter stores in Australia as its agent to promote its product. Carboodle pays a royalty to the Company and a commission to the stores.

Carboodle has distribution show room centres located in Perth, Melbourne, Sydney and Brisbane with a centre due to open in Adelaide later in the year. Initial sales and the rollout of distribution show room centres have been progressing in line with our expectations.

In addition to the business written through Cash Converter stores, Carboodle deals directly with the public online and through enquiries generated in mass media.

The Cash Converter store network and our knowledge of financial services products in this market space have provided leverage to the distribution of this product. This business represents a significant growth opportunity and early indications are that it will be a great success. We will continue to provide support and advice to Carboodle's management when required.

LEGISLATION UPDATE

CONSUMER CREDIT LEGISLATION AMENDMENT (ENHANCEMENTS) BILL 2012

As a result of various recommendations made by the Parliamentary Joint Committee on Corporations and Financial Services and the Senate Economics Legislation Committee, the Australian Government implemented a number of changes to this Bill. On 27th June, 2012 the House of Representatives of the Federal Parliament passed the Bill. The Bill was passed by the Senate on 20 August 2012 and is awaiting Royal Assent.

The Bill contains a number of responsible lending obligations which will take effect from 1st March, 2013. The main impact of the legislation for Cash Converters relates to the definition of small amount credit contracts and the limits on fees and charges imposed with respect to such contracts. These provisions take effect from 1st July, 2013.

In summary, the provisions impose the following regime which effectively applies to all the micro lending engaged in by Cash Converters:

- Definition of small amount credit contracts: Loans for a term of at least 16 days but not exceeding 1 year and for an amount not exceeding $2,000.
- Fees and charges: An establishment fee is permitted capped at 20% of the loan amount which is actually received by the borrower. A monthly fee of 4% can be charged. This is a flat charge on the original amount lent (excluding any fees and charges included in the loan amount). It can be charged for a month or part of a month.
- There is a 200% total cap on what can be recovered from a borrower. This effectively means that the total fees and charges cannot exceed the amount which the borrower receives.
- Protected Earnings Amount: For Centrelink dependent consumers (whose predominant source of income is Centrelink benefits), the amount of the loan repayments is capped at 20% of their income.

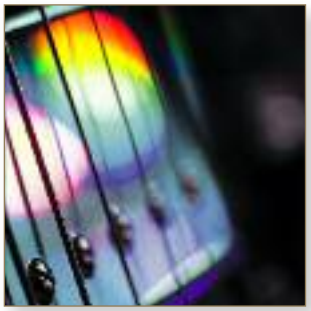
Chairman and Managing Director's Review

The Minister Bill Shorten is quoted as saying;

"This Government believes there is a place in the economy for legitimate short term small amount lending. These loans are appropriate to fill in the gaps for people who need a temporary cash injection".

This outcome from the legislative process is positive for Cash Converters as a significant proportion of our earnings are generated from the provision of short term credit. These rate caps give us a sustainable business model that will see these earnings increase as our volumes continue to grow. The legislation also provides a framework to regulate the industry and therefore protect vulnerable members of society from unscrupulous operators.

Throughout this long process of engagement with Government it is pleasing to see its acknowledgement that we have a legitimate role to play in providing credit and that by adopting a fee cap that allows us to recoup the significant establishment costs up front, it shows their understanding of one of the reasons that short term credit has a high cost. In addition, this legislation should provide Cash Converters with a competitive advantage in this market space and we expect that a number of smaller providers, who do not have adequate systems and standards in place to meet these provisions, will need to adapt, or move out of the industry.



OUTLOOK

Cash Converters expects continued growth in its Australian and UK financial services operations over the coming financial year. There are also a number of store acquisitions available to the Company in Australia in addition to planned "greenfield" locations. Further investment will be made into increasing the loan books and store network. With high levels of growth expected across the business, the Company is currently reviewing funding opportunities, including partial securitisation of the loan books.

Following our strong result this year, we are well positioned to drive further growth across all aspects of the business. The outlook has never been brighter for the Company. We now have resolution to the legislative uncertainty that has clouded a significant portion of our business for a very long time. We can now act with greater certainty and confidence in investing for further growth.

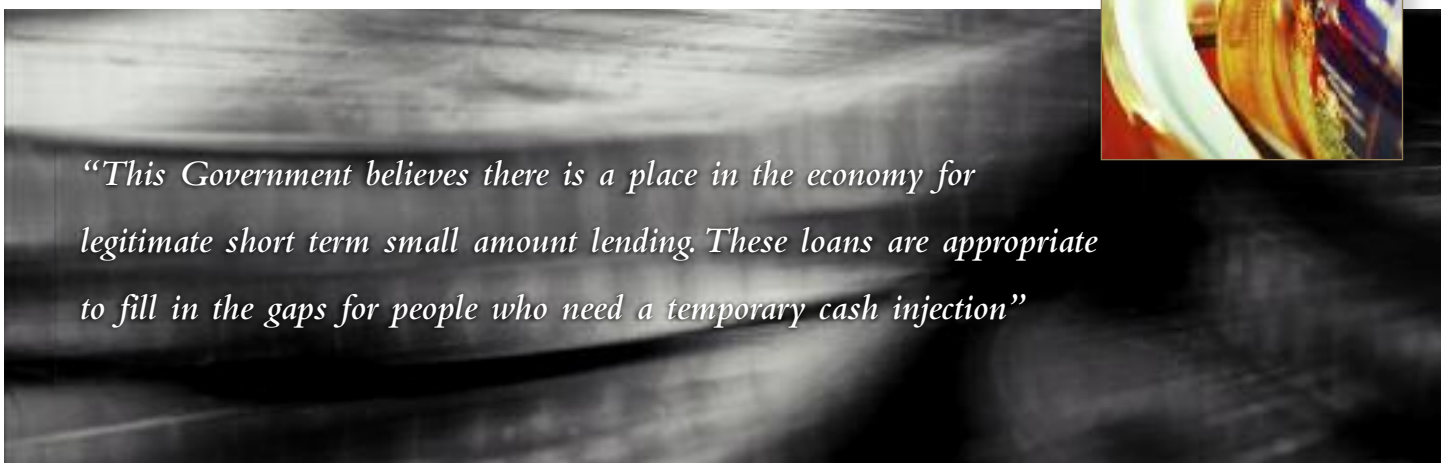
The next twelve months will see the Company reap the reward from its investment in the launch of its finance products into the UK market and from our corporate store strategy. In addition the Company's commitment to becoming a serious player in the online space will also return growth through its lending and shopping channels.

In closing we wish to thank the staff, management and franchisees for their contributions to the strong financial result this year.

Reginald Webb
Chairman

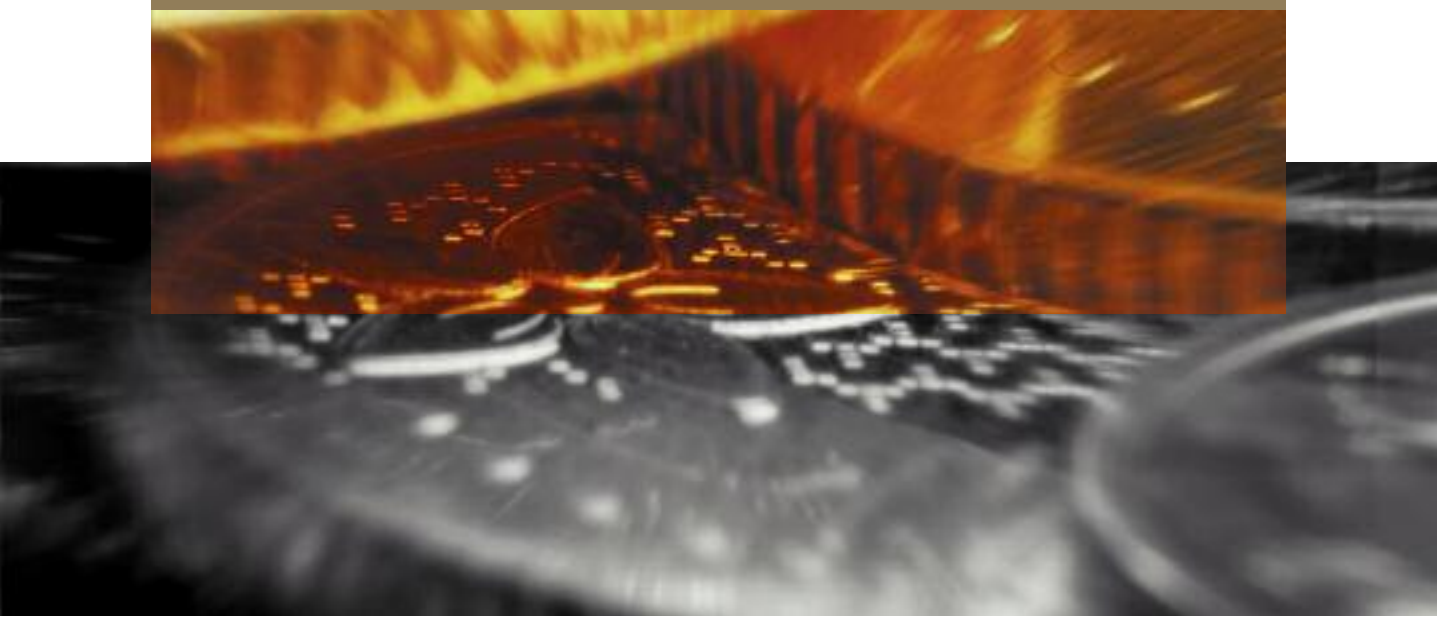
Peter Cumins
Managing Director

Perth, Western Australia Date: 23 August 2012



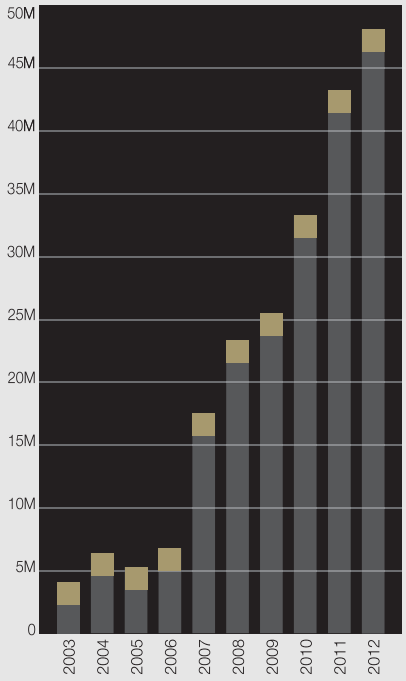
Review of the Year

- Earnings before interest, tax, depreciation and amortisation up 11.3% to $48,105,111 (2011: $43,231,175)
- Net profit attributable to members up 6.2% to $29,416,024 (2011: $27,692,433)
- Financial services - administration, operating profit before tax up 10.8% to $13,651,754 (2011: $12,319,667)
- Financial services – personal loans, operating profit before tax up 37.1% to $33,477,570 (2011: $24,420,011)
- Franchise operations, operating profit before tax slightly lower at $6,054,033 (2011: $6,509,558) down 7.0%
- Store operations, operating profit before tax $5,628,791 (2011:$8,569,649) lower due to store earn-out payment of $1,756,000 and stamp duty on acquisitions of $665,000
- Installment personal loan book in Australia rises by 28.0% to $67.6 million and the UK by 154.0% to £12.7 million
- Fully franked dividend for the year 3.5 cents
- Corporate store network in the UK expands to 59 stores
- Corporate store network expands to 43 stores in Australia
- Legislation changes in Australia finalised and awaiting Royal Assent

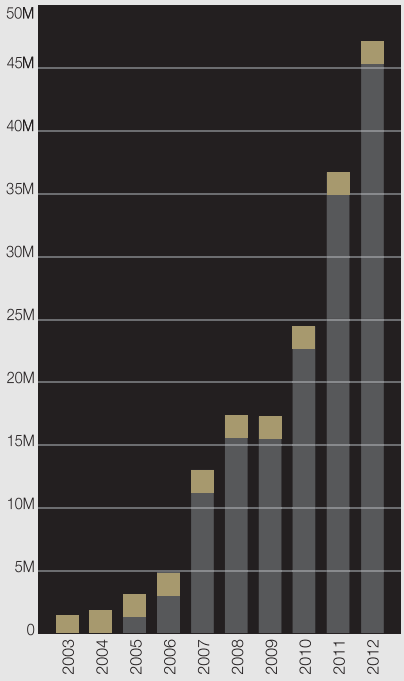


Historical Performance

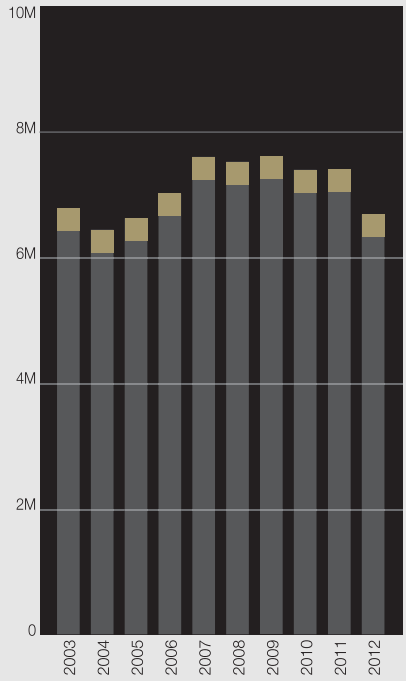
OPERATING PROFIT
Before tax, depreciation, amortisation & interest



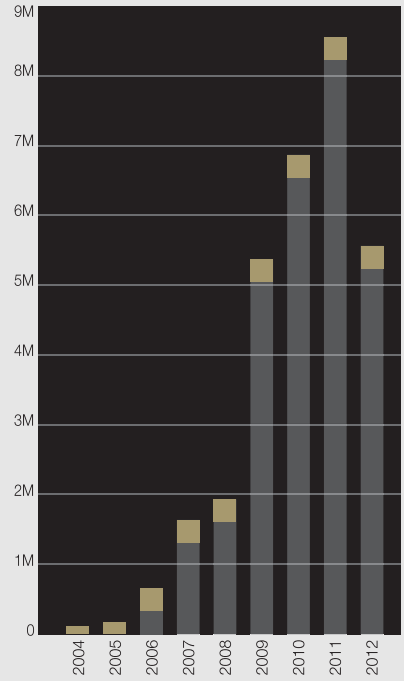
FINANCIAL SERVICES
Operating profit before tax



WEEKLY FRANCHISE FEES



STORE OPERATIONS
Operating profit before tax



History

The history of Cash Converters dates back to November 1984, when Brian Cumins, the Company's founder, began operating his first retail outlet in Perth, Western Australia.

During the next four years the merchandising formula and trading style that has underwritten the group's success were developed and tested in the market place. A total of seven stores were open and trading profitably before the franchising of Cash Converters began with the opening of two franchised outlets in Perth in June 1988.

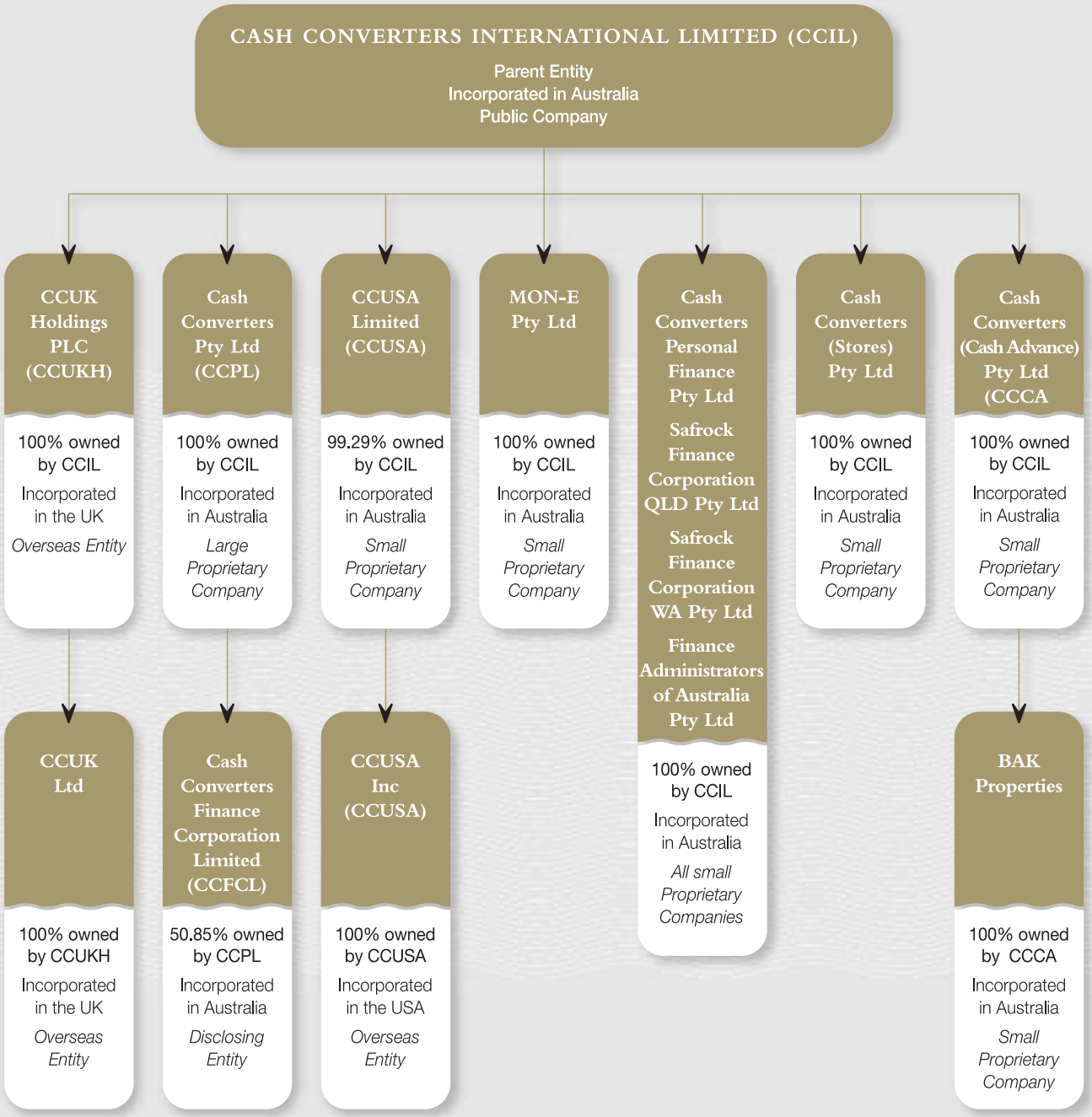
In 1990 the Group began to expand into other Australian States and now has over 140 outlets throughout Australia. The success of its Australian operations resulted in Cash Converters seeking to expand into overseas markets.

The Company's carefully planned entry into Europe was launched in 1991 when the first store in the United Kingdom was opened at Gants Hill in Essex. Since then further stores have opened in the UK taking the total to well over 200 stores.

The Company's first non-English speaking market, commenced with the opening of its pilot store in Vitrolles, near Marseilles in France in December 1994.

Since launching the concept in 1984, Cash Converters has grown enormously with representation in 20 countries worldwide and to a network of close to 700 stores.

Group Structure



Corporate Objectives

The Directors see the following as the principal corporate objectives of the group:

- To achieve high profitability, enabling Cash Converters to meet its responsibilities to shareholders and other stakeholders;
- To offer opportunities for franchisees and employees to succeed both financially and in their careers;
- To be recognised as a world leader in the retail of second hand goods and the provision of micro-lending products ; and
- To provide consumers with retail outlets that are distinguished by the quality of retail standards and value of the merchandise on offer.

Core Business

The core business of Cash Converters is the ownership and franchising of retail and financial services stores, which operate as retailers of second hand goods and suppliers of financial products. The Cash Converters business has changed consumer perceptions of its industry by the systematic application of modern retailing practices, professional management techniques and high ethical standards to the management of its stores. As a result, Cash Converters has been able to position its corporate and franchised outlets as alternative retail merchandise and financial services stores and, in the process, created a profitable market for the group.

Over 20 years, the Company has developed and refined its franchise offering to the point where it has mature and stable multi-store franchise chains in both Australia and the United Kingdom. The Company also acts as the international master franchisor of the franchising concept. The Company grants trade mark licences to enable independent entities to develop a matching franchise chain in another country in return for a passive royalty income. This minimises risk to the Company while allowing the brand to flourish overseas.

Directors' Profiles

REGINALD WEBB – *Non-Executive Chairman*

Mr Webb was appointed Chairman in January 2005. Mr Webb has been a Non-Executive Director for many years and has made a very significant contribution in helping to guide the company towards the stable and successful state that it now enjoys.

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

PETER CUMINS – *Managing Director*

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

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

JOHN YEUDALL *(C.Eng.,M.I.Struct.E.)* – *Non-Executive Director*

Mr Yeudall is a Chartered Engineer and member of the Australian Institute of Company Directors. He was founder of the IKEA franchise in Western Australia.

Mr Yeudall was previously Australia's senior Trade Commissioner in the Middle East and Consul General for Dubai. He joined the board in 2002.

WILLIAM LOVE – *Non-Executive Director*

Mr Love has served as an Independent Director of EZCORP since October 2008 and has served as Chairman of the Audit Committee of the EZCORP board of directors since November 2009. He joined the board of Cash Converters International Limited in 2009.

Mr Love is a licensed Certified Public Accountant and a Certified Valuation Analyst, and since January 1993 has practised public accounting in the Austin, Texas based William C Love accounting firm. From 1972 to 1993, Mr Love worked with the accounting firm of KPMG Peat Marwick and its predecessors, including appointments as Partner in Charge of Audit, Partner in Charge of Tax and Managing Partner of its Austin, Texas office.

JOSEPH BEAL – *Non-Executive Director*

Mr Beal has served as an Independent Director of EZCORP since August 2009 and serves on the Compensation Committee. Mr Beal joined the Cash Converters International Limited board in 2009.

Until his retirement in January 2008, Mr Beal was the General Manager and Chief Executive Officer of the Lower Colorado River Authority (LCRA), a Texas conservation and reclamation district with over $1 billion in annual revenues, over $3 billion in assets and more than 2,200 employees. Mr Beal joined LCRA in 1995 to lead its Water Services division, and was appointed by the LCRA board in January 2000 to become its eighth General Manager and Chief Executive Officer. Before joining LCRA, Mr Beal was Senior Vice President and Chief Operating Officer at Espey Huston & Associates, an international engineering and environmental consulting firm based in Austin.

Financial Report

Directors' Report

The directors of Cash Converters International Limited submit the following report for the year ended 30 June 2012.

DIRECTORS

The following persons held office as directors of the Company during the financial year and until the date of this report (directors were in office for this entire period unless otherwise stated):

- Mr Reginald Webb (non-executive director, chairman)
- Mr Peter Cumins (managing director)
- Mr John Yeudall (non-executive director)
- Mr William Love (non-executive director)
- Mr Joseph Beal (non-executive director)

PRINCIPAL ACTIVITIES

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

Country 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.

Operating results for the year

The consolidated entity's net profit attributable to members of the parent entity for the year ended 30 June 2012 was $29,416,024 (2011: $27,692,433) after a charge for income tax of $12,009,250 (2011: $11,578,126).

DIVIDENDS

The directors of the Company paid a fully franked interim dividend of 1.75 (one and three quarter) cents per share on 30 March 2012. The directors have also declared a final fully franked dividend of 1.75 (one and three quarter) cents per share to be paid on 28 September 2012 to those shareholders on the register at the close of business on 14 September 2012. In addition, a fully franked dividend of 1.75 (one and three quarter) cents per share declared in relation to the prior year was paid on 30 September 2011.

REVIEW OF OPERATIONS

A summary of consolidated revenues and results by significant industry segments is set out below.

	Segment revenues Year Ended		Segment results Year Ended	
	2012	2011	2012	2011
Franchise operations	23,500,770	27,440,899	6,054,033	6,509,558
Store operations	122,844,139	100,877,291	5,628,791	8,569,649
Financial services - administration	16,584,676	13,866,216	13,651,754	12,319,667
Financial services – personal loans	87,087,517	56,629,355	33,477,570	24,420,011
Intersegment elimination of revenues	(15,903,306)	(13,424,001)	-	-
Totals	234,113,796	185,389,760	58,812,148	51,818,885
Corporate head office income / (costs)	240,999	994,444	(17,386,874)	(12,548,326)
Total revenue/operating profit	234,354,795	186,384,204	41,425,274	39,270,559
Income tax attribute to operating profits			(12,009,250)	(11,578,126)
Profit after income tax			29,416,024	27,692,433
(Profit) attributable to non-controlling interest			-	-
Profit attributable to members of Cash Converters International Limited			29,416,024	27,692,433

Comments on the operations and the results of those operations are set out below:

FRANCHISE OPERATIONS

The profit before tax for the franchise operations was $6,054,033 (2011: $6,509,558) for the 12 month period ended 30 June 2012. The Australian business contributed $3,556,358 (2011: $3,967,999), the UK business $1,840,109 (2011: $2,081,677) and the International operations $657,566 (2011: $459,882) of the profit before tax. The main reason for the decrease in profit for the Australian business was a reduction in monthly franchise fees of $421,000 due to the acquisition of franchised stores by the corporate store division in the prior year. The UK business achieved higher monthly franchise fees of $272,000, but experienced higher franchise costs of $310,000 and a lower margin on its wholesale franchise sales of $118,000.

CCUK are planning to open a further four franchised stores in the next few months and one new franchised store is also planned to open in Australia over the same period.

The total number of franchised stores throughout the world now stands at 596 with 160 stores in the UK, 103 in Australia and 333 throughout the rest of the world. Franchised stores continue to be opened, with 12 stores opening in the UK and four stores in Australia in the period to the 30 June 2012. Internationally, growth in Spain has slowed following difficult economic conditions, however South Africa and France are still growing and the first store in Dubai opened recently.

STORE OPERATIONS

This division encompasses the corporate store network in both the UK and Australia. Currently there are 60 stores in the UK and 43 in Australia, resulting in a total of 103 stores. During the period under review the UK opened 12 and Australian one 'greenfield' site.

The store operations delivered a profit before tax of $5,628,791 (2011: $8,569,649) down $2,940,858 (34.3%) on the corresponding period. The Australian business contributed $5,999,372 and the UK business a loss of $370,581 of the profit before tax.

The main reason for the fall in profit for the Australian corporate stores is the additional earn-out charge to profit and loss of $1,756,528 relating to the acquisition of a group of seven stores in Queensland. These stores performed far stronger than anticipated and as a result an additional earn-out payment was made to the vendor. Under current accounting standards this amount was required to be charged to profit and loss. Other impacts on profits include profit drag resulting from the opening of two new 'greenfield' stores in Melbourne, Victoria. These stores produced losses of approximately $345,000 for the 12 month period.

The UK business recorded a fall in profit primarily because of the profit drag relating to the opening of 12 new stores in the period which has caused a reduction in profits of approximately $900,550. Although we opened a similar number of 'greenfield' stores last year, we also acquired six stores which offset the losses produced by the 'greenfield' stores. The UK store operations also suffered reduced earnings as a result of damage to a store in the UK riots in August 2011 which has impacted the result by approximately $46,500. The UK business has also been charged amortisation in relation to re-acquired rights of $266,600, following the acquisition of a number of stores.

On a same store sales basis, over the corresponding period last year, the retail sales growth from our Australian corporate stores was 4.5%, pawn broking interest growth 20.0%, and cash advance and personal loans commission's growth of 14.5% and 30.5% respectively. Our UK stores experienced retail sales growth of 4.1%, and cash advance and personal loan commission's growth of 67.2% and 26.0% respectively. However, pawn broking interest fell by 12.0% and buyback income fell by 6.1%.

The UK currently has good opportunities to secure high street locations for new stores and this coupled with the excellent potential for developing financial services augurs well for strong growth in the UK. Although the opportunities for 'greenfield' stores in Australia do not deliver the same level of opportunities as the UK, certain states (New South Wales and Victoria) do offer growth potential. The opportunities in Australia lie in franchise store acquisitions, with a number of franchisees willing to sell their stores.

FINANCIAL SERVICES OPERATIONS AND ADMINISTRATION

These divisions incorporate the trading results of MON-E Pty Ltd (Australia), Cash Converters Personal Finance Pty Ltd (Australia) (formerly Safrock Finance Group Pty Ltd) and the UK Finance Division. MON-E Pty Ltd is responsible for providing the internet platform and administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers (average loan size of approximately $325). Cash Converters Personal Finance provides small, largely unsecured loans through the franchise and corporate store networks in Australia.

The UK Finance Division utilises the software developed in Australia, for both cash advances and personal loans, and is continuing to roll-out the finance products across both the franchise and corporate store networks in the UK. CCUK is utilising the knowledge and experience of Ausgroup Pty Ltd (Australian agent experienced in financial services) to roll out the financial services to corporate stores , franchisees and to train staff – this agreement expires 1 October 2014. The agreement allows for a 3% commission, payable to Ausgroup, on all principal and interest repayments, with Ausgroup covering all costs associated with the financial services roll-out.

During the period under review the net profit before tax for this division was $47,129,324 (2011: $36,739,678), representing an increase on last year's corresponding period of 28.3%. Cash Converters Personal Finance contributed $29,428,656, MON-E $13,062,156 and the UK Finance Division a profit of $4,638,512.

For Australia, bad debt levels continue to remain stable at 5.6% of the principal loaned (5.9% of the principal loaned in 2011), however, the UK bad debt levels continue to remain at elevated levels of 11.3% of the principal loaned (10.8% of the principal loaned in 2011). The UK personal loan book is only two years old and the level of bad debts we are currently experiencing is in line with the levels initially experienced when establishing our Australian personal loan business. We expect that the UK database will mature and our customer knowledge base will increase allowing the level of bad debts to decrease steadily over the coming years.

The Christmas period is one of the busiest periods for the personal loan product and this year was no exception with a new record of $13.2 million (2010:$10.9 million) advanced in Australia and £1.5 million in the UK. The loan books are $67.6 million for Australia and £12.7 million for the UK, at the end of June.

For an update on the current Australian legislation proposed in regard to short term financial services please refer to the "Significant events after the balance date" note below.

Cash Converters is licensed to provide financial products pursuant to the National Consumer Protection Act and has responsible lending processes and controls in place.

CORPORATE OFFICE COSTS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In July 2010 the Australian Federal Government released a Green Paper on phase two of the national consumer credit reforms. One of the proposals considered in the Green Paper included placing a national cap on interest rates that may be charged by payday lenders in Australia. As announced by Cash Converters to the ASX and LSE on 25 August 2011, the Australian Federal Government has now released exposure drafts in relation to a proposed National Consumer Credit Protection Amendment (Enhancements) Bill 2011.

As a result of various recommendations made by the Parliamentary Joint Committee on Corporations and Financial Services and the Senate Economics Legislation Committee, the Government implemented a number of changes to this Bill. On 27 June, 2012 the House of Representatives of the Federal Parliament passed the Bill. The Bill was passed by the Senate on 20 August 2012 and is awaiting Royal Assent.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (continued)

The Bill contains a number of responsible lending obligations which will take effect from 1 March, 2013. The main impact of the legislation for Cash Converters relates to the definition of small amount credit contracts and the limits on fees and charges imposed with respect to such contracts. These provisions take effect from 1 July, 2013. In summary, the provisions impose the following regime which effectively applies to all the micro lending (in Australia) engaged in by Cash Converters:

- Definition of small amount credit contracts - loans for a term of at least 16 days but not exceeding 1 year and for an amount not exceeding $2,000;
- Fees and charges - an establishment fee is permitted capped at 20% of the loan amount which is actually received by the borrower. A monthly fee of 4% can be charged. This is a flat charge on the original amount lent (excluding any fees and charges included in the loan amount). It can be charged for a month or part of a month. For example, on $100 lent for 32 days, a monthly fee charge of $8.00 is permitted plus an establishment fee of $20. There is a 200% total cap on what can be recovered from a borrower. This effectively means that the total fees and charges cannot exceed the amount which the borrower receives;
- Protected Earnings Amount - for Centrelink dependent consumers (whose predominant source of income is Centrelink benefits), the amount of the loan repayments is capped at 20% of their income.

This outcome from the Legislative process is positive for Cash Converters as a significant proportion of our earnings are generated from the provision of short term credit. These rate caps give us a sustainable business model that will see these earnings increase as our volumes continue to grow. The legislation also provides a framework to regulate the industry and therefore protect vulnerable members of society from unscrupulous operators.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

There are no likely developments in the operations of the consolidated entity other than those discussed in this report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report as the directors believe it would likely result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company has assessed whether there are any particular or significant environmental Regulations, which apply to the Company, and has determined that there are none.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INFORMATION ON DIRECTORS/COMPANY SECRETARY

Director/ Company Secretary	Qualifications and experience	Position held	The interests of the directors in the shares and options of Cash Converters International Limited: Number of ordinary shares	Number of options over ordinary shares*
Peter Cumins	Former General Manager of Cash Converters Pty Ltd. A qualified accountant. Joined the board in 1995.	Managing Director	8,053,030	10,000,000
Reginald Webb	FCA. Fellow of the Institute of Chartered Accountants and a former partner of PricewaterhouseCoopers. Mr Webb joined the board in 1997. He is also a director of D'Orsogna Limited since 1996.	Non-Executive Chairman	1,112,500	Nil
John Yeudall	A Chartered Engineer and member of the Australian Institute of Company Directors. Founder of the IKEA franchise in Western Australia. Previously Australia's senior Trade Commissioner Middle East and Consul General Dubai. Joined the board in 2002.	Non-Executive Director	295,668	Nil
William Love	A licensed Certified Public Accountant and a Certified Valuation Analyst. Former partner of KPMG Peat Marwick and its predecessors. Mr Love joined the board in 2009 and he is also a board member of EZCORP Inc.	Non-Executive Director	Nil	Nil
Joseph Beal	Former CEO of the Lower Colorado River Authority, a Texas conservation and reclamation district with over US$1 billion in annual revenues, over $3 billion in assets and over 2,200 employees. Mr Beal joined the board in 2009 and he is also a board member of EZCORP Inc.	Non-Executive Director	Nil	Nil
Ralph Groom	FCPA, FCIS, ACMA. Qualified as a Chartered Management Accountant in the UK before joining the group in 1995. Undertook further studies in Australia to qualify as a CPA and Chartered Secretary.	Company Secretary Chief Financial Officer	2,877,451	230,000

The particulars of directors' interests in shares are as at the date of this directors' report, or date of resignation if applicable.

* Please refer note 28 for further information.

DIRECTORS' MEETINGS

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

	Board of directors meetings		Audit committee meetings		Remuneration/nomination committee meetings	
Directors	**Number held**	**Number attended**	**Number held**	**Number attended**	**Number held**	**Number attended**
P. Cumins	16	14	-	-	3	3
R. Webb	16	15	2	2	7	7
J. Yeudall	16	16	2	2	7	7
W. Love	16	16	2	2	7	7
J. Beal	16	16	2	2	7	7

COMMITTEE MEMBERSHIP

As at the date of this report, the company had an audit committee, a remuneration committee and a nomination committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit	Remuneration	Nomination
J. Yeudall (c)	J. Yeudall (c)	J. Yeudall (c)
W. Love	W. Love	W. Love
J. Beal	J. Beal	J. Beal
R. Webb	R. Webb	R. Webb
		P. Cumins

Notes:

(c) Designates the chairman of committee

SHARE OPTIONS

During the financial year, 3,800,000 performance rights were granted to members of the Company's senior management team. 10,000,000 performance rights were granted to the managing director in the prior year, consequently as at 30 June 2012 13,800,000 performance rights have been granted under the Executive Performance Rights Plan approved by shareholders on 30 November 2010. On vesting each performance right equates to one ordinary share. The performance rights granted during the current year are split into three tranches and are subject to various vesting conditions. Refer to the remuneration report for further details of the performance rights outstanding.

No other share options or performance rights were granted to directors or senior management during or since the end of the financial year.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

Issuing entity	Number of shares under option / performance right	Class of share	Exercise price	Expiry date of options / performance rights
Cash Converters International Limited	6,000,000	Ordinary	Nil	14 October 2016
Cash Converters Limited International Limited	400,000	Ordinary	Nil	15 September 2013
Cash Converters Limited International Limited	1,800,000	Ordinary	Nil	15 September 2016

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

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

Shares issued as a result of the exercise of share options or performance rights as at the date of this report are:

Issuing entity	Number of shares under option/ performance right	Class of share	Exercise price	Exercise date
Cash Converters International Limited	4,000,000	Ordinary	Nil	23 August 2012
Cash Converters International Limited	1,600,000	Ordinary	Nil	23 August 2012

REMUNERATION REPORT (AUDITED)

DIRECTORS' AND EXECUTIVES' REMUNERATION

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cash Converters International Limited directors and its senior management in accordance with the requirements of the Corporation Act 2001 (the Act) and its regulations for the financial year ended 30 June 2012. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of directors and senior management
- Share-based payment plan
- Key terms of employment contracts.

DIRECTOR AND SENIOR MANAGEMENT DETAILS

The following persons acted as directors of the company during or since the end of the financial year:

- Mr Reginald Webb (non-executive director, chairman)
- Mr Peter Cumins (managing director)
- Mr John Yeudall (non-executive director)
- Mr William Love (non-executive director)
- Mr Joseph Beal (non-executive director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Mr Michael Cooke (group legal counsel)
- Mr Ian Day (general manager, Australia)
- Mr Ralph Groom (company secretary / chief financial officer)
- Mr David Patrick (chief executive officer, UK)
- Mr Richard Pilgrim (operations manager, UK)
- Mr Mike Osborne (company secretary / chief financial officer, UK)

Senior management as used within this remuneration report are officers who are involved in, concerned in, or who take part in, the management of the affairs of Cash Converters International Limited and / or related bodies corporate.

REMUNERATION POLICY

The remuneration committee, consisting of the four non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives.

Executive remuneration and other terms of employment are reviewed by the committee having regard to performance against goals set, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration and other terms of employment for the managing director and certain other senior executives are formalised in service agreements (refer to the key terms of employment contracts section within the remuneration report for further information).

Remuneration of non-executive directors is determined by the remuneration committee and approved by the Board within the maximum amount approved by the shareholders from time to time. Bonuses are not payable to non-executive directors.

REMUNERATION REPORT (AUDITED) (continued)

REMUNERATION POLICY (Continued)

Remuneration packages contain the following key elements:

a. Short-term employee benefits – salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles;

b. Post-employment benefits – include superannuation and prescribed retirement benefits; and

c. Share-based payments – include share options/performance rights.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2012:

	30 June 2012	30 June 2011 (iii)	30 June 2010 (iii)	30 June 2009	30 June 2008
Revenue	234,354,795	186,384,204	126,070,428	94,803,282	74,405,882
Net profit before tax	41,425,274	39,270,559	25,462,577	23,307,232	21,598,569
Net profit after tax	29,416,024	27,692,433	15,926,163	16,154,708	15,174,586
Share price at start of year	72.5	55.0	42.0	24.0	71.0
Share price at end of year	64.5	72.5	55.0	42.0	24.0
Interim dividend (i)	1.75	1.75	1.50	1.50	1.50
Final dividend (i) (ii)	1.75	1.75	1.50	1.50	1.50
Basic earnings per share	7.75	7.28	6.60	6.77	6.28
Diluted earnings per share	7.63	7.23	6.58	6.66	6.12

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

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

(iii) Restated for the impact of the prior year adjustment related to Quickdraw Financial Solutions Pty Ltd. Refer note 14 for further information.

Other than with respect to share-based payments which are disclosed below, there is no relationship between shareholder wealth and remuneration, however certain bonuses are paid based on performance targets set for the individual concerned as discussed further in the following section.

During the year ended 30 June 2012, 3,800,000 performance rights were granted to the members of the Company's senior management team.

On vesting each performance right equates to one ordinary share. The performance rights are split into three tranches and are subject to various vesting conditions. One such vesting condition is the consolidated entity achieving budgeted profit after tax for various periods, should any of the vesting conditions fail to be achieved the performance rights will not vest, consequently there is a direct link between the creation of shareholder wealth and share based payment remuneration.

REMUNERATION REPORT (AUDITED) (continued)

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the nature and amount of each element of the remuneration of each director of the Company and member of senior management of the consolidated entity are set out in the following tables:

	Short-term employee benefits				Post employment benefits	Other long-term employee benefits	Share-based payment	
	Salary & fees $	Cash Bonus $	Non-monetary benefits $	Other $	Superannuation $	Long service leave $	Options & rights $	Total $
2012								
Non-executive directors								
R. Webb	120,000	-	-	-	-	-	-	120,000
J. Yeudall	85,000	-	-	-	-	-	-	85,000
W. Love	80,000	-	-	-	-	-	-	80,000
J. Beal	80,000	-	-	-	-	-	-	80,000
Executive director								
P. Cumins	609,761	200,000	37,723	-	50,000	-	1,220,193	2,117,677
Other executives								
M. Cooke	471,273	-	-	-	-	-	499,800	971,073
I. Day	249,569	168,508	-	-	50,000	9,132	58,713	535,922
R. Groom	234,000	100,276	16,647	14,976	50,000	8,782	67,521	492,202
D. Patrick	194,270	93,789	14,733	-	72,036	-	49,907	424,735
R. Pilgrim	95,795	-	11,050	-	10,474	-	-	117,319
M. Osborne	172,127	53,972	14,733	-	17,271	-	29,357	287,460
Total	2,391,795	616,545	94,886	14,976	249,781	17,914	1,925,491	5,311,388
2011								
Non-executive directors								
R. Webb	115,000	-	-	-	-	-	-	115,000
J. Yeudall	75,000	-	-	-	-	-	-	75,000
W. Love	75,000	-	-	-	-	-	-	75,000
J. Beal	75,000	-	-	-	-	-	-	75,000
Executive director								
P. Cumins	609,761	300,000	37,094	-	50,000	-	706,776	1,703,631
Other executives								
M. Cooke	456,360	-	-	-	-	-	-	456,360
I. Day	240,000	145,000	-	-	50,000	9,556	-	444,556
J. Spratley	35,741	5,910	3,334	-	-	-	-	44,985
R. Groom	224,034	140,215	15,246	14,976	50,000	10,409	-	454,880
D. Patrick	196,431	145,798	11,269	-	-	-	-	353,498
R. Pilgrim	94,816	23,799	9,391	-	-	-	-	128,006
M. Osborne	145,419	68,477	9,695	-	-	-	-	223,591
Total	2,342,562	829,199	86,029	14,976	150,000	19,965	706,776	4,149,507

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

REMUNERATION REPORT (AUDITED) (continued)

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

Bonuses - 2012

The bonus received by P Cumins was paid for achieving a profit result for the whole group that was above the forecast result. This bonus was awarded at the discretion of the board. The bonuses received by R Groom and I Day were paid for achieving divisional profit results that were above divisional forecast results.

The bonuses received by D Patrick and M Osborne were paid for achieving a profit result for the UK business that was above the forecast result. The actual bonuses were granted six monthly throughout the period.

Bonuses - 2011

The bonus received by P Cumins was paid for achieving a profit result for the whole group that was above the forecast result. The bonuses received by R Groom and I Day were paid for achieving divisional profit results that were above divisional forecast results. These bonuses were awarded at the discretion of the board.

The bonuses received by D Patrick, R Pilgrim, M Osborne and J Spratley were paid for achieving a profit result for the UK business that was above the forecast result. The actual bonuses were granted six monthly throughout the period.

CASH BONUS AS A PERCENTAGE OF TOTAL COMPENSATION

Executive	2012	2011
P Cumins	9.4%	17.6%
D Patrick	22.1%	41.2%
J Spratley (i)	-	13.1%
R Pilgrim	-	18.6%
M Osborne	18.8%	-
R Groom	20.4%	30.8%
I Day	31.4%	32.6%

(i) resigned on 8 September 2010.

SHARE-BASED PAYMENT PLAN

At the Annual General Meeting held on 30 November 2010 the shareholders approved the establishment of the Executive Performance Rights Plan ("EPRP"). The plan is a result of a remuneration review conducted by the Company, and aims to clearly align the interests of executive management with that of the shareholders. The EPRP allows the Directors of the Company to issue up to 20,000,000 Performance Rights which will vest into ordinary shares in the Company upon the achievement of certain vesting conditions.

Under the EPRP, the Company will issue performance rights to employees as part of their total remuneration package. The rights are issued free of charge.

During the financial year the following share-based payment arrangements were in existence including options granted, vested and lapsed:

REMUNERATION REPORT (AUDITED) (continued)

SHARE-BASED PAYMENT PLAN (continued)

Performance rights series	Year	Grant date	Vesting date	Number of performance right granted during the year	Grant date fair value	No. vested during year	No. lapsed during year	Vesting conditions
Director								
Peter Cumins								
Tranche 1	2011	30/11/2010	14/10/2012	4,000,000	$0.57	-	-	(1)
Tranche 2	2011	30/11/2010	14/10/2016	6,000,000	$0.43	-	-	(2)
Senior Management Team								
Ian Day								
Tranche 1	2012	19/9/2011	15/9/2012	100,000	$0.42	-	-	(3)
Tranche 2	2012	19/9/2011	15/9/2013	100,000	$0.39	-	-	(4)
Tranche 3	2012	19/9/2011	-	-	-	-	-	-
Ralph Groom								
Tranche 1	2012	19/9/2011	15/9/2012	115,000	$0.42	-	-	(3)
Tranche 2	2012	19/9/2011	15/9/2013	115,000	$0.39	-	-	(4)
Tranche 3	2012	19/9/2011	-	-	-	-	-	-
Michael Cooke								
Tranche 1	2012	19/9/2011	15/9/2012	1,200,000	$0.42	-	-	(3)
Tranche 2	2012	19/9/2011	-	-	-	-	-	-
Tranche 3	2012	19/9/2011	15/9/2016	1,800,000	$0.32	-	-	(5)
David Patrick								
Tranche 1	2012	19/9/2011	15/9/2012	85,000	0.4165	-	-	(3)
Tranche 2	2012	19/9/2011	15/9/2013	85,000	0.3884	-	-	(4)
Tranche 3	2012	19/9/2011	-	-	-	-	-	-
Mike Osborne								
Tranche 1	2012	19/9/2011	15/9/2012	50,000	0.4165	-	-	(3)
Tranche 2	2012	19/9/2011	15/9/2012	50,000	0.3884	-	-	(4)
Tranche 3	2012	19/9/2011	-	-	-	-	-	-

The following vesting conditions are attached to the performance rights:

Tranche	Vesting hurdle	
1	i)	Completion of various predefined organisational change initiatives.
	ii)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2011 and FY2012.
	iii)	Continuous employment through to vesting determination date, being 14 October 2012.
2	i)	Completion of various predefined organisational change initiatives.
	ii)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2013 – FY2016.
	iii)	Continuous employment through to vesting determination date, being 14 October 2016.
3	i)	The Consolidated Entity achieving budgeted Net Profit after tax for the financial year ending 30 June 2012.
	ii)	Continuous employment through to vesting determination date, being 15 September 2012.
4	i)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2012 and FY2013.
	ii)	Continuous employment through to vesting determination date, being 15 September 2013.
5	i)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2012 – FY2016.
	ii)	Continuous employment through to vesting determination date, being 15 September 2016.

REMUNERATION REPORT (AUDITED) (continued)

SHARE-BASED PAYMENT PLAN (continued)

The following grants of share-based payment compensation to directors and senior management relate to the current year :

Name	Performance rights tranche	No. granted	Value of performance rights granted at the grant date (i)	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of share-based payments
Peter Cumins	Tranche 1 & 2	10,000,000	$4,865,040	Nil	Nil	n/a	57.6%
Ian Day	Tranche 1 & 2	200,000	$80,490	Nil	Nil	n/a	10.9%
Ralph Groom	Tranche 1 & 2	230,000	$92,564	Nil	Nil	n/a	13.7%
Michael Cooke	Tranche 1 & 3	3,000,000	$1,066,260	Nil	Nil	n/a	51.5%
David Patrick	Tranche 1 & 2	170,000	$68,417	Nil	Nil	n/a	11.8%
Mike Osborne	Tranche 1 & 2	100,000	$40,245	Nil	Nil	n/a	10.2%

(i) The value of performance rights granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

No share based payments were exercised or lapsed during the year.

KEY TERMS OF EMPLOYMENT CONTRACTS

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

Contract of employment for David Patrick requires a notice period of 12 months by either party. Contracts of employment for Richard Pilgrim and Mike Osborne require a notice period of not less than three months by either party. In the event of termination by the company the company may elect that the executive does not serve the notice period in which case three months' salary would be payable. The contracts are rolling with no fixed term.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included at the end of the financial statements.

NON-AUDIT SERVICES

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

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

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 4 to the financial statements.

The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the Corporations Act 2001.

For and on behalf of the Board

PETER CUMINS

Director

Perth, Western Australia

Date: 12 September 2012

Corporate Governance

BOARD

The Board is responsible for setting the Company's strategic direction and it strives to create shareholder value and to ensure shareholders funds are adequately protected. Its functions include:

- Approving corporate strategies, financial budgets and group policies;
- Assessing actual performance against budgets in order to monitor the suitability of corporate strategy and to assess the performance of the management team;
- Review operational performance to ensure a clear understanding of the financial health of the Company;
- Ensure the Company always acts with a high level of ethical standards and in a legal and responsible way;
- Appointing, evaluating and rewarding the senior executives of the management team.

The non-executive directors, being Mr Reginald Webb, Mr John Yeudall, Mr William Love and Mr Joseph Beal, are independent, having no business or other relationships, which could compromise their autonomy. If a potential conflict of interest does arise, the director concerned does not receive the associated board papers and leaves the board meeting while the issue is considered. Directors must keep the Board advised on any matters that may lead to a conflict of interest. The Board has not conducted a performance evaluation in the current reporting period. A formal Board Charter has been adopted by the Board.

AUDIT COMMITTEE

The audit committee was established in 1995 and comprises of the four non-executive directors appointed by the Board, being Mr John Yeudall (Chairman), Mr Reginald Webb, Mr William Love and Mr Joseph Beal, and with regular attendance by the managing director at the request of the audit committee.

Meetings of the committee are usually held in February and August each year and at any other time as requested by a member of the committee or the external auditors. The primary function of the committee is to assist the Board in fulfilling its responsibilities for the Company's financial reporting and external reporting and ensuring all accounting reports are prepared in accordance with the appropriate accounting standards and statutory requirements. In addition, it reviews the performance of the auditors and makes any recommendations the committee feels necessary.

INDEPENDENT PROFESSIONAL ADVICE

In fulfilling their duties, the directors may obtain independent professional advice at the Company's expense.

SHARE TRADING

Included in the Board Charter is a share trading policy. This policy imposes restrictions on share dealings for directors, officers and senior employees and prohibits them from dealing in Company's securities while in possession of inside information.

REMUNERATION COMMITTEE

The remuneration committee was established on 26 May 1997 and comprises of the four non-executive directors, being Mr John Yeudall (Chairman), Mr Reginald Webb, Mr William Love and Mr Joseph Beal. The aims of the committee are to maintain a remuneration policy, which ensures the remuneration package of senior executives properly reflects their duties and responsibilities, and to attract and motivate senior executives of the quality required.

NOMINATION COMMITTEE

The nomination committee comprises of the four non-executive directors, being Mr John Yeudall (Chairman), Mr Reginald Webb, Mr William Love and Mr Joseph Beal, and the managing director Mr Peter Cumins. The aim of the committee is to ensure that the board continues to operate within the established guidelines.

DIVERSITY

Cash Converters adopted a Diversity Policy and set measurable objectives for achieving gender diversity.

The Nomination and Remuneration Committee is accountable to the Board for ensuring the Diversity Policy is implemented in respect of the Board and the process for identifying and selecting new Directors. The Managing Director is accountable to the Board for ensuring the Diversity Policy is implemented throughout the Cash Converters' workforce. Senior executives and all personnel involved in recruitment are expected to ensure this Policy is implemented and integrated into all of Cash Converters' activities.

Cash Converters recognises the value contributed to the company by employing people with varying skills, cultural backgrounds, characteristics and experience. Cash Converters believes its diverse workforce is the key to its continued growth, improved productivity and performance.

Cash Converters has adopted a diversity strategy in relation to gender diversity, and investigated the reporting capacity of business units for the purposes of determining diversity targets.

The Board has set specific gender diversity targets as follows:

Target	Date for completion
The next Board appointments desirably should be female with appropriate skills and attributes	When it is appropriate to expand or refresh the Board
To increase the number of women in senior management positions* with appropriate skills and attributes	When it is appropriate to expand or refresh the senior executive team
At least 35% of employees should be female with appropriate skills and attributes.	Annually by 30 June each year

* *Senior management are defined as members of senior management of the Group as well as the senior managers direct report to members of senior management.*

Cash Converters has achieved its targets in relation to full time and part time employees during the year. There were no vacancies for Board and senior management appointments during the year.

Of 5 Board positions, all 5 (100%) were held by men.

Of 17 senior management positions, 13 (76.5%) were held by men and 4 (2%) were held by women.

Of 627 full time and part time employees, 395 (63%) were men and 232 (37%) were women.

As at 30 June 2012, the proportion of women employed by the Cash Converters Group is set out in the table below:

	Full time	Part time/Casual	Total	
Female	203	29	232	37%
Male	363	32	395	63%
Total	566	61	627	100.0%

ASX BEST PRACTICE RECOMMENDATIONS

The table below contains each of the ASX Best Practice Recommendations. Where the Company has complied with a recommendation during the reporting period, this is indicated with a tick (✓) in the appropriate column.

		Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	✓	
1.2	Disclose the process for evaluating the performance of senior executives.	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	✓	
2.1	A majority of the Board should be independent directors	✓	
2.2	The Chairperson should be an independent director	✓	
2.3	The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual	✓	
2.4	The Board should establish a nomination committee	✓	
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	
2.6	Provide the information indicated in Guide to reporting on Principle 2	✓	
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:		
	3.1.1 the practices necessary to maintain confidence in the Company's integrity	✓	
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	✓	
3.3	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives of achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓	
3.4	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓	
3.5	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior management positions and women on the board.	✓	
3.6	Provide the information indicated in Guide to reporting on Principle 3	✓	
4.1	The Board should establish an audit committee	✓	
4.2	Structure of the audit committee so that it consists of:		
	- only non-executive directors	✓	
	- a majority of independent directors	✓	
	- an independent chairperson, who is not chairperson of the Board	✓	
	- at least three members	✓	
4.3	The audit committee should have a formal charter	✓	
4.4	Provide the information indicated in Guide to reporting on Principle 4	✓	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclose requirements to ensure accountability at a senior management level for that compliance	✓	
5.2	Provide the information indicated in Guide to reporting on Principle 5	✓	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	
6.2	Provide the information indicated in Guide to reporting on Principle 6	✓	

ASX BEST PRACTICE RECOMMENDATIONS (continued)

		Complied	Note
7.1	The Board or appropriate board committee should establish policies on risk oversight and management	✓	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
7.4	Provide the information indicated in Guide to reporting on Principle 7	✓	
8.1	The Board should establish a remuneration committee	✓	
8.2	The remuneration committee should be structured so that it: - consist of a majority of independent directors - is chaired by an independent director - has at least three members	✓	
8.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	✓	
8.4	Provide the information indicated in Guide to reporting on Principle 8	✓	

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $	Restated* 2011 $
Franchise fees	2a	10,470,248	11,263,886
Financial services revenue	2b	88,867,388	58,456,503
Sale of goods	2c	87,219,838	73,430,360
Pawn broking fees		15,063,225	12,245,282
Financial services commission	2d	31,924,510	29,706,157
Other revenues	2e	809,586	1,282,016
Revenue		234,354,795	186,384,204
Cost of Sales	2f	(76,844,286)	(58,334,478)
Gross Profit		157,510,509	128,049,726
Other income	2g	-	1,173,933
Administrative expenses	2h	(55,059,600)	(42,908,894)
Advertising expenses		(4,747,899)	(7,198,614)
Occupancy expenses	2i	(12,737,066)	(9,221,525)
Other expenses	2j	(41,152,613)	(29,627,931)
Finance costs	2k	(2,388,057)	(996,136)
Profit before income tax		41,425,274	39,270,559
Income tax expense	3	(12,009,250)	(11,578,126)
Profit for the year		29,416,024	27,692,433
Other comprehensive income			
Exchange differences on translation of foreign operations		(1,001,398)	(3,605,578)
Other comprehensive income for the year		(1,001,398)	(3,605,578)
Total comprehensive income for the year		28,414,626	24,086,855
Profit attributable to:			
Owners of the company		29,416,024	27,692,433
Non-controlling interest		-	-
		29,416,024	27,692,433
Total comprehensive income attributable to:			
Owners of the company		28,414,626	24,086,855
Non-controlling interest		-	-
		28,414,626	24,086,855
Earnings per share			
Basic (cents per share)	23	7.75	7.28
Diluted (cents per share)	23	7.63	7.23

**Refer note 14 for further information.*

The accompanying notes form an integral part of the consolidated statement of comprehensive income

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	As of 1 July 2011 Restated*	2010 Restated*
		$	$	$
Current assets				
Cash and cash equivalents	5	16,415,161	23,456,996	50,716,388
Trade and other receivables	6	10,862,191	9,028,292	8,172,853
Personal loan receivables	6	86,951,171	64,156,414	41,598,787
Inventories	7	17,078,602	14,068,118	10,707,497
Other assets	8	4,185,030	2,204,346	1,432,939
Total current assets		135,492,155	112,914,166	112,628,464
Non-current assets				
Trade and other receivables	6	6,129,701	2,475,982	3,117,286
Plant and equipment	9	19,581,363	13,112,279	6,810,314
Deferred tax assets	3	4,812,130	1,304,615	1,489,264
Goodwill	15	77,249,320	76,859,229	54,280,310
Other intangible assets	14	15,478,179	14,336,398	10,533,662
Other financial assets	29	4,000,000	2,625,000	1,250,000
Total non-current assets		127,250,693	110,713,503	77,480,836
Total assets		262,742,848	223,627,669	190,109,300
Current liabilities				
Trade and other payables	10	19,578,758	19,700,490	10,513,380
Borrowings	11	11,283,694	4,632,376	3,280,316
Current tax payables		7,102,330	6,714,380	5,404,919
Deferred establishment fees	13	4,058,936	2,899,313	1,773,041
Provisions	12	2,657,437	2,018,178	1,415,261
Total current liabilities		44,681,155	35,964,737	22,386,917
Non-current liabilities				
Borrowings	11	31,365,458	17,979,211	10,616,687
Provisions	12	63,275	123,276	-
Total non-current liabilities		31,428,733	18,102,487	10,616,687
Total liabilities		76,109,888	54,067,224	33,003,604
Net assets		186,632,960	169,560,445	157,105,696
Equity				
Issued capital	16	116,812,467	116,812,467	116,812,467
Reserves	17	(3,366,804)	(4,320,255)	(1,421,453)
Retained earnings	17	73,186,248	57,067,184	41,399,168
Equity attributable to owners of the company		186,631,911	169,559,396	156,790,182
Non-controlling interests	20	1,049	1,049	315,514
Total equity		186,632,960	169,560,445	157,105,696

**Refer note 14 for further information.*

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital $	Foreign currency translation reserve $	Other reserves $	Retained earnings $	Attributable to owners of the parent $	Non-controlling interest $	Total $
Balance as at 1 July 2010	116,812,467	(1,421,453)	-	47,149,168	162,540,182	315,514	162,855,696
Effect of prior year adjustment (note 14)	-	-	-	(5,750,000)	(5,750,000)	-	(5,750,000)
Balance as at 1 July 2010 (restated)	116,812,467	(1,421,453)	-	41,399,168	156,790,182	315,514	157,105,696
Profit for the year (restated)	-	-	-	27,692,433	27,692,433	-	27,692,433
Exchange differences arising on translation of foreign operations	-	(3,605,578)	-	-	(3,605,578)	-	(3,605,578)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year (restated)	-	(3,605,578)	-	27,692,433	24,086,855	-	24,086,855
Payment of dividends	-	-	-	(12,338,882)	(12,338,882)	-	(12,338,882)
Share-based payments	-	-	706,776	-	706,776	-	706,776
Acquisition of non-controlling interest	-	-	-	314,465	314,465	(314,465)	-
Balance at 30 June 2011 (restated)	116,812,467	(5,027,031)	706,776	57,067,184	169,559,396	1,049	169,560,445
Profit for the year	-	-	-	29,416,024	29,416,024	-	29,416,024
Exchange differences arising on translation of foreign operations	-	(1,001,398)	-	-	(1,001,398)	-	(1,001,398)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(1,001,398)	-	29,416,024	28,414,626	-	28,414,626
Payment of dividends	-	-	-	(13,296,960)	(13,296,960)	-	(13,296,960)
Share-based payments	-	-	1,954,849	-	1,954,849	-	1,954,849
Balance at 30 June 2012	116,812,467	(6,028,429)	2,661,625	73,186,248	186,631,911	1,049	186,632,960

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		168,133,670	151,422,264
Payments to suppliers and employees		(184,185,267)	(146,404,583)
Interest received		720,451	967,215
Interest received from personal loans		58,348,866	36,699,053
Net increase in personal loans		(21,924,151)	(16,962,067)
Interest and costs of finance paid		(2,388,057)	(908,564)
Income tax paid		(15,337,914)	(10,026,325)
Net cash flows provided by operating activities	5	3,367,598	14,786,993
Cash flows from investing activities			
Net cash paid for acquisitions of controlled entities	30	(6,130,534)	(26,995,105)
Acquisition of intangible asset	14	(2,183,593)	(2,531,994)
Proceeds from sale of plant and equipment		12,991	-
Purchase of plant and equipment		(9,760,995)	(6,980,372)
Payment to acquire financial assets		(1,375,000)	(1,375,000)
Instalment credit loans made to franchisees		-	(218,000)
Instalment credit loans repaid by franchisees		632,174	504,709
Net cash flows used in investing activities		(18,804,957)	(37,595,762)
Cash flows from financing activities			
Dividends paid – members of parent entity	24	(11,119,638)	(12,338,882)
Proceeds from borrowings		22,700,000	12,000,000
Repayment of borrowings		(2,293,178)	(2,620,604)
Capital element of finance lease and hire purchase payments		(336,270)	(365,961)
Redemption of unsecured notes by controlled entity		-	(189,100)
Net cash flows (used in)/provided by financing activities		8,950,914	(3,514,547)
Net decrease in cash and cash equivalents		(6,486,445)	(26,323,316)
Cash and cash equivalents at the beginning of the year		23,456,996	50,716,388
Effects of exchange rate changes on the balance of cash held in foreign currencies		(555,390)	(936,076)
Cash and cash equivalents at the end of the year	5	16,415,161	23,456,996

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial report of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors on 12 September 2012.

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise noted, all amounts are presented in Australian dollars.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of recoverable value of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the reporting date was $77,249,320 (2011: $76,859,229, 2010: $54,280,310) refer to note 15.

Useful lives of other intangible assets

The consolidated entity reviews the estimated useful lives of other intangible assets at the end of each annual reporting period. The estimation of the remaining useful lives of the other intangible assets requires the entity to make significant estimates based on both past performance and expectations of future performance.

The carrying amount of other intangible assets at the balance sheet date was $15,478,179 (2011: $14,336,398, 2010: $10,533,662) refer to note 14.

Allowance for doubtful debts

The impairment of personal loans requires the consolidated entity to assess impairment regularly. The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at reporting date based on their experienced judgment. The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics. The historical loss experience is adjusted based on current observable data and events. The use of such judgments and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Specific provisioning is applied when the full collectibles of one of the Group's loans is identified as being doubtful.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Presentation of consolidated statement of comprehensive income

The presentation and related classification of amounts included in the consolidated statement of comprehensive income has been amended in this year's financial report with revenue and expenses now classified by function. As a result of this amendment the comparative information has been reclassified to be comparable to the current year presentation. This amended classification by function has been adopted because it more accurately reflects the consolidated entity's operations given the significant growth in the stores and financial services operations over the last year. This amended classification has had no effect on the profit before or after tax in either years presented.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) BORROWINGS

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash in banks and investments in short term money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(c) EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(d) FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified as 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(e) FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at the fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue policies.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(f) FOREIGN CURRENCY

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(g) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(h) IMPAIRMENT OF OTHER TANGIBLE AND INTANGIBLE ASSETS

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(i) INCOME TAX

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) INCOME TAX (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Tax consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Cash Converters International Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(j) INTANGIBLE ASSETS

Trade names

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

Reacquired rights

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

Intangible assets acquired in a business combination

All potential intangible assets including software and reacquired rights, acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Web site development costs

Development expenditure incurred is recognised when it is possible that future economic benefits that are attributable to the asset will flow to the entity. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised on a straight line basis over the estimated useful life of 10 years.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(j) INTANGIBLE ASSETS (continued)

Goodwill

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

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

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

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

(k) INVENTORIES

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

(l) LEASED ASSETS

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

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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

(m) PAYABLES

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(n) PRINCIPLES OF CONSOLIDATION (continued)

Non-controlling interests in subsidiaries are identified separately from the consolidated entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the consolidated entity's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the consolidated entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the consolidated entity loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(o) PLANT AND EQUIPMENT

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

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

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

(p) PROVISIONS

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) REVENUE RECOGNITION

Income from franchisees is recognised as follows:

Franchise sales/renewals

Fees in respect of the initial sale of a franchise licence and fees from the renewal of a franchise licence are recognised on an accruals basis. Income is recognised in full upon the sale's completion or upon the renewal of the licence as all material services and/or conditions relating to the sale or renewal have been fully performed or satisfied by the economic entity.

Continuing franchise fees/levies

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

Instalment credit loan interest

Interest received from franchisees in respect of instalment credit loans is recognised as income when earned. The effective interest rate method has been used to allocate fixed interest to accounting periods.

Personal loan interest

Interest revenue in relation to personal loans is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net carrying amount.

Loan establishment fee revenue

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

Other categories of revenue

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

(r) SHARE-BASED PAYMENTS

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

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

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

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(s) BUSINESS COMBINATIONS

Subsequent to 1 July 2009

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the consolidated entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the consolidated entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the financial report, a number of Standards and Interpretations including those Standards and Interpretations issued by the IASB/IFRIC where an Australian equivalent has not been made by the AASB, were in issue but not yet effective.

Management is currently evaluating the impact that the initial application of the following Standards and Interpretations will have on the financial report of the consolidated entity:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standard arising from AASB 9 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'*	1 January 2012	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

* *The IASB have recently deferred the application date of the IFRS equivalent to this standard until 1 January 2015.*

At the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and interpretations have not yet been issued and have not been adopted by the Company for the year ended 30 June 2012.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
Annual Improvements 2009-2011 cycle	1 January 2013	30 June 2014

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

Notes to the Consolidated Financial Statements

	2012 $	2011 $
2. REVENUE AND EXPENSES		
2a FRANCHISE FEES		
Weekly franchise fees	6,706,001	7,429,222
Initial fees and renewals	359,944	364,965
Advertising levies	433,500	423,950
Training levies	995,677	819,373
Computer levies	1,975,126	2,226,376
	10,470,248	11,263,886
2b FINANCIAL SERVICES REVENUE		
Instalment credit loan interest	859,020	1,533,730
Personal loan interest	58,348,866	36,699,053
Loan establishment fees	19,149,666	12,061,881
Licence fees	10,509,836	8,161,839
	88,867,388	58,456,503
2c SALE OF GOODS		
Retail sales	82,994,669	68,557,287
Retail wholesales	4,225,169	4,873,073
	87,219,838	73,430,360
2d FINANCIAL SERVICES COMMISSION		
Cheque cashing commission	894,315	1,518,730
Financial services commission	31,030,195	28,187,427
	31,924,510	29,706,157
2e OTHER REVENUE		
Rent	5,490	44,366
Interest	720,451	1,092,694
Other	83,645	144,956
	809,586	1,282,016
2f COST OF SALES		
Sale of goods	50,460,070	45,367,420
Personal loan bad debts	26,124,541	12,417,776
Cash advance bad debts	2,082,003	1,657,281
Franchise fees bad debts	229,872	530,941
Recovery of bad debts	(2,052,200)	(1,638,940)
	76,844,286	58,334,478
2g OTHER INCOME		
Gain in relation to reduction in contingent consideration (i)	-	1,173,933
2h ADMINISTRATIVE EXPENSES		
Employee benefits	49,031,507	38,123,290
Share based payments	1,954,849	706,776
Superannuation expense	2,493,127	2,816,123
Motor vehicle/travel costs	1,580,117	1,262,705
	55,059,600	42,908,894

2. REVENUE AND EXPENSES (continued)

2i OCCUPANCY EXPENSES

Rent	7,945,304	7,347,525
Outgoings	3,182,358	593,323
Other	1,609,404	1,280,677
	12,737,066	9,221,525

2j OTHER EXPENSES

Legal fees	1,633,387	1,443,175
Area agent fees/commission	12,560,893	11,164,409
Professional and registry costs	2,369,875	3,103,040
Auditing and accounting services	923,034	1,071,653
Bank charges	3,160,371	1,747,409
(gains)/ Loss on disposal of assets	(3,040)	3,963
Loss in relation to increase in contingent consideration (i)	1,756,528	-
Other expenses from ordinary activities	14,459,785	8,129,802
Depreciation	3,213,294	2,006,222
Amortisation	1,078,486	958,258
	41,152,613	29,627,931

2k FINANCE COSTS

Interest	2,334,925	914,525
Finance lease charge	53,132	81,611
	2,388,057	996,136

(i) Changes in contingent consideration associated with earn-out payments made. Please refer to note 30 for further information.

3. INCOME TAX

(a) CONSOLIDATED INCOME STATEMENT

The major components of income tax expense for the years ended 30 June 2012 and 2011 are:

	2012 $	2011 $
Tax expense comprises:		
Current tax expense	15,491,547	11,927,760
Adjustments in respect of current income tax of previous year	25,218	(436,737)
Deferred tax expense relating to the origination and reversal of temporary differences	(3,507,515)	87,103
Total income tax expense reported in income statement	12,009,250	11,578,126

A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate for the years ended 30 June 2012 and 2011 is as follows:

Accounting profit before tax from continuing operations	41,425,274	39,270,559
At Australia's statutory income tax rate of 30% (2011: 30%)	12,427,582	11,781,168
Adjustments in respect to current income tax of previous years	25,218	(436,737)
Non-deductible expenses for tax purposes	220,918	237,653
Other	(664,468)	(3,958)
Income tax expense reported in the consolidated income statement	12,009,250	11,578,126

3. INCOME TAX (continued)

(b) DEFERRED TAX

Deferred tax relates to the following:

	Consolidated statement of financial position	
	2012 $	2011 $
Deferred Tax Assets		
Allowance for doubtful debts	4,579,395	2,137,084
Accruals	343,656	869,855
Provision for employee entitlements	803,547	628,620
Other provisions	520,738	89,250
Deferred income	935,999	702,973
Other	375,892	160,849
	7,559,227	4,588,631
Deferred Tax Liabilities		
Prepayments	-	-
Fixed assets	(504,430)	(249,145)
Intangible assets	(2,210,059)	(2,913,787)
Other (foreign operations)	(32,608)	(121,084)
	(2,747,097)	(3,284,016)
Net deferred tax assets	4,812,130	1,304,615

Reconciliation of deferred tax assets net

	2012 $	2011 $
Opening balance as of 1 July	1,304,615	1,489,264
Tax income/(expense) during the period recognised in profit or loss	3,507,515	(87,103)
Other	-	(97,546)
Closing balance as at 30 June	4,812,130	1,304,615

(c) UNRECOGNISED DEFERRED TAX BALANCES

The following deferred tax assets have not been brought to account as assets:

Tax losses – revenue	166,511	166,511
Tax losses – capital (i)	-	2,721,601
	166,511	2,888,112

(i) *Following the completion of a Comprehensive Risk Review conducted by the Australian Taxation Office, capital losses which have been carried forward to date have been disallowed, pending completion of the necessary release documentation in relation to the debt forgiveness. These losses had never been recognised in the financial statements as a result of not satisfying the recognition criteria of AASB 112 'Income Taxes'.*

3. INCOME TAX (continued)

(d) TAX CONSOLIDATION

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Cash Converters International Limited. The members of the tax-consolidated group are identified in note 20.

Nature of tax funding arrangements and tax sharing agreements

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

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

4. REMUNERATION OF AUDITORS

	2012 $	2011 $
Auditor of the parent entity		
Audit or review of the financial report	337,892	430,812
Taxation services	265,642	474,022
Other non-audit services*	274,500	123,939
Related practice of the parent entity auditor		
Audit	45,000	34,537
Taxation services	-	8,343
	923,034	1,071,653

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

* *Relates to Prospectus related work*

5. CASH AND CASH EQUIVALENTS

	2012 $	2011 $	2010 $
On hand	2,368,736	1,332,401	1,651,071
In bank	14,046,425	22,124,595	49,065,317
	16,415,161	23,456,996	50,716,388
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:			
Cash and cash equivalents	16,415,161	23,456,996	50,716,388
Bank overdraft	-	-	-
	16,415,161	23,456,996	50,716,388

5. CASH AND CASH EQUIVALENTS (continued)

Reconciliation of net profit after tax to net cash flows from operations	2012 $	2011 $
Profit after tax	29,416,024	27,692,433
Non-cash adjustment to reconcile profit after tax to net cash flows:		
Amortisation	1,078,486	958,258
Depreciation	3,213,294	2,006,222
Share based payment transaction expense	1,954,849	706,776
Bad debts written off	26,384,215	12,967,058
Gain on sale of plant and equipment	(3,040)	66,528
Net exchange difference	-	11,941
Change in assets and liabilities:		
(Increase)/Decrease in inventories	(3,010,484)	(2,119,299)
(Increase)/Decrease in prepayments	(1,819,274)	2,027,584
(Increase)/Decrease in trade and loan receivables	(55,460,175)	(37,554,948)
Increase/(Decrease) in trade payables and accruals	4,326,851	5,800,813
Increase/(Decrease) in employee and other provisions	603,939	824,013
(Increase)/Decrease in income tax payable	213,027	1,309,462
Increase/(Decrease) in deferred tax	(3,530,114)	242,340
Increase/(Decrease) in fees receivable rolled into loans to/from other related entities	-	(152,188)
Net Cash flows from operating activities	3,367,598	14,786,993

6. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $	2010 $
Current			
Trade receivables (i)	5,680,176	4,651,276	7,265,523
Allowance for impairment losses	(2,231,580)	(1,338,980)	-
	3,448,596	3,312,296	7,265,523
Instalment credit loans (ii)	1,070,543	306,655	907,330
Allowance for impairment losses	(124,456)	-	-
	946,087	306,655	907,330
Total trade receivables (net)	4,394,683	3,618,951	8,172,853
Other receivables (iv)	6,467,508	5,409,341	-
Total trade and other receivables	10,862,191	9,028,292	8,172,853
Personal short term loans (iii)	101,527,892	73,352,248	46,771,032
Allowance for impairment losses	(14,576,721)	(9,195,834)	(5,172,245)
Total personal loan receivables (net)	86,951,171	64,156,414	41,598,787
Total Current	97,813,362	73,184,706	49,771,640
Non-current			
Instalment credit loans (ii)	1,079,921	2,475,982	3,117,286
Loans (v)	5,049,780	-	-
Total Non-current	6,129,701	2,475,982	3,117,286

6. TRADE AND OTHER RECEIVABLES (continued)

i. Trade debtors include weekly franchise fees, wholesale sales, pawn broking fees, cash advance fees, default fees and OTC fees. Where the collection of the debtor is doubtful an allowance for impairment losses is recognised, with no allowance being recognised at 30 June 2010. The average credit period on sales is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2% per month on the outstanding balance.

ii. The instalment credit loans relate to Cash Converters Finance Corporation Limited and Cash Converters Pty Ltd and have a maximum maturity of 5 years. Interest rates are fixed at the time of entering into the contract at the rate of 12% or 13% depending on the repayment options agreed with each franchisee.

To secure the instalments credit loans a fixed and floating charge is held over the franchisee's store. Where collection of the debtor is doubtful and the assessed value of the property is less than the amount outstanding, an allowance for impairment losses is recognised for the shortfall.

iii. The credit period provided in relation to personal short term loans varies from 30 days to 7 months. Interest is charged on these loans at a fixed rate which varies dependent on the state or country of origin. An allowance has been made for estimated unrecoverable amounts arising from loans already issued, which has been determined by reference to past default experience. Before accepting any new customers, the consolidated entity uses an external scoring system to assess the potential customer's credit quality and define credit limits by customer. There is no concentration of credit risk within the personal loan book.

iv. Other receivables include GST receivables, development agent fees outstanding, sub-master license sales, Mon-E fees and financial commission.

v. Unsecured loan advanced to Greenlight Auto Group Pty Ltd with a maturity date of 31 December 2016. Interest is paid quarterly in arrears at the rate of 15% per annum.

As at 30 June 2012, personal loan receivables of $14,576,721 (2011: $9,195,834) were impaired and fully provided for.

See below for the movements in the provision for impairment of personal loan receivables.

	$
At 1 July 2010	5,172,245
Impairment losses recognised on receivables	17,475,086
Amounts written off as uncollectible	(13,451,497)
Impairment losses reversed	-
Unwind of discount	-
At 30 June 2011	9,195,834
Impairment losses recognised on receivables	25,367,160
Amounts written off as uncollectible	(19,986,273)
Impairment losses reversed	-
Unwind of discount	-
At 30 June 2012	14,576,721

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

As at 30 June 2012, the ageing analysis of personal loan receivables is as follows:

	Total $	0-30 days $	31-60 days PDNI* $	61-90 days PDNI* $	+ 90 days PDNI* $	+ 90 days CI* $
2012	101,527,893	81,186,504	1,908,925	1,071,514	2,784,229	14,576,721
2011	73,352,248	63,091,613	669,222	390,126	5,453	9,195,834

* *PDNI: past due not impaired*
CI: considered impaired

6. TRADE AND OTHER RECEIVABLES (continued)

As at 30 June 2012, trade receivables and instalment credit loans of $2,356,036 (2011: $1,338,980) were impaired and fully provided for. See below the movements in the provision for impairment of trade receivables.

	$
At 1 July 2010	730,372
Impairment losses recognised on receivables	608,607
Amounts written off as uncollectible	-
Impairment losses reversed	-
Unwind of discount	-
At 30 June 2011	1,338,980
Impairment losses recognised on receivables	1,017,056
Amounts written off as uncollectible	-
Impairment losses reversed	-
Unwind of discount	-
At 30 June 2012	2,356,036

As at 30 June 2012, the ageing analysis of trade receivables is as follows:

	Total $	0-30 days $	31-60 days PDNI* $	61-90 days PDNI* $	+ 90 days PDNI* $	+ 90 days CI* $
2012	7,830,640	3,291,450	144,539	8,770	2,029,845	2,356,036
2011	7,433,913	2,743,950	83,600	61,202	3,206,181	1,338,980

* *PDNI: past due not impaired*

CI: considered impaired

	2012 $	2011 $	2010 $
7. INVENTORIES			
New and pre-owned goods at cost	17,078,602	14,068,118	10,707,497
8. OTHER ASSETS			
Current			
Prepayments	4,185,030	2,204,346	1,432,939

9. PLANT AND EQUIPMENT

	Leasehold improvements at cost $	Plant and equipment at cost $	Equipment under finance lease at cost $	Leasehold Improvements under finance lease Total $	Total $
Cost					
Balance as at 1 July 2010	265,795	10,457,742	62,700	-	10,786,237
Acquisition through business combinations	-	1,376,492	-	-	1,376,492
Additions	447,644	7,013,396	-	-	7,461,040
Disposals	(12,522)	(169,111)	-	-	(181,633)
Net foreign currency exchange differences	(61,833)	(759,313)	-	-	(821,146)
Balance as at 30 June 2011	639,084	17,919,206	62,700	-	18,620,990
Transfers (refer note 14)	2,276,421	(3,472,731)	18,970	1,049,277	(128,063)
Additions	4,627,702	5,133,293	-	-	9,760,995
Disposals	-	(30,041)	-	-	(30,041)
Net foreign currency exchange differences	(18,599)	(67,646)	-	-	(86,245)
Balance as at 30 June 2012	7,524,608	19,482,081	81,670	1,049,277	28,137,636
Depreciation					
Balance as at 1 July 2010	129,001	3,846,922	-	-	3,975,923
Disposals	-	(115,105)	-	-	(115,105)
Depreciation expense	4,420	1,993,964	7,838	-	2,006,222
Net foreign currency exchange differences	(17,189)	(341,140)	-	-	(358,329)
Balance as at 30 June 2011	116,232	5,384,641	7,838	-	5,508,711
Transfers (refer note 14)	486,511	(891,107)	17,983	307,595	(79,018)
Disposals	-	(15,123)	-	-	(15,123)
Depreciation expense	717,266	2,351,036	13,634	131,358	3,213,294
Net foreign currency exchange differences	(5,827)	(65,764)	-	-	(71,591)
Balance as at 30 June 2012	1,314,182	6,763,683	39,455	438,953	8,556,273
Net book value					
As at 1 July 2010	136,794	6,610,820	62,700	-	6,810,314
As at 30 June 2011	522,852	12,534,565	54,862	-	13,112,279
As at 30 June 2012	6,210,426	12,718,398	42,215	610,324	19,581,363

10. TRADE AND OTHER PAYABLES

	2012 $	2011 $	2010 $
Current			
Trade payables	5,630,588	9,480,585	6,522,134
Accruals	13,948,170	10,194,905	3,696,046
Unsecured notes	-	-	270,200
Other	-	25,000	25,000
	19,578,758	19,700,490	10,513,380

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the allowed credit period in order to avoid the payment of interest on outstanding accounts. Unsecured notes do not earn interest and are repayable on demand should a franchisee leave the franchise network, but otherwise will be credited to the consolidated entity's income in payment of a note holder's franchise renewal fee, at the end of the initial franchise term.

11. BORROWINGS

All borrowings are secured

	2012 $	2011 $	2010 $
Current			
Bank overdrafts (i)	-	-	-
Loans (i)	11,003,340	4,296,104	2,934,993
Hire purchase and lease liabilities (note 19) (ii)	280,354	336,272	345,323
	11,283,694	4,632,376	3,280,316
Non-current			
Loans (i)	31,167,831	17,501,231	9,811,275
Hire purchase and lease liabilities (note 19) (ii)	197,627	477,980	805,412
	31,365,458	17,979,211	10,616,687
Financing arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Credit standby arrangements			
Total facilities			
Bank overdrafts	453,163	456,519	934,624
Variable rate bill facility	40,959,000	39,259,000	10,559,000
Term loans	1,212,171	1,538,335	2,187,268
	42,624,334	41,253,854	13,680,892
Used at balance date			
Bank overdrafts	-	-	-
Variable rate bill facility	40,959,000	20,259,000	10,559,000
Term loans	1,212,171	1,538,335	2,187,268
	42,171,171	21,797,335	12,746,268
Unused at balance date			
Bank overdrafts	453,163	456,519	934,624
Variable rate bill facility	-	19,000,000	-
Term loans	-	-	-
	453,163	19,456,519	934,624

i. The bank overdraft and the loans payable (which includes term loans and a variable rate bill facility) are secured by a fixed and floating charge over the total assets of the entity and a cross guarantee from the parent entity. There have been no breaches of loan covenants during the current or prior period.

ii. Hire purchase and lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates are variable and are currently between two and two and three quarter percentage points above the bank base rate. Refer to note 18 for further information in relation to financial instruments.

Loan covenants and review events

The Consolidated Entity has borrowing facilities with Westpac Banking Corporation and HSBC plc in Australia and the United Kingdom respectively. All facilities are subject to various loan covenants, and in the case of Australia are also subject to review events.

During the years ended 30 June 2012 and 2011 there were no breaches of loan covenants.

	2012 $	2011 $	2010 $
12. PROVISIONS			
Current			
Employee benefits	2,615,215	1,972,948	1,398,311
Fringe benefits tax	42,222	45,230	16,950
	2,657,437	2,018,178	1,415,261
Non Current			
Employee benefits	63,276	123,276	-
	63,276	123,276	-
13. DEFERRED ESTABLISHMENT FEES			
Deferred establishment fees	4,058,936	2,899,313	1,773,041

Deferred establishment fees relate to establishment fees charged on personal loans

	Reacquired rights (i) $	Trade names/ customer relationship (ii) $	Software $	Software under finance lease $	Total $
14. OTHER INTANGIBLE ASSETS					
Cost					
Balance as at 1 July 2009	-	13,002,835	2,414,569	434,570	15,851,974
Additions (restated) (a)	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 1 July 2010 (restated)	-	13,002,835	2,414,569	434,570	15,851,974
Acquisitions through business Combinations (refer note 30)	2,037,000	192,000	-	-	2,229,000
Additions	1,126,494	-	1,393,481	12,018	2,531,993
Disposals	-	-	-	-	-
Balance as at 30 June 2011 (restated)	3,163,494	13,194,835	3,808,050	446,588	20,612,967
Additions	122,530	-	2,061,063	-	2,183,593
Disposals	-	-	-	-	-
Net foreign currency exchange differences	(43,092)	-	(1,054)	-	(44,146)
Transfers (refer note 9)	-	-	128,063	-	128,063
Balance as at 30 June 2012	3,242,932	13,194,835	5,996,122	446,588	22,880,477
Amortisation					
Balance as at 1 July 2010	-	4,228,347	1,089,965	-	5,318,312
Amortisation charge (restated) (a)	485,466	197,313	116,067	159,412	958,258
Disposals	-	-	-	-	-
Balance as at 30 June 2011 (restated)	485,466	4,425,660	1,206,032	159,412	6,276,570
Amortisation charge	444,185	109,686	459,297	65,318	1,078,486
Disposals	-	-	-	-	-
Net foreign currency exchange differences	(31,701)	-	(75)	-	(31,776)
Transfers (refer note 9)	-	-	79,018	-	79,018
Balance as at 30 June 2012	897,950	4,535,346	1,744,272	224,730	7,402,298

14. OTHER INTANGIBLE ASSETS (continued)

	Reacquired rights (i) $	Trade names/ customer relationship (ii) $	Software $	Software under finance lease $	Total $
Net book value					
At 1 July 2010 (restated)	-	8,774,488	1,324,604	434,570	10,533,662
At 30 June 2011 (restated)	2,678,029	8,769,175	2,602,018	287,176	14,336,398
At 30 June 2012	2,344,982	8,659,489	4,251,850	221,858	15,478,179

a) PRIOR YEAR ADJUSTMENT

The Group has recently concluded discussions with the United Kingdom Financial Reporting Review Panel (FRRP) in relation to the accounting that was adopted for the acquisition, during the year ended 30 June 2010, of a right previously held by Quickdraw Financial Solutions Pty Ltd to provide the cash advance platform and associated services to Franchisees within South Australia and the Northern Territories. This transaction had originally been treated as the acquisition of a reacquired right and amortised over its useful economic life of 100 years from the date of acquisition.

Following discussions with the FRRP, and as disclosed in the Group's financial report for the half-year ended 31 December 2011, it has been concluded that the payment made should have been accounted for as a termination payment in accordance with AASB 138 *'Intangible Assets'* and not capitalised and subsequently amortised.

Consequently, the accounting treatment has been amended by restating the affected line items within the consolidated Statement of Financial Position as at 30 June 2011 and 30 June 2010 and the consolidated statement of comprehensive income for the year ended 30 June 2011.

The adjustment resulted in a reduction of $5,750,000 and $5,693,000 as at 1 July 2010 and 30 June 2011 respectively to other intangible assets and retained earnings with a consequent reduction in net assets of the same amount and a $57,000 increase in net profit for the year ended 30 June 2011 being amortisation previously charged.

There is no material impact on earnings per share or cashflows for either of the periods presented.

i) The useful economic life of reacquired rights is assessed on an individual asset basis in accordance with AASB 3 *Business Combination* and AASB 138 *Intangible Assets*, where the useful economic life is equal to the remaining life of each stores franchise agreement with the consolidated entity, in place at the acquisition date.

   The useful economic life of customer relationships is assessed on an individual asset basis, but is not more than four years from the date of acquisition. The directors review the economic useful life on a regular basis.

   The useful economic life of reacquired rights is assessed on an individual asset basis, but is not more 100 years from the date of acquisition. The directors review the economic useful life on a regular basis.

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

	2012 $	2011 $	2010 $

15. GOODWILL

Gross carrying amount			
Balance at beginning of financial year	76,858,229	54,280,310	49,873,170
Additional amounts recognised from business combinations occurring during the period	-	23,917,733	4,385,298
Adjustments arising on the finalisation of acquisition accounting (i)	-	-	377,642
Foreign exchange movement	391,091	(1,338,814)	(355,800)
Balance at the end of the financial year	77,249,320	76,859,229	54,280,310
Accumulated impairment losses			
Balance at the beginning of the financial year	-	-	-
Impairment losses for the year	-	-	-
Balance at end of financial year	-	-	-
Net book value			
At the beginning of the financial year	76,859,229	54,280,310	49,873,170
At the end of the financial year	77,249,320	76,859,229	54,280,310

(i) The acquisition accounting in relation to the acquisition of certain former franchise stores which was completed provisionally as at 30 June 2009. The acquisition accounting was finalised during the year ended 30 June 2010 as permitted under AASB 3 Business Combinations. The net impact of these changes was to increase goodwill by $377,642.

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Financial services - administration (MON-E)
- Financial services – personal loans (Cash Converters Personal Finance)
- Corporate Stores (Australia)
- Corporate Stores (UK)

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

	2012 $	2011 $	2010 $
Financial services – administration (MON-E)	17,292,967	17,292,967	17,292,967
Financial services – personal loans (Cash Converters Personal Finance)	16,780,684	16,780,684	16,780,684
Corporate Stores (Australia)	35,587,145	35,587,145	13,845,295
Corporate Stores (UK)	7,588,524	7,198,433	6,361,364
	77,249,320	76,859,229	54,280,310

FINANCIAL SERVICES – ADMINISTRATION (MON-E)

The recoverable amount for MON-E is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15% per annum (2011: 15% per annum).

Cash flows beyond the one-year period have been extrapolated using a steady 5% per annum growth rate. Management believes that any reasonably possible change in the key assumptions in which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

15. GOODWILL (continued)

FINANCIAL SERVICES – PERSONAL LOANS (CASH CONVERTERS PERSONAL FINANCE)

The recoverable amount for Cash Converters Personal Finance is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15% per annum (2011: 15% per annum).

Cash flows beyond the one-year period have been extrapolated using a steady 5% per annum growth rate. Management believes that any reasonably possible change in the key assumptions in which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

CORPORATE STORES (UK & AUSTRALIA)

The recoverable amount for Corporate Stores is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15% per annum (2011: 15% per annum). Separate cash flow projections have been prepared for both the UK and Australia.

Cash flows beyond the one-year period have been extrapolated using a steady 5% per annum growth rate. Management believes that any reasonably possible change in the key assumptions in which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

16. ISSUED CAPITAL

(a) FULLY PAID ORDINARY SHARES (NUMBER)

	2012 No. Shares	2011 No. Shares
Balance at beginning of financial year	379,761,025	379,761,025
Shares issued during the year	-	-
Share buy-back	-	-
Balance at end of financial year	379,761,025	379,761,025

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

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

(b) FULLY PAID ORDINARY SHARES (VALUE)

	2012 $	2011 $
Balance at the beginning of the year	116,812,467	116,812,467
New shares issued (net of issue costs)	-	-
Share buy-back	-	-
Balance at the end of the financial year	116,812,467	116,812,467

Until 31 August 2011, Cash Converters UK Holdings PLC securities were stapled securities. These securities were stapled to Cash Converters International Limited shares and were issued on a one for one basis. Following the Dividend Access Share unwind procedure completed on 31 August 2011, these securities were bought back and cancelled. Accordingly, there are no longer any securities stapled to the Cash Converters International Limited shares.

17. RESERVES AND RETAINED EARNINGS

(a) RESERVES

	2012 $	2011 $	2010 $
Foreign currency translation reserve	(6,028,429)	(5,027,031)	(1,421,453)
Share-based payment reserve	2,661,625	706,776	-
Acquisition earnout reserve	-	-	-
Balance at the end of the financial year	(3,366,804)	(4,320,255)	(1,421,453)

FOREIGN CURRENCY TRANSLATION RESERVE

Balance at the beginning of the financial year	(5,027,031)	(1,421,453)	(873,818)
Translation of foreign operations	(1,001,398)	(3,605,578)	(547,635)
Balance at the end of the financial year	(6,028,429)	(5,027,031)	(1,421,453)

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

SHARE-BASED PAYMENT RESERVE

Balance at the beginning of the financial year	706,776	-	-
Arising from share-based payment	1,954,849	706,776	-
Balance at the end of the financial year	2,661,625	706,766	-

The share-based payment reserve arises due to the grant of share-based payments by the Company under the Executive Performance Rights Plan.

ACQUISITION EARNOUT RESERVE

Balance at the beginning of the financial year	-	-	1,133,333
Contingent consideration agreed for the year	-	-	(1,133,333)
Balance at the end of the financial year	-	-	-

Under the terms of the acquisition in regard to the Safrock Group 8,500,000 earn-out shares may be issued in tranches as soon as practicable after the end of the relevant financial year subject to meeting certain earnings targets. The end of the first relevant financial period was 30 June 2007 with the earnings targets being met resulting in 2,833,333 earn-out shares being issued. A further 2,833,333 earn-out shares were issued for the period ending 30 June 2008 following the earn-out target being met. The balance of 2,833,334 earn-out shares were issued during the year ended 30 June 2010. The acquisition earn-out reserve is used to record a reasonable estimate of the likely equity to be issued in relation to earn-out targets pertaining to the acquisition of Safrock. An equity reserve is used to record this amount due to a fixed number of equity instruments to be issued.

17. RESERVES AND RETAINED EARNINGS (continued)

(b) RETAINED EARNINGS

	2012 $	2011 $	2010 $
Balance at the beginning of the financial year	57,067,184	41,399,168	34,758,496
Net profit attributable to members of the parent entity (i)	29,416,024	27,692,433	15,879,922
Acquisition of non-controlling interest	-	314,465	-
Dividends provided for or paid (note 24)	(13,296,960)	(12,338,882)	(9,239,250)
Balance at the end of the financial year	73,186,248	57,067,184	41,399,168

(i) Net profit for the year ended 30 June 2010 has been restated. Refer note 14 for further information

18. FINANCIAL INSTRUMENTS

(a) CAPITAL RISK MANAGEMENT

The consolidated entity manages its capital to maximise the return to stakeholders through the optimisation of the debt and equity balance whilst ensuring that the consolidated entity is able to continue as a going concern. The consolidated entity's overall strategy remains unchanged from prior year.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 17 respectively.

The consolidated entity operates globally, primarily through subsidiary companies established in the markets in which the consolidated entity trades. None of the consolidated entity's operations are subject to externally imposed capital requirements.

The consolidated entity's policy is to borrow both centrally and locally, using a variety of borrowing facilities, to meet anticipated funding requirements.

(b) CATEGORIES OF FINANCIAL INSTRUMENTS

	2012 $	2011 $	2010 $
Financial assets			
Cash and cash equivalents	16,415,161	23,456,996	50,716,388
Trade and other receivables	16,991,892	11,504,274	11,290,139
Personal loans receivable	86,951,171	64,156,414	41,598,787
Other financial assets (loans receivables)	4,000,000	2,625,000	1,250,000
Financial liabilities			
Trade and other payables	19,578,758	19,700,490	10,513,380
Borrowings	42,649,152	22,611,587	13,897,003

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

(c) FINANCIAL RISK MANAGEMENT OBJECTIVES

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

(d) MARKET RISK

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 18(e)) and interest rates (refer note 18(f)).

There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

18. FINANCIAL INSTRUMENTS (continued)

(e) FOREIGN CURRENCY RISK MANAGEMENT

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are relatively small and spot rates are normally used.

The carrying amount of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
	$	$	$	$
United States Dollars	-	3,694	-	-

(f) INTEREST RATE RISK MANAGEMENT

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

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used because this represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the consolidated entity's:

- Net profit would increase/decrease by approximately $155,736 (2011: increase/decrease by approximately $16,908).

The Consolidated entity's sensitivity to interest rates has decreased during the current period mainly due to additional borrowings.

(g) CREDIT RISK MANAGEMENT

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

18. FINANCIAL INSTRUMENTS (continued)

(h) LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Included in note 11 is a listing of additional undrawn facilities that the company/consolidated entity has at its disposal to further reduce liquidity risk

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	1 year or less $	1 to 5 years $	More than 5 years $	Total $
2012					
Non-interest bearing	-	19,578,758	-	-	19,578,758
Finance lease liability	8.50	308,481	204,065	-	512,546
Variable interest rate instruments	5.30	13,249,257	35,242,008	-	48,491,265
		33,136,496	35,446,073	-	68,582,569
2011					
Non-interest bearing	-	19,700,490	-	-	19,700,490
Finance lease liability	8.50	389,405	512,546	-	901,951
Variable interest rate instruments	5.60	5,641,847	21,316,112	-	26,957,959
		25,731,742	21,828,658	-	47,560,400

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

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

	Weighted average effective interest rate %	1 year or less $	1 to 5 years $	More than 5 years $	Total $
2012					
Non-interest bearing	-	9,916,104	-	-	9,916,104
Variable interest rate instruments	2.81	16,876,427	-	-	16,876,427
Fixed interest rate instruments	125.9	131,701,790	5,807,247	-	137,509,037
		158,494,321	5,807,247	-	164,301,568
2011					
Non-interest bearing	-	8,721,637	-	-	8,721,637
Variable interest rate instruments	4.05	24,407,004	-	-	24,407,004
Fixed interest rate instruments	122.18	101,733,804	3,218,778	-	104,952,582
		134,862,445	3,218,778	-	138,081,223

18. FINANCIAL INSTRUMENTS (continued)

(i) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity and company approximates the carrying value.

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

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

19. LEASES

(a) FINANCE LEASES

Leasing arrangements

Finance leases relate to computer equipment and motor vehicles with lease terms of up to 5 years. The consolidated entity has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

	Minimum future lease payments		Present value of minimum future lease payments	
	2012 $	2011 $	2012 $	2011 $
Finance lease and hire purchase expenditure contracted for at balance sheet date, payable:				
Within one year	308,482	389,405	280,354	336,270
Later than one, not later than five years	204,065	512,546	197,626	477,980
	512,547	901,951	477,980	814,250
Less future finance charges	(34,567)	(87,701)	-	-
	477,980	814,250	477,980	814,250
Included in the financial statement as:				
Current borrowings (note 11)			280,354	336,270
Non-current borrowings (note 11)			197,626	477,980
			477,980	814,250

(b) OPERATING LEASES

Leasing arrangements

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

	2012 $	2011 $
Non-cancellable operating lease commitments payable:		
Within one year	6,903,488	6,617,621
Later than one, not later than five years	15,852,488	16,167,028
Later than five years	5,519,524	5,755,537
	28,275,500	28,540,186

Operating lease commitments relate to head office premises in Australia, the regional offices in the UK and around Australia and the corporate stores in the UK and Australia. Cash Converters hold an option to renew on the Australian premises.

(c) COMMITMENT FOR CAPITAL EXPENDITURE

At 30 June 2012 capital expenditure commitments were $300,000 (2011: $250,000).

20. RELATED PARTY DISCLOSURES

(a) KEY MANAGEMENT PERSONNEL REMUNERATION

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

- R. Webb (Chairman, non-executive director)
- P. Cumins (Managing director, executive)
- J. Yeudall (Non-executive director)
- M. Cooke (Legal counsel)
- D. Patrick (Chief executive officer - UK)
- I. Day (General manager – Australia)
- R. Groom (Company secretary / chief financial officer)
- M. Osborne (Company secretary / chief financial officer – UK)
- R. Pilgrim (Operations manager – UK)

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

	2012 $	2011 $
Short-term employee benefits	3,118,202	3,272,766
Long-term employee benefits	17,914	19,965
Post-employee benefits	249,781	150,000
Share-based payment (i)	1,925,491	706,776
Total compensation	**5,311,388**	**4,149,507**

(i) Please refer to note 28 for further information.

(b) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Fully paid ordinary shares held in Cash Converters International Limited

	Balance at 1 July 2011 No.	Granted as remuneration No.	Received on exercise of options No.	Acquisition/ (disposal) of shares No.	Balance at 30 June 2012 No.	Balance held indirectly No.
Directors						
P. Cumins	8,026,030	-	-	27,000	8,053,030	-
R. Webb	1,112,500	-	-	-	1,112,500	-
J. Yeudall	295,668	-	-	-	295,668	-
W. Love	-	-	-	-	-	-
J. Beal	-	-	-	-	-	-
Other key management personnel						
I. Day	3,681,174	-	-	-	3,681,174	-
R. Groom	3,073,784	-	-	(196,333)	2,877,451	-
D. Patrick	-	-	-	-	-	-
M. Osborne	-	-	-	-	-	-
M. Cooke	4,500,000	-	-	-	4,500,000	-
R. Pilgrim	-	-	-	-	-	-
	20,689,156	-	-	(169,333)	20,519,823	-

20. RELATED PARTY DISCLOSURES (continued)

(b) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (continued)

Fully paid ordinary shares held in Cash Converters International Limited

	Balance at 1 July 2010 No.	Granted as remuneration No.	Received on exercise of options No.	Acquisition/ (disposal) of shares No.	Balance at 30 June 2011 No.	Balance held indirectly No.
Directors						
P. Cumins	7,840,530	-	-	185,500	8,026,030	-
R. Webb	1,112,500	-	-	-	1,112,500	-
J. Yeudall	295,668	-	-	-	295,668	-
P. Cowan	-	-	-	-	-	-
W. Love	-	-	-	-	-	-
J. Beal	-	-	-	-	-	-
Other key management personnel						
I. Day	3,659,260	-	-	21,914	3,681,174	-
R. Groom	3,007,347	-	-	66,437	3,073,784	-
J. Spratley	-	-	-	-	-	-
D. Patrick	-	-	-	-	-	-
M. Cooke	4,500,000	-	-	-	4,500,000	-
R. Pilgrim	-	-	-	-	-	-
	20,415,305	-	-	273,851	20,689,156	-

(c) PERFORMANCE RIGHTS/OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

	Balance at 1 July 2011	Granted as remuneration	Options/rights exercised	Net change Other (a)	Balance at 30 June 2012	Vested at 30 June 2012 Total	Exercisable	Not exercisable
30 June 2012								
Director								
P. Cumins	10,000,000	-	-	-	10,000,000	-	-	-
Executives								
M. Cooke	-	3,000,000	-	-	3,000,000	-	-	-
R. Groom	-	230,000	-	-	230,000	-	-	-
I. Day	-	200,000	-	-	200,000	-	-	-
D. Patrick	-	170,000	-	-	170,000	-	-	-
M. Osborne	-	100,000	-	-	100,000	-	-	-
Total	10,000,000	3,700,000	-	-	13,700,000	-	-	-

	Balance at 1 July 2010	Granted as remuneration	Options/rights exercised	Net change Other (a)	Balance at 30 June 2011	Vested at 30 June 2011 Total	Exercisable	Not exercisable
30 June 2011								
Director								
P. Cumins	-	10,000,000	-	-	10,000,000	-	-	-
Total	-	10,000,000	-	-	10,000,000	-	-	-

(a) Includes forfeitures

20. RELATED PARTY DISCLOSURES (continued)

(d) LIST OF SUBSIDIARIES

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name of entity	Country of incorporation	Ownership interest 2012	Ownership interest 2011
Parent entity			
Cash Converters International Limited (i)	Australia		
Directly controlled by Cash Converters International Limited			
Cash Converters Pty Ltd (ii) (iii)	Australia	100%	100%
Cash Converters UK Holdings PLC	UK	100%	100%
Cash Converters USA Limited (note 22c)	Australia	99.285%	99.285%
Mon-e Pty Ltd (ii) (iii)	Australia	100%	100%
Safrock Finance Group Pty Ltd (ii) (iii)	Australia	100%	100%
Safrock Finance Corporation (QLD) Pty Ltd (ii) (iii)	Australia	100%	100%
Safrock Finance Corporation (WA) Pty Ltd (ii) (iii)	Australia	100%	100%
Finance Administrators of Australia Pty Ltd (ii) (iii)	Australia	100%	100%
Cash Converters (Stores) Pty Ltd (ii) (iii)	Australia	100%	100%
Cash Converters (Cash Advance) Pty Ltd (ii) (iii)	Australia	100%	100%
Directly controlled by Cash Converters (Stores) Pty Ltd			
BAK Property Pty Ltd	Australia	100%	100%
Directly controlled by Cash Converters Pty Ltd			
Cash Converters Finance Corporation Limited	Australia	50.85%	50.85%
Directly controlled by Cash Converters USA Limited			
Cash Converters USA Inc	USA	100%	100%

i. Cash Converters International Limited is the head entity within the tax consolidated group.

ii. These companies are members of the tax consolidated group.

iii. These wholly owned subsidiaries have entered into a deed of cross guarantee with Cash Converters International Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

20. RELATED PARTY DISCLOSURES (continued)

(e) STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

The consolidated statement of comprehensive income and statement of financial position of the entities party to the cross guarantee are:

Statement of comprehensive income

	2012 $	2011 $
Franchise fees	7,451,333	7,855,602
Financial services revenue	67,680,932	50,286,678
Sale of goods	37,912,518	32,901,011
Pawn broking fees	13,760,833	10,945,993
Financial services commission	30,276,541	27,063,260
Other revenue	1,234,729	2,953,663
Revenue	158,316,886	132,006,207
Cost of Sales	(35,807,073)	(28,154,600)
Gross Profit	122,509,813	103,851,607
Administrative expenses	(44,768,883)	(35,852,164)
Advertising expenses	(4,457,197)	(3,630,229)
Occupancy expenses	(8,362,871)	(6,951,555)
Other expenses	(23,181,065)	(17,451,947)
Finance costs	(2,345,987)	(950,216)
Profit before income tax	39,393,810	39,015,496
Income tax expense	(10,963,644)	(11,860,716)
Profit for the year	28,430,167	27,154,780
Other comprehensive income for the year	-	-
Total comprehensive income for the year	28,430,167	27,154,780

20. RELATED PARTY DISCLOSURES (continued)

Statement of financial position

	2012 $	2011 $
Current assets		
Cash and cash equivalents	14,638,072	21,820,180
Trade receivables	8,762,812	6,485,250
Personal loans receivable	68,707,507	55,408,225
Inventories	7,934,784	7,266,754
Other assets	2,523,686	2,204,346
Total current assets	102,566,861	93,184,755
Non-current assets		
Trade and other receivables	46,954,299	29,988,958
Other financial assets	4,463,481	3,088,480
Plant and equipment	9,898,010	7,098,366
Deferred tax assets	6,559,225	4,587,017
Goodwill	70,314,521	68,266,948
Other intangible assets	12,500,340	11,295,942
Total non-current assets	150,689,876	124,325,711
Total assets	253,256,737	217,510,466
Current liabilities		
Trade and other payables	14,146,011	15,563,183
Borrowings	10,980,354	4,336,271
Current tax payables	6,090,607	6,925,314
Deferred establishment fees	3,119,998	2,339,244
Provisions	2,657,437	2,003,765
Total current liabilities	36,994,407	31,167,777
Non-current liabilities		
Borrowings	30,456,626	16,736,980
Provisions	63,276	123,276
Deferred tax liabilities	1,652,135	3,186,974
Total non-current liabilities	32,172,037	20,047,230
Total liabilities	69,166,444	51,215,007
Net assets	184,090,293	166,295,459
Equity		
Issued capital	116,812,467	116,812,467
Reserves	2,578,931	(82,691)
Retained earnings	64,698,895	49,565,683
Parent entity interest	184,090,293	166,295,459
Minority interests	-	-
Total equity	184,090,293	166,295,459

20. RELATED PARTY DISCLOSURES (continued)

RETAINED EARNINGS

	2012 $	2011 $
Retained earnings as at the beginning of the financial year (i)	49,565,683	34,435,319
Prior year adjustment	-	-
Net profit	28,430,167	27,154,780
Transfer from minority interests	-	314,465
Dividends provided for or paid	(13,296,955)	(12,338,882)
Retained earnings as at the end of the financial year	64,698,895	49,565,683

(i) Net profit for the year ended 30 June 2010 has been restated. Refer note 14 for further information

(f) NON-CONTROLLING INTERESTS IN CONTROLLED ENTITIES

Non-controlling interests hold 83,936 - one cent ordinary units in Cash Converters USA Limited, being 0.715% of the total equity of the company.

Non-controlling interests in controlled entities comprises:

	2012 $	2011 $	2010 $
Contributed capital	2,749,821	2,749,821	3,256,903
Accumulated losses	(2,748,772)	(2,748,772)	(2,941,389)
	1,049	1,049	315,514

21. CONTINGENT LIABILITIES

In the course of its normal business the consolidated entity occasionally receives claims and writs for damages and other matters arising from its operations. Where in the opinion of the directors it is deemed appropriate a specific provision is made, otherwise the directors deem such matters are either without merit or of such kind or involved 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.

CCIL has agreed to provide ongoing financial support to CCUK, CCUSA and CCPL for the foreseeable future.

The directors are not aware of any other material contingent liabilities in existence at 30 June 2012 requiring disclosure in the financial statements.

22. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year the directors are not aware of any matter or circumstance, other than those mentioned below, that has significantly or may significantly affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent financial years.

As a result of various recommendations made by the Parliamentary Joint Committee on Corporations and Financial Services and the Senate Economics Legislation Committee, the Government implemented a number of changes to the Consumer Credit Legislation Amendment (Enhancements) Bill 2012. On 27th June, 2012 the House of Representatives of the Federal Parliament passed the Bill. The Bill was passed by the Senate on 20 August 2012 and is awaiting Royal Assent.

The Bill contains a number of responsible lending obligations which will take effect from 1st March, 2013. The main impact of the legislation for Cash Converters relates to the definition of small amount credit contracts and the limits on fees and charges imposed with respect to such contracts. These provisions take effect from 1st July, 2013. In summary, the provisions impose the following regime which effectively applies to all the micro lending (in Australia) engaged in by Cash Converters:

- Definition of small amount credit contracts - loans for a term of at least 16 days but not exceeding 1 year and for an amount not exceeding $2,000;
- Fees and charges - an establishment fee is permitted capped at 20% of the loan amount which is actually received by the borrower. A monthly fee of 4% can be charged. This is a flat charge on the original amount lent (excluding any fees and charges included in the loan amount). It can be charged for a month or part of a month. For example, on $100 lent for 32 days, a monthly fee charge of $8.00 is permitted plus an establishment fee of $20. There is a 200% total cap on what can be recovered from a borrower. This effectively means that the total fees and charges cannot exceed the amount which the borrower receives;
- Protected Earnings Amount - for Centrelink dependent consumers (whose predominant source of income is Centrelink benefits), the amount of the loan repayments is capped at 20% of their income.

This outcome from the Legislative process is positive for Cash Converters as a significant proportion of our earnings are generated from the provision of short term credit. These rate caps give us a sustainable business model that will see these earnings increase as our volumes continue to grow. The legislation also provides a framework to regulate the industry and therefore protect vulnerable members of society from unscrupulous operators.

23. EARNINGS PER SHARE

	2012 Cents per share	2011 Cents per share
Basic earnings per share (cents per share)	7.75	7.28
Diluted earnings per share (cents per share)	7.63	7.23
	$	**$**
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings	29,416,024	27,692,433
	Number	**Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	379,761,025	379,761,025
Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statements as follows:		
	$	**$**
Net profit	29,416,024	27,692,433
Earnings used in the calculation of basic earnings per share	29,416,024	27,692,433
Diluted earnings per share		
The earnings used in the calculation of diluted earnings per share are equal to those used in basic earnings per share		
Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	379,761,025	379,761,025
Performance rights (note 28)	5,562,842	2,334,247
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	385,323,867	382,095,272

The number of potential ordinary shares not included in the above calculation is 7,800,000 (2011:6,000,000).

24. DIVIDENDS

The directors of the Company paid a fully franked interim dividend of 1.75 (one and a half) cents per share on 30 March 2012. The directors have also declared a final fully franked dividend of 1.75 (one and three quarter) cents per share to be paid on 28 September 2012 to those shareholders on the register at the close of business on 14 September 2012. The Company has Australian franking credits available of $33,890,145 on a tax paid basis (2011: $26,222,572).

	2012		2011	
Fully paid ordinary shares	**Cents per share**	**Total $**	**Cents per share**	**Total $**
Recognised amounts				
Interim dividend: Franked to 100% at 30%	1.75	6,651,132	1.75	6,645,818
Final dividend: Franked to 100% at 30%	1.75	6,645,828	1.50	5,693,064
		13,296,960		12,338,882
Unrecognised amounts				
Final dividend: Franked to 100% at 30%	1.75	6,645,818	1.75	6,645,818

	2012 No.	**2011 No.**
25. EMPLOYEE NUMBERS		
Average number of employees during the financial year	627	492

26. SEGMENTAL INFORMATION

Information reported to the consolidated entity's Managing Director for the purposes of resource assessment and assessment of performance is focused on the nature of the service and category of customer. The consolidated entity's reportable segments under AASB 8 Operating Segments are therefore as follows:

Franchise operations

This involves the sale of franchises for the retail sale of second had goods and the sale of master licences for the development of franchises in countries around the world.

Store Operations

This involves the retail sale of second hand goods at corporate owned stores in Australia and the UK.

Financial services – personal loans

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

Financial services – administration

This segment includes Mon-e which is responsible for providing the internet platform and administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies.

26. SEGMENTAL INFORMATION (continued)

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

	Segment revenues Year ended		Segment results Year ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Franchise operations	23,500,770	27,440,899	6,054,033	6,509,558
Store operations	122,844,139	100,877,291	5,628,791	8,569,649
Financial services – administration	16,584,676	13,866,216	13,651,754	12,319,667
Financial services - personal loans	87,087,517	56,629,355	33,477,570	24,420,011
Inter-segment elimination of revenue	(15,903,306)	(13,424,001)	-	-
	234,113,796	185,389,760	58,812,148	51,818,885
Corporate head office income/(costs)	240,999	994,444	(17,386,874)	(12,548,326)
Total revenue/operating profit	234,354,795	186,384,204	41,425,274	39,270,559
Income tax attributable to operating profit			(12,009,250)	(11,578,126)
Profit after income tax			29,416,024	27,692,433
(Profit) attributable to non-controlling interests			-	-
Profit attributable to members of Cash Converters International Limited			29,416,024	27,692,433

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

The following is an analysis of the consolidated entity's assets by reportable segment:

	30 June 2012 $	30 June 2011 $	30 June 2010 $
Franchise operations	30,633,517	25,421,798	17,951,939
Store operations	97,004,207	87,478,235	56,857,196
Financial services – administration	17,969,354	19,487,180	20,642,038
Financial services - personal loans	108,001,201	84,296,740	61,911,033
Total of all segments	253,608,279	216,683,953	157,362,206
Unallocated assets	9,134,569	6,943,716	32,747,094
Total assets	262,742,848	223,627,669	190,109,300

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

The following is an analysis of the consolidated entity's liabilities by reportable segment:

Franchise operations	1,672,947	1,522,818	1,446,279
Store operations	7,784,823	11,159,910	9,652,376
Financial services - administration	3,268,958	3,062,495	2,494,329
Financial services – personal loans	22,959,081	21,347,017	10,140,157
Total of all segments	35,685,809	37,092,240	23,733,141
Unallocated liabilities	40,424,079	16,974,984	9,270,463
Total liabilities	76,109,888	54,067,224	33,003,604

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

26. SEGMENTAL INFORMATION (continued)

Other segment information:

	Depreciation and amortisation Year ended		Additions to non-current assets Year ended	
	30 June 2012 $	30 June 2011 $	30 June 2012 $	30 June 2011 $
Franchise operations	932,062	1,032,146	2,503,333	1,294,914
Store operations	2,929,703	1,642,458	7,654,477	12,168,463
Financial services - administration	50,649	60,204	-	-
Financial services - personal loans	379,366	229,672	1,786,779	135,149
Total of all segments	4,291,780	2,964,480	11,944,588	13,598,526
Unallocated	-	-	-	-
Total	4,291,780	2,964,480	11,944,588	13,598,526

Geographical Information:

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

	Revenue from external customers Year ended		Non-current assets* Year ended	
	30 June 2012 $	30 June 2011 $	30 June 2012 $	30 June 2011 $
Australia	155,856,400	128,461,517	92,977,654	90,264,494
United Kingdom	77,872,659	57,462,805	19,331,208	14,043,412
Rest of world	625,736	459,882	-	-
	234,354,795	186,384,204	112,308,862	104,307,906

* *Non-current assets excluding those relating to deferred tax assets, trade and other receivables and other financial assets*

	30 June 2012 $	30 June 2011 $

27. PARENT ENTITY DISCLOSURES

FINANCIAL POSITION		
Assets		
Current assets	-	16,200
Non-current assets	169,162,217	149,913,168
Total assets	169,162,217	146,929,368
Liabilities		
Current liabilities	17,814,583	4,000,000
Non-current liabilities	30,259,000	16,259,000
Total liabilities	48,073,583	20,259,000
Net assets	121,088,634	126,670,368
Equity		
Issues capital	116,812,467	116,812,467
Reserves	-	-
Retained earnings	4,276,167	9,857,901
Total equity	121,088,634	126,670,368
FINANCIAL PERFORMANCE		
Profit for the year	110,761	(142,809)
Other comprehensive income	-	-
Total comprehensive income	110,761	(142,809)
Guarantees entered into by parent entity in relation to the debts of its subsidiaries		
Cross guarantees have been provided by the parent entity and its controlled entities as listed on note 20. The fair value of the cross guarantee has been assessed as $Nil based on the underlying performance of the entities in the cross guarantee.		
Guarantee provided under the deed of cross guarantee (i)	2,187,268	2,187,268

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

28. SHARE-BASED PAYMENT PLAN

The Executive Performance Rights Plan, which was approved by shareholders on 30 November 2010, allows the Directors of the Company to issue up to 20,000,000 Performance Rights which will vest into ordinary shares in the Company upon the achievement of certain vesting conditions. On 30 November 2010, the shareholders approved the issue of 10,000,000 Performance Rights under the Plan to Mr Peter Cumins, the Company's Managing Director. During the financial year, the Company's Board of Directors approved a resolution on 15 September 2011 to issue 3,800,000 Performance Rights to members of the Company's senior management team. The rights were issued free of charge. The 10,000,000 Performance Rights to Mr Peter Cumins were split into two Tranches, with Tranche 1 comprising of 4,000,000 Performance Rights and Tranche 2 comprising of 6,000,000 Performance Rights, with the two Tranches containing different vesting conditions. The 3,800,000 Performance Rights were split into three Tranches, with Tranche 1 comprising 1,600,000 performance Rights, Tranche 2 comprising 400,000 Performance Rights and Tranche 3 comprising 1,800,000 Performance Rights. All three Tranches contain different vesting conditions.

Each right entitles the holder to subscribe for one fully paid ordinary shares in the Company at an exercise price of $0.

These Performance Rights vest and are immediately exercised into ordinary shares once certain performance conditions are met.

28. SHARE-BASED PAYMENT PLAN (continued)

The cumulative expense recognised for employee services received by the Company is shown in the table below.

	30 June 2012 $	30 June 2011 $
Balance as at 1 July	706,776	-
Expense arising from equity-settled share-based payment transactions	1,954,849	706,776
Total expenses arising from share-based payment transactions	2,661,625	706,776

Movements in the year

The following table illustrates the number of, and movements in, performance rights during the year. The performance rights were issued free of charge, weighted average exercise price is nil.

	2012 Number	2011 Number
Outstanding 1 July	10,000,000	-
Granted during the year	3,800,000	10,000,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 June	13,800,000	10,000,000
Exercisable at 30 June	-	-

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2012 is 2.5 years.

The weighted average fair value of performance rights granted during the year was $0.37 (2011: $0.49).

Fair value of performance rights:

The fair value of the equity-settled based options granted is estimated as at the date of the grant using a Black Scholes model taking into accounts the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 30 June 2012 and 30 June 2011.

	2012 Tranche 1	2012 Tranche 2	2012 Tranche 3
Dividend yield (%)	7.00	7.00	7.00
Expected future volatility (%)	50.00	50.00	50.00
Risk-free interest rate (%)	3.53	3.53	4.04
Expected life of right (years)	0.8	1.8	4.8
Underlying share price at grant date ($)	0.44	0.44	0.44

	2011 Tranche 1	2011 Tranche 2
Dividend yield (%)	7.00	7.00
Expected future volatility (%)	30.00	30.00
Risk-free interest rate (%)	4.98	4.98
Expected life of right (years)	1.87	5.88
Underlying share price at grant date ($)	0.65	0.65

The dividend yield is based on analysis of the Company's dividend yield over the past 5 years and considered the ability of the company to pay dividends in the future. The expected volatility reflects the assumption that the historical volatility is indicative of future trends over the life of the Performance Rights.

28. SHARE-BASED PAYMENT PLAN (continued)

The following vesting conditions are attached to the performance rights:

Tranche	Vesting hurdle	
Peter Cumins		
1	iv)	Completion of various predefined organisational change initiatives.
	v)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2011 and FY2012.
	vi)	Continuous employment through to vesting determination date, being 14 October 2012.
2	iv)	Completion of various predefined organisational change initiatives.
	v)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2013 – FY2016.
	vi)	Continuous employment through to vesting determination date, being 14 October 2016.
Senior Management		
1	iii)	The Consolidated Entity achieving budgeted Net Profit after tax for the financial year ending 30 June 2012.
	iv)	Continuous employment through to vesting determination date, being 15 September 2012.
2	iii)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2012 and FY2013.
	iv)	Continuous employment through to vesting determination date, being 15 September 2013.
3	iii)	The Consolidated Entity achieving budgeted Net Profit after tax in each of FY2012 – FY2016.
	iv)	Continuous employment through to vesting determination date, being 15 September 2016.

29. OTHER FINANCIAL ASSETS

Cash Converters International Limited has invested in 'Green Light Auto Group Pty Limited' in the form of a convertible note, carrying a 10% coupon rate, paid six monthly in arrears and is secured.

	2012 $	2011 $	2010 $
Balance at the beginning of the financial year	2,650,000	1,250,000	-
Additional investment	1,350,000	1,400,000	1,250,000
Balance at the end of the financial year	4,000,000	2,650,000	1,250,000

30. ACQUISITIONS OF BUSINESS

Acquisition of trade and assets: six stores in the United Kingdom and fifteen stores in Australia

In the prior year the Group acquired the trade and assets of six stores in the UK and 15 stores in Australia. The consideration transferred was $33,414,730 and comprised of cash and contingent consideration component.

This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination $	Fair value adjustments $	Fair value $
Net assets acquired:			
Cash and cash equivalents	261,807	-	261,807
Trade and other receivables	3,254,681	570,879	3,825,560
Inventories	2,285,009	(33,754)	2,251,255
Property plant and equipment	1,141,520	234,972	1,376,492
Intangible assets	-	2,229,000	2,229,000
Trade and other payables	(447,117)	-	(447,117)
Fair value of net identifiable assets acquired	6,495,900	3,001,097	9,496,997
Consideration:			
Consideration satisfied by cash			27,256,912
Deferred and contingent consideration			5,122,534
Other consideration			1,035,284
Total consideration			33,414,730
Goodwill arising on acquisition			23,917,733

The cash outflow on acquisition is as follows:	
Net cash acquired with the stores	261,807
Cash paid	(27,256,912)
Net consolidated cash outflow	(26,995,105)

Some of the acquisitions completed during the prior year included contingent consideration in the form of earn-out payments. These payments were dependent on achieving targets for earnings before interest and taxation for the 12 months following the acquisition.

In accordance with AASB 3 Business Combination the acquirer is required to fair value all acquired assets and liabilities. The valuation of the re-acquired rights and customer relationships (intangible assets) associated with the store purchases had been finalised during the year ended 30 June 2012.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the 21 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 21 stores. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the net profit for the prior year is $3,104,105 attributable to the additional business generated by the 21 stores.

In January 2011, the Goodna store, which was one of the stores acquired by the Consolidated entity in Queensland, was severely damaged as a result of Queensland Floods. The flood resulted in write-offs to inventory, fixtures and fittings, damage to customers' pawned goods and a consequent prolonged store closure.

The prolonged store closure significantly impacted the EBIT for the acquired store group and consequently the potential earn-out. As a result of this the Consolidated Entity entered into an agreement with the Vendor which resulted in a final payment being which as $1,173,933 lower than the estimated during the initial acquisition accounting. This reduction in contingent consideration has been recognized as a gain in the income statement in the prior year. This gain has been recognized as other income (refer note 2).

30. ACQUISITIONS OF BUSINESS (continued)

Amendments to contingent consideration

In August 2010 the Consolidated Entity acquired 7 stores in Queensland from an existing franchisee. Consideration for this acquisition consisted of an initial cash payment and an earn-out payment based on earnings before interest and taxation ("EBIT") for the 12 months following the acquisition. In accordance with AASB 3 *Business Combinations*, the initial acquisition accounting included an estimate of the likely earn-out payments to be made. These stores performed far stronger than anticipated and as a result an additional earn-out payment of $1,756,528 was made to the vendor.

In accordance with AASB 3 *Business Combinations* and consistent with AASB 110 *Events after the reporting period*, given that the final contingent consideration was different to that originally estimated, and the event driving this change was clearly subsequent to the acquisition date, this increase in contingent consideration has been recognised as an expense in the income statement during the year. This loss has been recognised as other expenses (refer note 2).

During the year ended 30 June 2012 payments amounting to $6,130,534 were made relating to deferred and contingent consideration previously recognised and additional earn-out payments made during the year.

31. COMPANY DETAILS

Cash Converters International Limited is a listed public company, incorporated in Australia.

Registered office & principal place of business:

Level 18, 37 St Georges Terrace, PERTH WA 6000, Telephone: +61 8 9221 9111

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. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

c. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

d. the directors have been given the declarations required by s.295A of the Corporations Act 2001

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

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 22 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the directors

PETER CUMINS

Director

Perth, Western Australia

Date: 12 September 2012

Independence Declaration

Deloitte.

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

12 September 2012

Dear Directors

Cash Converters International Limited

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

As lead audit partner for the audit of the financial statements of Cash Converters International Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants

Independent Audit Report to the Members

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Cash Converters International Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 83.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Independent Audit Report to the Members

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cash Converters International Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Cash Converters International Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 29 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Cash Converters International Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 12 September 2012

Shareholder Information

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 13 SEPTEMBER 2012

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders (5% or above) in the Company and the number of equity securities in which they have an interest are set out below:

Name	Number of ordinary shares	Percentage of issued shares
EZCORP Inc	124,418,000	32.29
National Nominees Limited	28,360,033	7.36
HSBC Custody Nominees (Australia) Limited	26,322,671	6.83

DISTRIBUTION OF EQUITY

Distribution schedule of holdings:

	Holders
1 – 1,000	440
1,001 – 5,000	1,111
5,001 – 10,000	797
10,001 – 100,000	1,541
100,001 and over	168
Total number of holders	4,057
Number of holders of less than a marketable parcel	217

TWENTY LARGEST EQUITY SECURITY HOLDERS

	NAME	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARES
1.	EZCORP Inc	124,418,000	32.29
2.	National Nominees Limited	28,360,033	7.36
3.	HSBC Custody Nominees (Australia) Limited	26,322,671	6.83
4.	J P Morgan Nominees Australia Limited	13,219,258	3.43
5.	Alli Nominees Pty Ltd <Madden Account>	11,726,597	3.04
6.	Hosking Financial Investments Pty Ltd <Hosking Investments A/C>	9,000,000	2.34
7.	CS Fourth Nominees Pty Ltd	7,978,956	2.07
8.	Benos Nominees Pty Ltd <The Benson A/C>	7,685,870	1.99
9.	Mrs Diana Kathryn Cumins <Diana Cumins Family No 1 A/C>	5,752,511	1.49
10.	Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account>	5,476,299	1.42
11.	Citicorp Nominees Pty Limited	5,314,373	1.38
12.	Mr Wayne Douglas Hubbard & Mrs Heather Janette Hubbard <Hubbard Retirement Fund A/C>	5,127,260	1.33
13.	Mrs Merle Cooke <Cooke Super Fund A/C>	4,500,000	1.17
14.	Fawngrove Pty Ltd <Global Graziers Family A/C>	4,121,590	1.07
15.	Australian Executor Trustees Limited <No. 1 Account>	4,000,080	1.04
16.	Riolane Holdings Pty Ltd <Cumins Super Fund A/C>	3,432,519	0.89
17.	Mr Peter Cumins <Peter Cumins Family A/C)	2,868,000	0.74
18.	Mr Derek Ralph Groom & Mrs Andreana Debra Groom <R & A Super Fund A/c>	2,446,757	0.63
19.	Navigator Australia LTD <MLC Investment Sett A/C>	2,262,850	0.59
20.	Michael Edward Constable	2,233,801	0.58
		276,247,425	71.69

VOTING RIGHTS

All shares are one class with equal voting rights.

SHAREHOLDER INFORMATION

The shareholder information set out above was applicable as at 13 September 2012.