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***CASH CONVERTERS INTERNATIONAL LIMITED***  
***A.B.N. 39 069 141 546***

***FINANCIAL REPORT***  
***FOR THE YEAR ENDED 30 JUNE 2008***

# Directors' report

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

## Directors' report

In respect of the financial year ended 30 June 2008 the directors of Cash Converters International Limited submit the following report made out in accordance with a resolution of the directors.

### Directors

The following persons held office 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 Andrew Moffat (Non-executive Director)  
Mr Cameron Hetherington (Non-executive Director - appointed July 2007)

### 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 number of corporate stores, all of which trade under the Cash Converters name. Country franchise licences are also sold to sub-franchisors to allow the development of the Cash Converters brand but without the need for support from Cash Converters International Limited.

### Trading results

The consolidated entity's net profit attributable to members of the parent entity for the year ended 30 June 2008 was \$15,143,403 (2007: \$11,557,840) after a charge for income tax of \$6,423,983 (2007: \$5,078,968), and adjusting for profit attributable to outside equity interests in controlled entities of \$31,183 (2007: \$73,306).

### Dividends

The directors of the Company paid a fully franked interim dividend of 1.5 (one and a half) cents per share on 31 March 2008. The directors have also declared a final fully franked dividend of 1.5 (one and a half) cents per share to be paid on 30 September 2008 to those shareholders on the register at the close of business on 16 September 2008. In addition, a fully franked dividend of 1.5 (one and a half) cents per share declared in the prior year was paid on 28 September 2007.

### Review of operations

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

	Segment revenues		Segment results	
	2008	2007	2008	2007
Store operations	43,257,441	22,752,885	4,348,261	2,869,402
Finance operations	30,494,150	22,450,547	17,299,880	13,890,284
	<u>73,751,591</u>	<u>45,203,432</u>	<u>21,648,141</u>	<u>16,759,686</u>
Unallocated revenue/expenses	654,291	776,550	49,572	49,572
	<u>74,405,882</u>	<u>45,979,982</u>		
Operating profit			21,598,569	16,710,114
Income tax attributable to operating profit			<u>(6,423,983)</u>	<u>(5,078,968)</u>
Operating profit after income tax			15,174,586	11,631,146
Less: Profit attributable to outside equity interests			<u>(31,183)</u>	<u>(73,306)</u>
Profit attributable to members of Cash Converters International Limited			<u>15,143,403</u>	<u>11,557,840</u>

## **Directors' report** *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### **Review of operations** *(cont'd)*

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

#### **Store operations**

##### **Australia**

The net profit before tax for the Australian operations (including international franchise revenue) was \$3,508,027 (2007: \$2,442,502) for the period ending June 2008.

The total number of stores open as at 30 June 2008 was 134, with 11 in New South Wales, 31 in Victoria, 44 in Queensland, 20 in South Australia, 25 in Western Australia and 3 in Tasmania.

In October 2007 the group acquired eight stores from HFG (a multi-franchise operation). These stores are now performing well following a few teething problems associated with stock pricing and a change in operating philosophy from a private company to the more corporate environment of a public company. Please refer to Note 29 for further information on the acquisition.

It is clear that the on-line space offers an array of opportunities for enhancing and diversifying the Company's brand and market penetration. During the year we appointed a dedicated e business on-line professional to develop the on-line business channel. The Australian on-line auction site 'CCWebshop' was launched in December. This system is fully integrated with our in-store operating system, CCWIN and will allow franchisees to upload commercial volumes of product for sale. Once a period of 'bedding down' has occurred, the system will be available to the entire network and will be promoted to the wider community.

The possibility of adverse change to financial services legislation is an ever-present threat to our growing position in the micro lending market. On 31 July 2008 the Queensland government capped interest rates at 48% per annum including fees and charges.

Cash Converters now has well over 200,000 customers in Australia who find the Cash Advance product helpful in 'letting them get on with their lives'. The Company supports any legislative approach which remedies unconscionable conduct while preserving the legitimate business which the chain conducts.

It is likely that these legislative reviews will continue at regular intervals and Cash Converters intends to be well positioned to represent the interests of the Company and all stakeholders directly with the various state governments, urging them to consider our recommendations with the aim of achieving a favourable outcome. We have recently appointed a government liaison manager to lead our approach to achieving a favourable result from current and future reviews. However, as far as the Company is concerned, we will do whatever it takes to continue to provide our many thousands of customers with the credit they require and to ensure we maintain our market leadership position.

##### **United Kingdom**

The net profit before tax for the 12 month period ending 30 June 2008 was \$859,932 (2007: \$442,068).

The corporate store division now has 13 stores trading following the recent acquisition, in July 2007, of five stores in the Leeds district. These stores have been purchased from an existing multi-franchisee for a total consideration (equivalent) of \$3.8 million including assets. Additionally, the acquisition of the Longton (Stoke) store was made from an existing franchisee in April 2008. This store is now starting to improve its overall performance and will add to the growing corporate store network.

Total store numbers in the UK stand at 130. A further six stores are planned to open in the three month period to September 2008. A high level of franchise enquiries are still being received, therefore a continued strong growth in store openings is expected. Existing UK franchisees have enjoyed strong business growth in all key income streams and this has encouraged existing franchisees to also increase their store numbers.

The UK auction site continues to grow in income contribution as the product numbers and sales increase. There are now 50 stores with a presence on the site, enjoying the marketing benefits and sales growth.

## **Directors' report** *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### **Review of operations** *(cont'd)*

In summary, excellent progress has been made in achieving the UK business plan and improving the profitability of the UK business. Further store and fee growth plus the acquisition of the Leeds group of stores and financial services income should provide for substantial growth in the next financial year.

### **Finance operations**

This segment incorporates MON-E Pty Ltd which was acquired by Cash Converters International on 13 October 2006, Safrock Finance Group, acquired on 29 September 2006 and Cash Converters Finance Corporation Limited.

Safrock provides loans to customers through the Australian Cash Converters Network. Franchisees act as agents for Safrock and receive commissions for all personal loans transacted through Safrock. At the 30 June 2008 the loan book stood at \$13.8 million with a provision against bad debts of \$1.9 million.

A total of 20,558 (2007: 16,012) loans were approved and a total principal amount of \$28,540,000 (2007: \$23,500,000) was lent out during the period.

Safrock net profit before tax for the year was \$8,219,381 (2007: \$5,805,058).

MON-E operates the internet platform and the software for Cash Converters franchisees and corporate stores who ultimately provide cash advances to their customers. The total commissions received by MON-E increased by 9.3% over the corresponding period last year. The total principal loaned was up 7.4% and customer numbers increased by 18.7%. Currently 100 stores use the MON-E software. The stores in South Australia operate under the "Quickdraw" software from which Cash Converters receive a commission.

MON-E net profit before tax for the year was \$9,014,306 (2007: \$7,992,806).

Cash Converters Finance Corporation Limited (CCFCL) provides working capital loans to the Australian franchise network only. The average loan is for \$150,000 with an interest rate of 12% to 13%. The loan is secured against the assets of the franchised store.

During the period CCFCL made a net profit before tax of \$66,193 (2007: \$92,420).

### **Changes in state of affairs**

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

### **Subsequent events**

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 Company, the results of these operations or the state of affairs of the Company in subsequent financial years.

Cash Converters International Limited advises that its UK subsidiary (CCUK) will acquire, on 22 September 2008, three existing Cash Converters stores in Liverpool in the north of England. The stores have been bought as a going concern for a total consideration of £1.3 million (\$2.8 million) including assets. These stores will add to the 13 existing corporate stores CCUK currently operating in the north of England. This acquisition will be funded by additional borrowings and available cash resources.

### **Future developments**

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.

## Directors' report *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### Information on directors/company secretary

Director/Company Secretary	Qualifications and experience	Special responsibilities	Particulars of directors' relevant interests in shares of Cash Converters International Limited Number
Peter Cumins	Former General Manager of Cash Converters Pty Ltd. A qualified accountant. Joined the Board in 1995.	Managing Director Member of the Nomination Committee	7,637,035
John Yeudall	A Chartered Engineer. Founder of the IKEA franchise in Western Australia. Previously Australian Consul General in Dubai. Joined the Board in 2002. Also non-executive chairman of ISS Group Limited since September 2007. Joined the Board of Advanced Ocular Systems Limited in July 2007. Chairman Hydrogen Technology Ltd since April 2008	Non-Executive Director Member of the Audit and Nomination Committees and Chairman of the Remuneration Committee	295,668
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 Dorsogna Limited since 1996.	Non-Executive Chairman Chairman of the Audit Committee. Member of the Remuneration and Nomination Committees	1,112,500
Andrew Moffat	In excess of 20 years of corporate and investment banking experience. Sole principal of Cowoso Capital Pty Ltd, a company providing strategic corporate advisory services. Also non-executive chairman of Pacific Star Network Limited from September 2004, non-executive director of Infomedia Ltd from March 2007 and executive director of Ausron Limited from December 2007. Prior director of Equity Capital Markets & Advisory for BNP Paribas Equities (Australia) Limited	Non-Executive Director Member of the Remuneration, Audit and Nomination Committees.	Nil
Cameron Hetherington	Cameron Hetherington joined Cash Converters in July 2008. He was previously with Dollar Financial Corporation where he served in a variety of senior management positions. Most recently as the group's Senior Vice President-International Operations. Prior to this he served as Dollar's Senior Vice President and President-U.K. Operations, as well as Managing Director of Dollar Financial U.K. Limited from March 1999 to September 2004. During this time he was responsible for management and strategic development of the UK and European markets.	Non-Executive Director Member of the Remuneration, Audit and Nomination Committees.	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 Group Financial Controller	2,584,618

The particulars of directors' interests in shares are as at the date of this directors' report.

## Directors' report *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### Directors' meetings

The number of directors' meetings and meetings of committees of directors held in the period each director held office and the number of meetings attended by each director are:

Director	Board of directors meetings		Audit committee meetings		Remuneration/nomination committee meetings	
	Number held	Number attended	Number held	Number attended	Number held	Number attended
P. Cumins	14	14	4	4	-	-
R. Webb	14	14	4	4	5	5
J. Yeudall	14	13	4	4	5	5
A. Moffat	14	14	4	4	5	5
C. Hetherington	14	14	4	4	5	5

### Remuneration report

#### 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 for the financial year ended 30 June 2008. 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
- 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 Andrew Moffat (Non-executive Director)
- Mr Cameron Hetherington (Non-executive Director - appointed July 2007)

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)
- Ian Day (General Manager, Australia)
- Ralph Groom (Company Secretary / Group Financial Controller)
- Mark Lemmon (Director of Operations,UK)
- Jim Spratley (Group Accountant,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.

## Directors' report *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### Directors' and executives' remuneration (cont'd)

#### Remuneration policy

The remuneration committee, consisting of 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 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;

#### 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 2008:

	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$	30 June 2004 \$
Revenue	74,405,882	45,979,982	22,628,922	18,608,542	23,354,933
Net profit before tax	21,598,569	16,710,114	6,149,424	4,474,625	5,463,725
Net profit after tax	15,174,586	11,631,146	4,260,941	3,078,296	3,842,397

\* Cash Converters International Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The results for the year ended 30 June 2004 are reported in accordance with Cash Converters International Limited's previous accounting policies as permitted under Australian accounting standards as applicable at that time.

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
Share price at start of year	71.0	45.0	23.0	23.0	9.2
Share price at end of year	24.0	71.0	45.0	23.0	23.0
Interim dividend (i)	1.50	1.50	0.75	0.5	-
Final dividend (i) (ii)	1.50	1.50	1.00	0.5	-
Basic earnings per share (iii)	6.28	5.29	2.88	2.27	2.88
Diluted earnings per share (iii)	6.12	5.14	2.88	2.27	2.65

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

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

(iii) Cash Converters International Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The basic and diluted earnings per share for the year ended 30 June 2004 were calculated in accordance with Cash Converters International Limited's previous accounting policies as permitted under Australian accounting standards as applicable at that time.

In addition, during 2008 Cash Converters International Limited repurchased 4,459,347 shares for \$1,245,873. The shares were repurchased at the prevailing market price on the date of the buy-back.

There is no relationship between share holder wealth and remuneration, however certain bonuses are paid based on performance targets set for the individual concerned as discussed further in the following section.

## Directors' report *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### Directors' and executives' remuneration (*cont'd*)

#### 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	Total
	Salary & fees	Bonus	Motor vehicles	Other	Superannuation	Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$
2008								
Non-executive directors								
R. Webb	78,750	-	-	-	-	-	-	78,750
J. Yeudall	55,500	-	-	-	-	-	-	55,500
A. Moffat	48,165	-	-	-	4,335	-	-	52,500
C. Hetherington	50,023	-	-	-	2,477	-	-	52,500
Executive directors								
P. Cumins	355,662	-	31,973	-	-	-	-	387,635
Other executives of the consolidated entity								
M. Cooke	336,000	-	-	-	-	-	-	336,000
M. Lemmon	197,297	17,344	17,612	-	28,202	-	-	260,455
I. Day	226,000	-	-	-	24,000	-	-	250,000
J. Spratley	167,187	16,312	17,612	-	32,621	-	-	233,732
R. Groom	183,616	-	18,111	14,976	41,907	-	-	258,610
<b>Total</b>	<b>1,698,200</b>	<b>33,656</b>	<b>85,308</b>	<b>14,976</b>	<b>133,542</b>	<b>-</b>	<b>-</b>	<b>1,965,682</b>

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Bonus	Motor vehicles	Other	Superannuation	Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$
2007								
Non-executive directors								
R. Webb	70,000	-	-	-	-	-	-	70,000
J. Yeudall	42,000	-	-	-	-	-	-	42,000
A. Moffat	38,532	-	-	-	3,468	-	-	42,000
Executive directors								
P. Cumins	355,680	-	29,219	-	-	-	-	384,899
Other executives of the consolidated entity								
M. Cooke	320,000	-	-	-	-	-	-	320,000
M. Lemmon	178,685	33,994	16,460	-	27,570	-	-	256,709
I. Day	194,544	30,000	-	-	12,686	-	-	237,230
J. Spratley	175,859	34,313	19,452	-	37,895	-	-	267,519
R. Groom	158,711	-	21,206	14,976	41,908	-	-	236,801
<b>Total</b>	<b>1,534,011</b>	<b>98,307</b>	<b>86,337</b>	<b>14,976</b>	<b>123,527</b>	<b>-</b>	<b>-</b>	<b>1,857,158</b>



## **Directors' report** *continued*

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### **Directors' and executives' remuneration** *(cont'd)*

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.

#### **Bonuses and share-based payments granted as compensation for the current financial year**

##### Bonuses - 2008

The bonuses received by M Lemmon and J Spratley were paid for achieving a profit result for the UK business that was above the forecast result. Bonuses are earned and awarded at the discretion of the Board. The actual bonuses were granted in July/August 2007.

##### Bonuses - 2007

The bonuses received by M Lemmon and J Spratley were paid for achieving a profit result for the UK business that was above the forecast result. I Day received a bonus for achieving a profit result for the Australian business that was above the forecast result. The actual bonuses were granted in July/August 2006 and January/February 2007. Bonuses are earned and awarded at the discretion of the Board.

All bonuses are cash settled and were paid in full during the period concerned. There is no predefined upper or lower limit to the annual bonus pool.

No share based payments were made during the current or prior financial year.

#### **Cash bonus as a percentage of total compensation**

##### 2008:

M. Lemmon: 6.66%

J. Spratley: 6.98%

##### 2007:

M Lemmon: 13.24%

J. Spratley: 12.83%

I. Day: 12.65%

#### **Key terms of employment contracts**

Contracts of employment for Peter Cumins, Michael Cooke, Ralph Groom and Ian Day require a notice period of not less than three months from the executive and twelve 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 twelve months salary would be payable. The contracts are rolling with no fixed term.

Contracts of employment for Mark Lemmon and Jim Spratley 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.

## **Directors' report** *continued*

*CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### **Environmental statement**

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 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.

### **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 return, and generic accounting advice.

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

Reginald Webb  
Director

Perth, Western Australia  
Date: 22 September 2008

# Corporate governance

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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## 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 Andrew Moffat and Mr Cameron Hetherington, 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 Reginald Webb (Chairman), Mr John Yeudall, Mr Andrew Moffat and Mr Cameron Hetherington, and with regular attendance by the managing director at the request of the audit committee.

Meetings of the committee are usually held in February, July 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 Andrew Moffat and Mr Cameron Hetherington, appointed by the Board. 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.

## Corporate governance

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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### 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. Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a cross (×) and the Company's reasons are set out on the corresponding note appearing at the end of the table.

		Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	✓	
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	Provide the information indicated in <i>Guide to reporting on Principle 2</i>	✓	
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	Disclose the policy concerning trading in company securities by Directors, Officers and Employees.	✓	
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i>	✓	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results are in accordance with the relevant accounting standards	✓	
4.2	The Board should establish an audit committee	✓	
4.3	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	×	1
	- at least three members	✓	
4.4	The audit committee should have a formal charter	✓	
4.5	Provide the information indicated in <i>Guide to reporting on Principle 4</i>	✓	

1. The Chairman of the audit committee is also the Chairman of the Board. However, the Directors are of the belief that the Chairman, being a retired partner of PricewaterhouseCoopers, is suitably qualified to undertake both roles.

## Corporate governance

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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 <i>Guide to reporting on Principle 5</i>	✓	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report	✓	
7.1	The Board or appropriate board committee should establish policies on risk oversight and management	✓	
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:  7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects	✓ ✓	
7.3	Provide the information indicated in <i>Guide to reporting on Principle 7</i>	✓	
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	✓	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	✓	
9.2	The Board should establish a remuneration committee	✓	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	✓	
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	✓	
9.5	Provide the information indicated in <i>Guide to reporting on Principle 9</i>	✓	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations	✓	

## Income statement for the financial year ended 30 June 2008

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Revenue</b>	2	<u>74,405,882</u>	<u>45,979,982</u>	<u>8,204,442</u>	<u>6,107,782</u>
Employee benefits expense		(13,010,857)	(7,290,470)	-	-
Depreciation and amortisation expenses		(882,312)	(769,881)	-	-
Finance costs		(963,028)	(198,063)	-	-
Legal fees / legal settlements		(478,977)	(359,638)	-	-
Changes in inventories		(16,745,147)	(7,629,960)	-	-
Area agents fees / commissions		(5,709,839)	(3,544,268)	-	-
Rental expense on operating leases		(2,413,997)	(880,685)	-	-
Motor vehicle/travel costs		(1,016,238)	(965,677)	-	-
Management fees		-	-	(975,000)	(854,000)
Bad debts/bad debt provision		(4,302,072)	(2,608,098)	-	-
Professional and registry costs		(929,264)	(829,877)	-	-
Auditing and accounting services		(391,756)	(245,205)	-	-
Bank charges		(1,177,660)	(963,879)	-	-
Other expenses from ordinary activities	2	(4,786,166)	(2,984,167)	-	-
Profit before income tax expense		<u>21,598,569</u>	<u>16,710,114</u>	<u>7,229,442</u>	<u>5,253,782</u>
Income tax expense	3	(6,423,983)	(5,078,968)	-	-
Profit for the year		<u>15,174,586</u>	<u>11,631,146</u>	<u>7,229,442</u>	<u>5,253,782</u>
Attributable to:	22				
Equity holders of the parent		<u>15,143,403</u>	<u>11,557,840</u>	<u>7,229,442</u>	<u>5,253,782</u>
Minority interest		<u>31,183</u>	<u>73,306</u>	<u>-</u>	<u>-</u>
		<u>15,174,586</u>	<u>11,631,146</u>	<u>7,229,442</u>	<u>5,253,782</u>
<b>Earnings per share</b>					
Basic (cents per share)	24	6.28	5.29		
Diluted (cents per share)	24	6.12	5.14		

The above income statement should be read in conjunction with the accompanying notes.

## Balance sheet as at 30 June 2008

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Current assets</b>					
Cash and cash equivalents	5	16,322,202	14,750,065	-	-
Trade receivables	6	5,161,595	5,422,489	-	-
Personal loans receivable	6	14,280,565	10,926,945	-	-
Inventories	7	3,306,989	772,190	-	-
Other assets	8	281,553	50,389	-	-
<b>Total current assets</b>		<b>39,352,904</b>	<b>31,922,078</b>	<b>-</b>	<b>-</b>
<b>Non-current assets</b>					
Trade and other receivables	6	1,950,157	1,934,291	17,529,498	16,922,996
Other financial assets	22	-	-	43,842,843	36,379,405
Plant and equipment	9	2,580,301	1,313,310	-	-
Deferred tax assets	3	1,851,285	1,589,344	260,236	384,595
Goodwill	15	43,650,114	34,073,651	-	-
Other intangible assets	14	9,876,716	9,900,449	-	-
<b>Total non-current assets</b>		<b>59,908,573</b>	<b>48,811,045</b>	<b>61,632,577</b>	<b>53,686,996</b>
<b>Total assets</b>		<b>99,261,477</b>	<b>80,733,123</b>	<b>61,632,577</b>	<b>53,686,996</b>
<b>Current liabilities</b>					
Trade and other payables	10	6,743,196	4,473,598	-	-
Borrowings	11	4,539,025	1,049,147	2,929,296	-
Current tax payables	3	2,748,328	3,810,556	2,552,283	3,750,125
Deferred establishment fees	13	1,399,282	1,305,894	-	-
Provisions	12	823,048	453,995	-	-
<b>Total current liabilities</b>		<b>16,252,879</b>	<b>11,093,190</b>	<b>5,481,579</b>	<b>3,750,125</b>
<b>Non-current liabilities</b>					
Borrowings	11	7,689,721	530,018	7,460,000	-
Deferred tax liabilities	3	1,272,968	1,152,560	-	-
<b>Total non-current liabilities</b>		<b>8,962,689</b>	<b>1,682,578</b>	<b>7,640,000</b>	<b>-</b>
<b>Total liabilities</b>		<b>25,215,568</b>	<b>12,775,768</b>	<b>12,941,579</b>	<b>3,750,125</b>
<b>Net assets</b>		<b>74,045,909</b>	<b>67,957,355</b>	<b>48,690,998</b>	<b>49,936,871</b>
<b>Equity</b>					
Issued capital	16	46,424,331	46,536,871	46,424,331	46,536,871
Reserves	17	1,568,504	3,312,554	2,266,667	3,400,000
Retained earnings	17	25,773,648	17,859,687	-	-
Parent entity interest		73,766,483	67,709,112	48,690,998	49,936,871
Minority interests	22	279,426	248,243	-	-
<b>Total equity</b>		<b>74,045,909</b>	<b>67,957,355</b>	<b>48,690,998</b>	<b>49,936,871</b>

The above balance sheet should be read in conjunction with the accompanying notes.

## Statement of recognised income and expense for the financial year ended 30 June 2008

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Exchange differences arising on translation of foreign operations	(610,717)	(174,140)	-	-
<b>Net income (expense) recognised directly in equity</b>	<b>(610,717)</b>	<b>(174,140)</b>	<b>-</b>	<b>-</b>
Profit for the year	15,174,586	11,631,146	7,229,442	5,253,782
<b>Total recognised income and expense for the year</b>	<b>14,563,869</b>	<b>11,457,006</b>	<b>7,229,442</b>	<b>5,253,782</b>
Attributable to:				
Equity holders of the parent	14,532,686	11,383,700	7,229,442	5,253,782
Minority interest	31,183	73,306	-	-
	<u>14,563,869</u>	<u>11,457,006</u>	<u>7,229,442</u>	<u>5,253,782</u>

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.



## Cash flow statement for the financial year ended 30 June 2008

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		66,830,614	38,142,126	7,229,442	5,253,782
Payments to suppliers and employees		(51,319,890)	(27,047,144)	-	-
Interest received		768,464	773,978	-	-
Interest received from personal loans		10,495,573	6,563,831	-	-
Interest and costs of finance paid		(944,772)	(162,851)	-	-
Income tax paid		(7,209,275)	(3,781,127)	-	-
Net cash flows provided by operating activities	25a	<u>18,620,714</u>	<u>14,488,813</u>	<u>7,229,442</u>	<u>5,253,782</u>
<b>Cash flows from investing activities</b>					
Net cash paid for acquisitions of controlled entities	25c	(15,786,230)	(8,747,403)	(15,786,230)	(8,747,403)
Proceeds from sale of plant and equipment		7,032	-	-	-
Purchase of plant and equipment		(760,159)	(894,428)	-	-
Loan repayments from non-related entities		28,942	20,543	-	-
Instalment credit loans made to franchisees		(439,204)	(654,020)	-	-
Net increase in personal loans		(2,670,978)	(5,201,848)	-	-
Instalment credit loans repaid by franchisees		<u>688,969</u>	<u>855,521</u>	-	-
Net cash flows used in investing activities		<u>(18,931,628)</u>	<u>(14,621,635)</u>	<u>(15,786,230)</u>	<u>(8,747,403)</u>
<b>Cash flows from financing activities</b>					
Dividends paid – members of parent entity		(7,229,442)	(5,253,782)	(7,229,442)	(5,253,782)
Proceeds from borrowings		12,425,837	-	-	-
Repayment of borrowings		(2,180,314)	(400,000)	-	-
(Loan to)/from related entity		-	-	17,032,103	(8,341,115)
Capital element of finance lease and hire purchase payments		(134,994)	(111,237)	-	-
Unsecured deposits repaid		-	(4,435,000)	-	-
Share issue costs		-	(1,221,982)	-	(1,221,982)
Issue of shares by controlling entity		-	18,310,500	-	18,310,500
Share buy-back		(1,245,873)	-	(1,245,873)	-
Redemption of unsecured notes by controlled entity		-	(97,600)	-	-
Issue of unsecured notes by controlled entity		<u>66,963</u>	<u>291,870</u>	-	-
Net cash provided by financing activities		<u>1,702,177</u>	<u>7,082,349</u>	<u>8,556,788</u>	<u>3,493,621</u>
Net increase in cash and cash equivalents		1,391,263	6,949,527	-	-
Cash and cash equivalents at the beginning of the year		14,171,122	7,209,434	-	-
Effects of exchange rate changes on the balance of cash held in foreign currencies.		(277,840)	12,161	-	-
Cash and cash equivalents at the end of the year	25b	<u>15,284,545</u>	<u>14,171,122</u>	-	-

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## 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.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the company and consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 September 2008.

### 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 judgements 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 balance sheet 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 the value in use 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 balance sheet date was \$43,650,114 (2007: \$34,073,651) refer to note 15.

#### Useful lives of trade names

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

The carrying amount of trade names at the balance sheet date was \$9,043,145 (2007: \$9,137,477) refer to note 14.

#### Allowance for doubtful debts

The impairment of personal loans requires the Group to assess impairment regularly. The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgment. The collective provision is estimated on the basis of historical loss experience for assets with 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.

### 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.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## Summary of accounting policies (cont'd)

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 balance sheet.

### (c) Employee benefits

Provision is made 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.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made 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.

#### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

### (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.

### (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 balance sheet 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.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## Summary of accounting policies (cont'd)

### Financial instruments issued by the company (cont'd)

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. 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 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 that:

- i. exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and
- ii. 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.

#### **(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.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## 1. Summary of accounting policies (cont'd)

### (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.

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 income statement, 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.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## 1. Summary of accounting policies (cont'd)

### (i) Income tax (cont'd)

#### 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.

#### Intangible assets acquired in a business combination

All potential intangible assets including software, 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 recognized 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 5 years.

#### Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

### (k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, 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.

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## 1. Summary of accounting policies (cont'd)

### (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 are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 22 to the financial statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

### (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 revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is 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

# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## 1. Summary of accounting policies (cont'd)

### (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.

### (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 company has passed control 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

All equity-settled share-based payments were granted and vested before 7 November 2002. The consolidated entity has elected not to expense these options, as permitted on first time adoption of A-IFRS.

### (s) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.



# Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

## 1. Summary of accounting policies (cont'd)

### 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.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

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 and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
• Improvements to IFRSs (2008)	1 January 2009	30 June 2010
• Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

### AASB 3 "Business Combinations" 2008

From 1 July 2009, the material impact of AASB 3 Business combinations (2008) will be increased volatility of the consolidated entity's earnings as transaction costs of business combinations and changes in valuation of contingent settlement arrangements will be recognised through the income statement, rather than capitalised into the investment value and recorded in goodwill.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

2. Profit from operations	Consolidated		Company	
	2008	2007	2008	2007
(a) Revenue	\$	\$	\$	\$
Revenue from continuing operations consisted of the following items:				
<b>Revenue</b>				
Weekly franchise fees	7,598,199	7,636,844	-	-
Initial fees	463,448	362,361	-	-
Licence fees	81,191	254,325	-	-
Ten-year renewals	162,736	154,000	-	-
Ten-year renewals – renewed at six years	-	27,273	-	-
Sub-franchisor licence sales	-	16,592	-	-
Advertising levies	374,826	335,300	-	-
Instalment credit loan interest	327,237	360,095	-	-
Personal loan interest	10,495,573	6,563,831	-	-
Loan establishment fees	6,236,861	3,913,793	-	-
Recovery of bad debt	549,259	283,042	-	-
Retail wholesale sales	6,675,497	5,435,274	-	-
Cheque cashing commission	1,145,638	1,323,926	-	-
Training levies	946,265	1,009,648	-	-
Corporate store revenue	19,586,047	4,076,762	-	-
Computer levy	1,412,175	1,504,636	-	-
Financial services commission	17,452,054	11,720,885	-	-
Rent received	69,772	77,061	-	-
Interest revenue	654,291	776,550	-	-
	<u>74,231,069</u>	<u>45,832,198</u>	-	-
Dividend revenue from subsidiary	-	-	7,229,442	5,253,782
Management fees from controlled entity	-	-	975,000	854,000
Other revenue	174,813	147,784	-	-
	<u>174,813</u>	<u>147,784</u>	<u>8,204,442</u>	<u>6,107,782</u>
	<u>74,405,882</u>	<u>45,979,982</u>	<u>8,204,442</u>	<u>6,107,782</u>
<b>(b) Profit before income tax</b>				
Profit before income tax has been arrived at after charging the following expenses:				
Changes in inventories (cost of sales)	16,745,147	7,629,960	-	-
Area agents fees / commissions	5,709,839	3,544,268	-	-
Depreciation of plant and equipment	601,215	597,508	-	-
Amortisation of intangibles	281,097	154,332	-	-
Depreciation of assets under finance lease	-	18,041	-	-
Rental expense on operating leases	2,413,997	880,685	-	-
Finance costs				
Interest	955,470	197,959	-	-
Finance lease charges	7,558	104	-	-
Total finance costs	<u>963,028</u>	<u>198,063</u>	-	-
Provision for employee benefits	74,549	35,178	-	-
Employee expense – post employment benefits	891,123	497,902	-	-
Bad debts written off				
- Trade debtors/instalment loans and personal loans	4,302,072	2,608,098	-	-
Amounts received or due and receivable, by Deloitte Touche Tohmatsu for (these amounts are paid on behalf of the Company by a controlled entity):				
- Auditing the financial statements	320,522	199,770	-	-
- Other services	71,234	45,435	-	-
- Due diligence/completion accounts	-	166,040	-	-

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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2. Profit from operations (cont'd)	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Profit before income tax:</b>				
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:				
Loss on disposal of plant and equipment	(43,125)	-	-	-
Net foreign exchange (loss)/gain	-	(5,900)	-	-
	<u>-</u>	<u>(5,900)</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

3. Income tax expense	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Income tax recognised in profit or loss</b>				
Tax expense comprises:				
Current tax expense	6,472,689	5,267,457	-	-
Adjustment recognised in the current year in relation to the current tax of prior years	66,659	39,303	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(115,365)	(227,792)	-	-
<b>Total tax expense</b>	<b>6,423,983</b>	<b>5,078,968</b>	<b>-</b>	<b>-</b>
Attributable to:				
Continuing operations	6,423,983	5,078,968	-	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit from continuing operations	21,598,569	16,710,114	7,229,442	5,253,782
Income tax expense calculated at 30%	6,479,571	5,013,034	2,168,833	1,576,135
Non-deductible expenses	27,523	54,769	-	-
Unused tax losses and tax offsets not recognised as deferred tax assets	-	(26,773)	-	-
Utilisation of prior year tax losses not previously recognised as deferred tax assets	-	-	-	-
Intra-group dividends	-	-	(2,168,833)	(1,576,135)
Impact of items recognised through equity	(88,662)	-	-	-
Other	-	(1,365)	-	-
	6,418,432	5,039,665	-	-
Under provision of income tax in previous year	5,551	39,303	-	-
	6,423,983	5,078,968	-	-
<b>(b) Current tax liabilities</b>				
Income tax payable attributable to:				
Parent entity	-	-	-	-
Entities in the tax-consolidated group	2,552,283	3,750,125	2,552,283	3,750,125
Overseas subsidiaries	196,045	60,431	-	-
	2,748,328	3,810,556	2,552,283	3,750,125
<b>(c) Deferred tax balances</b>				
Deferred tax assets comprise:				
Provisions	1,078,523	812,981	-	-
Deferred income	419,785	391,768	-	-
Share issue costs	260,236	384,595	260,236	384,595
Other	92,741	-	-	-
	1,851,285	1,589,344	260,236	384,595
Deferred tax liabilities comprise:				
Plant and equipment	70,773	40,635	-	-
Intangible assets	1,098,497	1,111,925	-	-
Other	103,698	-	-	-
	1,272,968	1,152,560	-	-

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

3. Income tax expense	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

### (d) Income tax recognised directly in equity

The following deferred amounts were credited directly to equity during the period:

#### Deferred tax

Share issue expenses deductible over 5 years	-	384,595	-	384,595
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### (e) Unrecognised deferred tax balances

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

Tax losses – revenue	180,429	178,951	-	-
Tax losses – capital	2,721,601	2,718,142	2,721,601	2,718,142
	<u>2,902,030</u>	<u>2,897,093</u>	<u>2,721,601</u>	<u>2,718,142</u>

### (f) 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 22.

#### 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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

4. Remuneration of auditors	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Auditor of the parent entity</b>				
Audit or review of the financial report	320,522	199,770	-	-
Taxation services	53,334	23,500	-	-
Other non-audit services - professional advice	17,900	21,935	-	-
- due diligence advice	-	112,015	-	-
- completion accounts	-	54,025	-	-
	<u>391,756</u>	<u>411,245</u>	<u>-</u>	<u>-</u>

The auditor of Cash Converters International Limited is Deloitte Touche Tohmatsu. The auditors remuneration for Cash Converters International Limited is borne by Cash Converters Pty Ltd.

### 5. Cash and cash equivalents

On hand	460,789	6,648	-	-
In bank	15,861,413	14,743,417	-	-
	<u>16,322,202</u>	<u>14,750,065</u>	<u>-</u>	<u>-</u>

### 6. Trade and other receivables

#### Current

Trade receivables (i)	4,590,840	4,570,465	-	-
Allowance for doubtful debts	-	-	-	-
	<u>4,590,840</u>	<u>4,570,465</u>	<u>-</u>	<u>-</u>
Instalment credit loans (ii)	570,755	852,024	-	-
Allowance for doubtful debts	-	-	-	-
	<u>570,755</u>	<u>852,024</u>	<u>-</u>	<u>-</u>
	<u>5,161,595</u>	<u>5,422,489</u>	<u>-</u>	<u>-</u>
Personal short term loans (iii)	16,450,444	12,830,299	-	-
Allowance for doubtful debts	(2,169,879)	(1,903,354)	-	-
	<u>14,280,565</u>	<u>10,926,945</u>	<u>-</u>	<u>-</u>
	<u>19,442,160</u>	<u>16,349,434</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

6. Trade and other receivables (cont'd)	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Non-current</b>				
Instalment credit loans (ii)	1,950,157	1,934,291	-	-
Loans to controlled entities (iv)	-	-	17,529,498	16,922,996
	<u>1,950,157</u>	<u>1,934,291</u>	<u>17,529,498</u>	<u>16,922,996</u>

(i) Trade debtors include weekly franchise fees, sub-master licence sales and development agent fees outstanding. Where the collection of the debtor is doubtful an allowance for doubtful debts is recognized, with no allowance being recognized at either 30 June 2008 or 2007. 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 annum on the outstanding balance.

(ii) The instalment credit loans relate to Cash Converters Finance Corporation Limited 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 doubtful debtors is recognized for the shortfall, with no allowance being recognized at either 30 June 2008 or 30 June 2007.

(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 of origin. An allowance has been made for estimated irrecoverable 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) The loans to controlled entities have no specific terms or conditions.

Ageing of past due but not impaired	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
60 – 90 days	801,599	842,899	-	-
90 – 120 days	276,847	665,843	-	-
Total	<u>1,078,446</u>	<u>1,508,742</u>	<u>-</u>	<u>-</u>

Personal short term loans: movement in the allowance for doubtful debts

Balance at the beginning of the year	1,903,354	-	-	-
Balance recognised on acquisition of business	162,000	1,643,186	-	-
Impairment losses recognised on receivables	3,811,987	2,555,577	-	-
Amounts written off as uncollectible	(4,302,072)	(2,608,098)	-	-
Amounts recovered during the year	594,610	312,689	-	-
Impairment losses reversed	-	-	-	-
Unwind of discount	-	-	-	-
Balance at the end of the year	<u>2,169,879</u>	<u>1,903,354</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 6. Trade and other receivables (cont'd)

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.

Ageing of impaired personal short term loans

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
60 - 90 days	606,012	688,656	-	-
90 - 120 days	-	-	-	-
Total	<u>606,012</u>	<u>688,656</u>	<u>-</u>	<u>-</u>

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

### 7. Inventories

New and pre-owned goods  
at cost

	<u>3,306,989</u>	<u>772,190</u>	<u>-</u>	<u>-</u>
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### 8. Other assets

#### Current

Prepayments

	<u>281,553</u>	<u>50,389</u>	<u>-</u>	<u>-</u>
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## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

9. Plant and equipment	Note	Consolidated			Total
		Leasehold improvements at cost \$	Plant and equipment at cost \$	Equipment under finance lease at cost \$	
<b>Gross carrying amount</b>					
Balance as at 1 July 2006		119,373	3,338,525	158,144	3,616,042
Acquisition through business combinations		-	412,928	-	412,928
Additions		34,397	842,859	-	877,256
Transfer of software to intangible assets	14	-	(1,226,665)	-	(1,226,665)
Net foreign currency exchange differences		(8,272)	(104,361)	-	(112,633)
<b>Balance as at 30 June 2007</b>		<b>145,498</b>	<b>3,263,286</b>	<b>158,144</b>	<b>3,566,928</b>
Acquisition through business combinations		-	1,289,540	-	1,289,540
Additions		38,287	705,405	-	743,682
Disposals		-	(105,207)	-	(105,207)
Net foreign currency exchange differences		(15,840)	(207,265)	-	(223,105)
<b>Balance as at 30 June 2008</b>		<b>167,945</b>	<b>4,945,759</b>	<b>158,144</b>	<b>5,271,848</b>
<b>Accumulated depreciation</b>					
Balance as at 1 July 2006		46,993	2,134,275	140,103	2,321,371
Acquisition through business combinations		-	175,849	-	175,849
Depreciation expense		25,636	571,872	18,041	615,548
Transfer of software to intangible assets	14	-	(803,693)	-	(803,693)
Net foreign currency exchange differences		(3,558)	(51,899)	-	(55,457)
<b>Balance as at 30 June 2007</b>		<b>69,071</b>	<b>2,026,404</b>	<b>158,144</b>	<b>2,253,619</b>
Acquisition through business combinations		-	-	-	-
Disposals		-	(55,050)	-	(55,050)
Depreciation expense		22,800	578,415	-	601,215
Net foreign currency exchange differences		(7,296)	(100,941)	-	(108,237)
<b>Balance as at 30 June 2008</b>		<b>84,575</b>	<b>2,448,828</b>	<b>158,144</b>	<b>2,691,547</b>
<b>Net book value</b>					
<b>As at 30 June 2007</b>		<b>76,427</b>	<b>1,236,883</b>	<b>-</b>	<b>1,313,310</b>
<b>As at 30 June 2008</b>		<b>83,370</b>	<b>2,496,931</b>	<b>-</b>	<b>2,580,301</b>

Note: The Company does not own any plant and equipment in its own right.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>10. Trade and other payables</b>				
<b>Current</b>				
Trade payables	2,503,009	1,820,475	-	-
Accruals	3,315,004	1,794,906	-	-
Unsecured notes	900,183	833,217	-	-
Other	25,000	25,000	-	-
	<u>6,743,196</u>	<u>4,473,598</u>	<u>-</u>	<u>-</u>

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 noteholder's franchise renewal fee, at the end of the initial franchise term.

### 11. Borrowings (all borrowings are secured)

#### Current

At amortised cost				
Bank overdraft (i)	1,037,657	578,943	-	-
Loans (i)	3,427,695	400,000	-	-
Hire purchase and lease liabilities (note 19) (ii)	73,673	70,204	-	-
	<u>4,539,025</u>	<u>1,049,147</u>	<u>-</u>	<u>-</u>

#### Non-current

At amortised cost				
Loans (i)	7,460,000	400,000	7,460,000	-
Hire purchase and lease liabilities (note 19) (ii)	229,721	130,018	-	-
	<u>7,689,721</u>	<u>530,018</u>	<u>7,460,000</u>	<u>-</u>

### Financing arrangements

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

#### Credit standby arrangements

Total facilities				
Bank overdrafts	1,425,000	1,200,000	-	-
Variable rate bill facility	10,700,000	1,200,000	-	-
Term loans	1,920,000	-	-	-
	<u>14,045,000</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>
Used at balance date				
Bank overdrafts	1,037,657	578,943	-	-
Variable rate bill facility	9,620,000	800,000	-	-
Term loans	1,267,695	-	-	-
	<u>11,925,352</u>	<u>1,378,943</u>	<u>-</u>	<u>-</u>
Unused at balance date				
Bank overdrafts	387,343	621,057	-	-
Variable rate bill facility	1,080,000	400,000	-	-
Term loans	652,305	-	-	-
	<u>2,119,648</u>	<u>1,021,057</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 11. Borrowings (cont'd)

#### Financing arrangements (cont'd)

- (i) The bank overdraft and the loans payable 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 2% above the bank base rate.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>12. Provisions</b>				
<b>Current</b>				
Employee benefits	820,046	451,729	-	-
Fringe benefits tax	3,002	2,266	-	-
	<u>823,048</u>	<u>453,995</u>	<u>-</u>	<u>-</u>

### 13. Deferred establishment fees

Deferred establishment fees	<u>1,399,282</u>	<u>1,305,894</u>	<u>-</u>	<u>-</u>
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Deferred establishment fees relate to establishment fees charged on personal loans.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Trade names \$	Consolidated Software \$	Total \$
<b>14. Other intangible assets</b>			
<b>Gross carrying amount</b>			
<b>Balance as at 1 July 2006</b>	13,002,835	-	13,002,835
Acquisitions through business combinations	-	400,000	400,000
Transferred from plant and equipment	-	1,226,665	1,226,665
Disposals	-	-	-
<b>Balance as at 1 July 2007</b>	<u>13,002,835</u>	<u>1,626,665</u>	<u>14,629,500</u>
Additions	-	257,364	257,364
Disposals	-	-	-
<b>Balance as at 30 June 2008</b>	<u>13,002,835</u>	<u>1,884,029</u>	<u>14,886,864</u>
<b>Amortisation</b>			
<b>Balance as at 1 July 2006</b>	3,771,026	-	3,771,026
Amortisation charge	94,332	60,000	154,332
Transferred from plant and equipment	-	803,693	803,693
Disposals	-	-	-
<b>Balance as at 1 July 2007</b>	<u>3,865,358</u>	<u>863,693</u>	<u>4,729,051</u>
Amortisation charge	94,332	186,765	281,097
Disposals	-	-	-
<b>Balance as at 30 June 2008</b>	<u>3,959,690</u>	<u>1,050,458</u>	<u>5,010,148</u>
<b>Net book value</b>			
At the beginning of the financial year	<u>9,137,477</u>	<u>762,972</u>	<u>9,900,449</u>
At the end of the financial year	<u>9,043,145</u>	<u>833,571</u>	<u>9,876,716</u>

Note: The Company does not own any intangible assets in its own right.

Amortisation expense is included in the line item 'depreciation and amortisation expenses' in the income statement.

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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>15. Goodwill</b>					
<b>Gross carrying amount</b>					
Balance at beginning of financial year		34,073,651	-	-	-
Additional amounts recognised from business combinations occurring during the period	29	9,878,183	34,073,651	-	-
Foreign exchange movement		(301,720)	-	-	-
Balance at the end of the financial year		<u>43,650,114</u>	<u>34,073,651</u>	<u>-</u>	<u>-</u>
<b>Accumulated impairment losses</b>					
Balance at the beginning of the financial year		-	-	-	-
Impairment losses for the year		-	-	-	-
Balance at end of financial year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>					
At the beginning of the financial year		<u>34,073,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
At the end of the financial year		<u>43,650,114</u>	<u>34,073,651</u>	<u>-</u>	<u>-</u>

### Allocation of goodwill to cash-generating units

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

- Financing - MON-E
- Financing - Safrock
- 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:

	Consolidated 2008	Consolidated 2007
	\$	\$
MON-E	17,292,967	17,292,967
Safrock	16,780,684	16,780,684
Corporate Stores (Australia)	7,193,512	-
Corporate Stores (UK)	2,382,951	-
	<u>43,650,114</u>	<u>34,073,651</u>

### 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 one-year period, and a discount rate of 15% per annum. Cash flow projections during the budget period take into account management's assessment of the impact of the micro-lending legislation recently announced in Queensland.

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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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### 15. Goodwill (cont'd)

#### Safrock

The recoverable amount for Safrock is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a one-year period, and a discount rate of 15% per annum. Cash flow projections during the budget period take into account managements assessment of the impact of the micro-lending legislation recently announced in Queensland.

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 one-year period, and a discount rate of 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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
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16. Issued capital	Company	
	2008 Shares No	2007 Shares No
<b>(a)</b>		
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	240,311,699	146,160,449
Shares issued during the year	2,833,333	94,151,250
Share buy-back	(4,459,347)	-
Balance at end of financial year	<u>238,685,685</u>	<u>240,311,699</u>

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.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>(b)</b>				
Balance at the beginning of the year	46,536,871	6,023,758	46,536,871	6,023,758
Issue costs	-	(1,221,982)	-	(1,221,982)
Deferred tax on share issue costs (note 3d)	-	384,595	-	384,595
Earn-out shares issued (note 17a)	1,133,333	-	1,133,333	-
Shares issued	-	41,350,500	-	41,350,500
Share buy-back	<u>(1,245,873)</u>	<u>-</u>	<u>(1,245,873)</u>	<u>-</u>
Balance at the end of the financial year	<u>46,424,331</u>	<u>46,536,871</u>	<u>46,424,331</u>	<u>46,536,871</u>

Cash Converters UK securities are stapled securities. These securities are stapled to Cash Converters International shares and were issued on a one for one basis.

### (c) Share buy-back

On 23 November 2007 Cash Converters International Limited advised the Market that it would commence a share buy-back of its shares commencing on 10 December 2007. The buy-back will be open for a 12 month timeframe with a maximum number of shares to be purchased being 24,300,000. As at the date of this report 4,459,347 shares had been acquired for the total consideration of \$1,245,873.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

### 17. Reserves and retained earnings

#### (a) Reserves

Foreign currency translation reserve	(698,163)	(87,446)	-	-
Acquisition earnout reserve	2,266,667	3,400,000	2,266,667	3,400,000
Balance at the end of the financial year	<u>1,568,504</u>	<u>3,312,554</u>	<u>2,266,667</u>	<u>3,400,000</u>

#### Foreign currency translation reserve

Balance at the beginning of the financial year	(87,446)	86,694	-	-
Translation of foreign operations	(610,717)	(174,140)	-	-
Balance at the end of the financial year	<u>(698,163)</u>	<u>(87,446)</u>	<u>-</u>	<u>-</u>

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.

#### Acquisition earnout reserve

Balance at the beginning of the financial year	3,400,000	-	3,400,000	-
Contingent consideration for Safrock acquisition	-	3,400,000	-	3,400,000
Contingent consideration agreed for the year	(1,133,333)	-	(1,133,333)	-
Balance at the end of the financial year	<u>2,266,667</u>	<u>3,400,000</u>	<u>2,266,667</u>	<u>3,400,000</u>

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. This leaves a balance of 5,666,667 earn-out shares to be issued if the future financial targets are met.

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.

#### (b) Retained earnings

Balance at the beginning of the financial year	17,859,689	11,555,629	-	-
Net profit attributable to members of the parent entity	15,143,403	11,557,840	7,229,442	5,253,782
Dividends provided for or paid (note 26)	(7,229,442)	(5,253,782)	(7,229,442)	(5,253,782)
Balance at the end of the financial year	<u>25,773,648</u>	<u>17,859,687</u>	<u>-</u>	<u>-</u>



## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 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 2007.

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 centrally, using a variety of borrowing facilities, to meet anticipated funding requirements.

#### (b) Categories of financial instruments

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	16,322,202	14,750,065	-	-
Trade and other receivables	5,161,595	5,422,489	17,529,498	16,922,996
Personable loan receivables	14,280,565	10,926,945	-	-
<b>Financial liabilities</b>				
Trade and other payables	6,743,196	4,473,598	-	-
Borrowings	12,228,746	1,579,165	10,389,296	-

#### (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.

#### (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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Payable - Pounds Stirling	3,072,090	1,859,947	-	-
- United States Dollars	4,026	4,512	-	-
Receivables - Pounds Stirling	-	-	3,190,579	3,498,021

The consolidated entity is mainly exposed to Pounds Sterling, through its operations in the United Kingdom.

#### Consolidated entity sensitivity

At 30 June 2008, if the Australian Dollar / Pound Sterling exchange rate had changed by +/- 5% from the actual rates observed during the year, with all other variables held constant, post tax profit and equity for the year would have been \$16,902 higher/lower (2007 - \$38 higher/lower).

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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### 18. Financial instruments (cont'd)

#### Parent entity sensitivity

At 30 June 2008, if the Australian Dollar / Pound Sterling exchange rate had changed by +/- 5% from the actual rates observed during the year, with all other variables held constant, post tax profit and equity for the year would have been \$zero higher/lower (2007 - \$zero higher/lower).

#### (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 200 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 200 basis points higher or lower and all other variables were held constant, the consolidated entity's:

- net profit would increase/decrease by approximately \$88,000 (2007: increase/decrease by approximately \$44,000). This is mainly attributable to additional borrowings this year.

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

At reporting date, if interest rates had been 200 basis points higher or lower and all other variables were held constant, the Parent Company's:

- net profit would increase/decrease by approximately \$208,000 (2007: increase/decrease by approximately \$Nil). This is mainly attributable to additional borrowings this year.

The Parent Company sensitivity to interest rates has increased during the current period mainly due to additional borrowings.

#### (g) Credit risk management

Credit risk refers to the risk that a counterparty 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 Safrock 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.

#### (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 tables detail the company's and 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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 18. Financial instruments (cont'd)

#### Liquidity and interest risk tables (cont'd)

##### Consolidated

	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
<b>2008</b>					
Non-interest bearing	-	6,743,196	-	-	6,743,196
Finance lease liability	9.55	80,709	286,894	-	367,603
Variable interest rate instruments	10.30	4,818,404	8,206,000	-	13,024,404
Financial guarantee contracts	-	-	-	-	-
		11,642,309	8,492,894	-	20,135,203
<b>2007</b>					
Non-interest bearing	-	4,473,548	-	-	4,473,548
Finance lease liability	9.25	76,698	132,651	-	209,349
Variable interest rate instruments	7.25	1,049,916	429,000	-	1,478,916
Financial guarantee contracts	-	-	-	-	-
		5,600,162	561,651	-	6,161,813

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.

##### Company

	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
<b>2008</b>					
Non-interest bearing	-	-	-	-	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	10.30	3,231,013	8,206,000	-	11,437,013
Financial guarantee contracts	-	-	-	-	-
		3,231,013	8,206,000	-	11,437,013
<b>2007</b>					
Non-interest bearing	-	-	-	-	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-
		-	-	-	-

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.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 18. Financial instruments (cont'd)

#### Liquidity and interest risk tables (cont'd)

The following table details the company's and 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.

<u>Consolidated</u>					
	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
<b>2008</b>					
Non-interest bearing	-	4,590,840	-	-	4,590,840
Finance lease receivables	-	-	-	-	-
Variable interest rate instruments	6.25	17,342,339	-	-	17,342,339
Fixed interest rate instruments	57.20	26,373,625	2,532,182	-	28,905,807
		48,306,804	2,532,182	-	50,838,986
<b>2007</b>					
Non-interest bearing	-	4,570,465	-	-	4,570,465
Finance lease receivables	-	-	-	-	-
Variable interest rate instruments	5.25	15,517,446	-	-	15,517,446
Fixed interest rate instruments	60.05	18,852,603	2,514,578	-	21,367,181
		38,940,514	2,514,578	-	41,455,092
<u>Company</u>					
	Weighted average effective interest rate	1 year or less	1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
<b>2008</b>					
Non-interest bearing	-	-	-	-	-
Finance lease receivables	-	-	-	17,529,498	17,529,498
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
		-	-	17,529,498	17,529,498
<b>2007</b>					
Non-interest bearing	-	-	-	16,922,996	16,922,996
Finance lease receivables	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
		-	-	16,922,996	16,922,996

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 18. Financial instruments (cont'd)

#### (i) Net fair value of financial assets and liabilities

The net 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 net 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 carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2008		2007	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial instruments</b>				
Unsecured notes	900,183	900,183	858,217	858,217
	<u>900,183</u>	<u>900,183</u>	<u>858,217</u>	<u>858,217</u>

### 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.

##### Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Finance lease and hire purchase expenditure contracted for at balance sheet date, payable:								
Within one year	86,326	73,404	-	-	73,751	70,404	-	-
Later than one, not later than five years	281,277	135,945	-	-	229,647	129,818	-	-
	367,603	209,349	-	-	303,394	200,222	-	-
Less future finance charges	(64,209)	(9,127)	-	-	-	-	-	-
	<u>303,394</u>	<u>200,222</u>	-	-	<u>303,394</u>	<u>200,222</u>	-	-
Included in the financial statement as:								
Current borrowings (note 11)					73,673	70,204	-	-
Non-current borrowings (note 11)					229,721	130,018	-	-
					<u>303,394</u>	<u>200,222</u>	-	-

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 19. Leases (cont'd)

#### (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.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-cancellable operating lease commitments payable:				
Within one year	1,647,102	897,344	-	-
Later than one, not later than five years	4,181,332	2,344,431	-	-
Later than five years	1,197,069	1,833,248	-	-
	<u>7,025,503</u>	<u>5,075,023</u>	<u>-</u>	<u>-</u>

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 2008 capital expenditure commitments were \$nil (2007: \$nil)

### 20. Related party transactions

#### (a) Key management personnel remuneration

Details 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)
- A. Moffat (Non-executive Director)
- C. Hetherington (Non-executive Director - appointed 2 July 2007)
- M. Cooke (Legal Counsel)
- M. Lemmon (Director of Operations – UK)
- I. Day (General Manager – Australia)
- R. Groom (Company Secretary / Group Financial Controller)
- J. Spratley (Group Accountant – UK)

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	1,832,140	1,733,631	-	-
Long-term employee benefits	-	-	-	-
Post-employee benefits	133,542	123,527	-	-
Total	<u>1,965,682</u>	<u>1,857,158</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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### 20. Related party transactions (cont'd)

#### (b) Key management personnel related entities

The relationships between the Company and key management personnel related entities are as follows:

**Franchise holders** - The directors of the Company together with their associated entities held interests in the following franchised stores:

Franchisee	Franchise	Related Party
Blackport Pty Ltd	Phoenix Park & Clarkson WA	Peter Cumins

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 20. Related party transactions (cont'd)

#### (c) Loan to key management personnel

2008	Balance at beginning	Interest Charged	Interest not charged	Write-off	Balance at end	Number in Group
	\$	\$	\$	\$	\$	
Directors	264,526	33,420	-	-	307,247	1
Other key management personnel	-	-	-	-	-	-
<b>Total</b>	<b>264,526</b>	<b>33,420</b>	<b>-</b>	<b>-</b>	<b>307,247</b>	<b>1</b>

2007	Balance at beginning	Interest Charged	Interest not charged	Write-off	Balance at end	Number in Group
	\$	\$	\$	\$	\$	
Directors	266,022	32,983	-	-	264,526	1
Other key management personnel	-	-	-	-	-	-
<b>Total</b>	<b>266,022</b>	<b>32,983</b>	<b>-</b>	<b>-</b>	<b>264,526</b>	<b>1</b>

#### Individuals with loans above \$100,000 in the year

2008	Balance at beginning	Interest Charged	Interest not charged	Write-off	Balance at end	Highest in period
	\$	\$	\$	\$	\$	\$
P. Cumins [Blackport Pty Ltd]	264,526	33,420	-	-	307,247	307,247
	264,526	33,420	-	-	307,247	307,247

2007	Balance at beginning	Interest Charged	Interest not charged	Write-off	Balance at end	Highest in period
	\$	\$	\$	\$	\$	\$
P. Cumins [Blackport Pty Ltd]	266,022	32,983	-	-	264,526	294,985
<b>Total</b>	<b>266,022</b>	<b>32,983</b>	<b>-</b>	<b>-</b>	<b>264,526</b>	<b>294,985</b>

The above loans are made through Cash Converters Finance Corporation Limited for additional working capital in developing Cash Converters franchised businesses.

Commercial rates of interest are charged on loans made to director-related entities, which are made on the same terms and conditions as those made to other franchisees.



## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 20. Related party transactions (cont'd)

#### (d) Directors' and specified key management personnel equity holdings

##### Fully paid ordinary shares issued by Cash Converters International Limited

	Balance at 1 July 2007	Granted as remuneration	Received on exercise of options	Acquisition/(disposal) of shares	Balance at 30 June 2008	Balance held indirectly
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
P. Cumins	7,565,575	-	-	71,460	7,637,035	-
R. Webb	1,112,500	-	-	-	1,112,500	-
A. Moffat	-	-	-	-	-	-
J. Yeudall	79,365	-	-	216,303	295,668	-
C. Hetherington	-	-	-	-	-	-
<b>Other key management personnel</b>						
I. Day	3,314,419	-	-	634,841	3,949,260	-
R. Groom	3,271,618	-	-	(687,000)	2,584,618	-
J. Spratley	-	-	-	-	-	-
M. Lemmon	-	-	-	-	-	-
M. Cooke	-	-	-	-	-	-
	<b>15,343,477</b>	<b>-</b>	<b>-</b>	<b>235,604</b>	<b>15,579,081</b>	<b>-</b>

##### Fully paid ordinary shares issued by Cash Converters International Limited

	Balance at 1 July 2006	Granted as remuneration	Received on exercise of options	Acquisition/(disposal) of shares	Balance at 30 June 2007	Balance held indirectly
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
P. Cumins	5,886,151	-	-	1,679,424	7,565,575	-
R. Webb	1,100,000	-	-	12,500	1,112,500	-
A. Moffat	-	-	-	-	-	-
M. Cooke	-	-	-	79,365	79,365	-
J. Yeudall	-	-	-	-	-	-
<b>Other key management personnel</b>						
I. Day	2,516,919	-	-	797,500	3,314,419	-
R. Groom	2,521,618	-	-	750,000	3,271,618	-
J. Spratley	-	-	-	-	-	-
M. Lemmon	-	-	-	-	-	-
	<b>12,024,688</b>	<b>-</b>	<b>-</b>	<b>3,318,789</b>	<b>15,343,477</b>	<b>-</b>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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### 20. Related party transactions (cont'd)

#### (e) Other transactions with key management personnel

The profit from operations before income tax includes the following items of revenue and expense that resulted from transactions other than compensation, loans or equity holdings, with key management personnel or their related entities:

	2008	2007
	\$	\$
Franchise fees payable in advance on the 1 <sup>st</sup> of each month	107,285	111,830
Total advertising levy payable monthly in advance	157,773	160,160
Total training levies paid monthly in advance	7,920	7,920
Total miscellaneous fees payable on 30 day account	4,858	4,442
Total wholesale invoices payable on 30 day account	6,535	8,348
Total recognised as revenue	<u>284,371</u>	<u>292,700</u>

Transactions between the consolidated entity and these parties are conducted on the normal commercial terms that apply to all franchise operators.

### 21. Subsequent events

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 Company, the results of these operations or the state of affairs of the Company in subsequent financial years.

Cash Converters International Limited advises that its UK subsidiary (CCUK) is planning to acquire, on 22 September 2008, three existing Cash Converters stores in Liverpool in the north of England. The stores will be bought as a going concern for a total consideration of £1.3 million (\$2.8 million) including assets. These stores will add to the 13 existing corporate stores CCUK currently operates in the north of England. This acquisition will be funded by additional borrowings and available cash resources.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 22(a). Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2008	2007
<b>Parent entity</b>			
Cash Converters International Limited (i)	Australia		
<b>Directly controlled by Cash Converters International Limited</b>			
Cash Converters Pty Ltd (ii) (iii)	Australia	100%	100%
Cash Converters UK Holdings PLC	UK	100%	100%
Cash Converters USA Limited (note 22c)	Australia	58.87%	58.87%
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%	-
Cash Converters (Cash Advance) Pty Ltd (ii) (iii)	Australia	100%	-
<b>Directly controlled by Cash Converters Pty Ltd</b>			
Cash Converters Finance Corporation Limited (refer note 22c)	Australia	26.31%	26.31%
<b>Directly controlled by Cash Converters USA Limited</b>			
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.

Investments in subsidiaries	Company	
	2008	2007
Non-current		
Investments in subsidiaries – at cost	43,842,843	36,379,405

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 22(b). Subsidiaries (cont'd)

The consolidated income statement and balance sheet of the entities party to the cross guarantee are:

#### Income statement

	Consolidated	
	2008	2007
	\$	\$
<b>Revenue</b>	<u>51,971,582</u>	<u>31,189,165</u>
Employee benefits expense	(8,782,286)	(4,169,607)
Depreciation and amortisation expenses	(556,412)	(455,918)
Finance costs	(683,067)	(112,487)
Legal fees / legal settlements	(477,608)	(359,638)
Changes in inventories	(3,970,715)	(514,675)
Area agents fees / commissions	(5,399,958)	(3,203,181)
Rental expense on operating leases	(1,561,344)	(333,196)
Motor vehicle/travel costs	(554,928)	(476,791)
Bad debts/bad debt provision	(4,279,543)	(2,615,871)
Professional and registry costs	(486,160)	(378,942)
Auditing and accounting services	(286,960)	(185,352)
Bank charges	(815,136)	(589,361)
Other expenses from ordinary activities	(3,072,841)	(1,135,425)
Profit before income tax expense	<u>21,044,724</u>	<u>16,658,721</u>
Income tax expense	(6,271,778)	(5,011,611)
Profit for the year from continuing operations	<u>14,772,946</u>	<u>11,647,110</u>
Minority interest	-	-
Equity holders of the parent	<u>14,772,946</u>	<u>11,647,110</u>
Profit for the year	<u>14,772,946</u>	<u>11,647,110</u>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 22(b). Subsidiaries (cont'd)

#### Balance Sheet

	Consolidated	
	2008	2007
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	13,805,551	14,158,865
Trade receivables	3,775,576	1,924,468
Personal loans receivable	11,878,839	10,926,945
Inventories	1,859,630	-
Other assets	281,553	50,389
<b>Total current assets</b>	<b>31,601,149</b>	<b>27,060,667</b>
<b>Non-current assets</b>		
Trade and other receivables	5,590,320	3,500,462
Other financial assets	463,480	463,480
Plant and equipment	1,469,399	409,841
Deferred tax assets	1,841,579	1,589,344
Goodwill	41,267,163	34,073,651
Other intangible assets	7,817,189	8,004,720
<b>Total non-current assets</b>	<b>58,449,130</b>	<b>48,041,498</b>
<b>Total assets</b>	<b>90,050,279</b>	<b>75,102,165</b>
<b>Current liabilities</b>		
Trade and other payables	2,714,969	2,610,647
Borrowings	3,002,969	470,204
Current tax payables	2,552,283	3,750,125
Deferred establishment fees	1,399,282	1,305,894
Provisions	807,419	453,995
<b>Total current liabilities</b>	<b>10,476,922</b>	<b>8,590,865</b>
<b>Non-current liabilities</b>		
Borrowings	7,689,721	530,018
Deferred tax liabilities	1,244,783	1,120,806
<b>Total non-current liabilities</b>	<b>8,934,504</b>	<b>1,650,824</b>
<b>Total liabilities</b>	<b>19,411,426</b>	<b>10,241,689</b>
<b>Net assets</b>	<b>70,638,853</b>	<b>64,860,476</b>
<b>Equity</b>		
Issued capital	46,424,331	46,536,871
Reserves	2,498,437	4,151,024
Retained earnings	21,716,085	14,172,581
Parent entity interest	70,638,853	64,860,476
Minority interests	-	-
<b>Total equity</b>	<b>70,638,853</b>	<b>64,860,476</b>

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 22(b). Subsidiaries (cont'd)

	<b>Consolidated</b>
	<b>2008</b>
<b>Retained earnings</b>	<b>\$</b>
Retained earnings as at the beginning of the financial year	14,172,581
Net profit	14,772,946
Dividends provided for or paid	<u>(7,229,442)</u>
Retained earnings as at the end of the financial year	<u>21,716,085</u>

### (c) Outside equity interests in controlled entities

Outside equity interests hold 595,196 (2007: 630,196), 50 cent ordinary shares in Cash Converters Finance Corporation Limited, being 69.59% of the ordinary issued share capital, and 69.51% of the total equity of the Company.

Cash Converters International Limited controls Cash Converters Finance Corporation Limited, because it holds 100% of the issued share capital of Cash Converters Pty Ltd, giving it control of that company which in turn controls Cash Converters Finance Corporation Limited by virtue of its 100% holding of the "A" Management shares of Cash Converters Finance Corporation Limited which confer 51% of the votes in general meetings.

In addition, the Board of directors of Cash Converters International Limited and Cash Converters Finance Corporation Limited are the same.

Outside equity interests hold 83,936 - one cent ordinary units in Cash Converters USA Limited, being 41.13% of the total equity of the company.

	<b>Consolidated</b>	
Outside equity interests in controlled entities comprises:	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Contributed capital	3,278,127	3,309,134
Accumulated losses	<u>(2,998,701)</u>	<u>(3,060,891)</u>
	<u>279,426</u>	<u>248,243</u>

### 23. Contingent liabilities

Cash Converters International Limited (CCIL) has provided a bank guarantee to Barrier Shelf Company (No 57) Pty Ltd as security for the head office lease and a guarantee to the Westpac Bank totalling \$10,700,000 for a variable rate bill facility.

CCUK has also provided a guarantee to Barclays Bank for a term loan of £800,000 (now £600,000). CCIL has also provided a cross guarantee on this loan.

Cash Converters UK Limited (CCUK) has provided lease rental guarantees for franchisees of \$1,296,958.

Cash Converters Pty Ltd (CCPL) has subordinated \$780,883 of its total receivable from CCFCL.

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, CCPL and CCFCL for the foreseeable future.

The directors are not aware of any other material contingent liabilities in existence at 30 June 2008 requiring disclosure in the financial statements.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

24. Earnings per share	Consolidated	
	2008	2007
Basic earnings per share (cents per share)	<u>6.28</u>	<u>5.29</u>
Diluted earnings per share (cents per share)	<u>6.12</u>	<u>5.14</u>
	<b>2008</b>	<b>2007</b>
<b>Basic earnings per share</b>	<b>\$</b>	<b>\$</b>
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings	15,143,403	11,557,840
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>240,971,887</u>	<u>218,363,996</u>
Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statements as follows:	<b>\$</b>	<b>\$</b>
Net profit	15,143,403	11,557,840
Earnings used in the calculation of basic earnings per share	<u>15,143,403</u>	<u>11,557,840</u>
<b>Diluted earnings per share</b>		
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	240,971,887	218,363,996
Earnout shares (note 17)	<u>6,510,474</u>	<u>6,404,109</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>247,482,361</u>	<u>224,768,105</u>
The number of potential ordinary shares not included in the above calculation is Nil (2007: Nil).		

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 25. Cash flow information

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Reconciliation of profit for the year to net cash flows for the operating activities</b>				
Profit for the year	15,174,586	11,631,146	7,229,442	5,253,782
Non-cash flows in operating profit:				
Amortisation	281,097	154,332	-	-
Depreciation	601,215	615,549	-	-
Bad debts written off	4,302,072	2,352,826	-	-
Lease and hire purchase interest	7,558	13,241	-	-
Loss on sale of plant and equipment	43,125	-	-	-
(Increase)/decrease in income taxes payable	(564,423)	1,549,957	-	-
Increase in future income tax benefits	(122,446)	(194,437)	-	-
Increase/(decrease) in deferred tax	123,977	(52,716)	-	-
Net exchange differences	1,289	-	-	-
Realised foreign exchange (gain)/loss	-	5,900	-	-
Change in assets and liabilities:				
Increase in inventories	(800,546)	(319,596)	-	-
(Increase)/decrease in prepayments	(214,369)	(1,465)	-	-
(Increase)/decrease in trade and term receivables	(1,201,663)	(2,109,888)	-	-
Increase in trade payables and accruals	927,550	325,913	-	-
Increase/(decrease) in employee and other provisions	59,054	529,851	-	-
Increase in fees receivable rolled into loans to other related entities	2,638	-	-	-
<b>Cash flows from operations</b>	<b>18,620,714</b>	<b>14,488,813</b>	<b>7,229,442</b>	<b>5,253,782</b>

### (b) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions, net of bank overdrafts and is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	16,322,202	14,750,065	-	-
Bank overdraft	(1,037,657)	(578,943)	-	-
	<u>15,284,545</u>	<u>14,171,122</u>	<u>-</u>	<u>-</u>

### (c) Business acquired

During the financial year the Group acquired two businesses. The net cash out flow on acquisition was \$15,786,230. Refer to note 29 for further details of these acquisitions.

### (d) Non-cash financing and investing activities

During the current and prior financial years the consolidated entity undertook no non-cash financing activities.



## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 26. Dividends

The directors of the Company paid a fully franked interim dividend of 1.5 (one and a half) cents per share on 31 March 2008. The directors have also declared a final fully franked dividend of 1.5 (one and a half) cents per share to be paid on 30 September 2008 to those shareholders on the register at the close of business on 16 September 2008.

The Company has Australian franking credits available of \$11,886,420 on a tax paid basis (2007: \$4,635,375).

<i>Fully paid ordinary shares</i>	2008		2007	
	Cents per share	Total \$	Cents per share	Total \$
<i>Recognised amounts</i>				
Interim dividend: Franked to 100% at 30%	0.150	3,624,765	0.150	3,604,678
Final dividend: Franked to 100% at 30%	0.150	3,604,677	0.100	1,649,101
<i>Unrecognised amounts</i>				
Final dividend: Franked to 100% at 30%	0.150	3,580,285	0.150	3,604,677

<b>27. Receivables and payables denominated in foreign currencies</b>	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$

#### Receivables

##### Current – not hedged

Pounds Sterling	3,190,579	3,498,021	-	-
United States Dollars	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Payables

##### Current – not hedged

Pounds Sterling	3,072,090	1,859,947	-	-
United States Dollars	4,026	4,512	-	-
	<u>4,026</u>	<u>4,512</u>	<u>-</u>	<u>-</u>

### 28. Employee numbers

	No.	No.
Average number of employees during the financial year	246	115

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 29. Acquisitions of business

*Acquisition of business and assets: Melbourne stores*

On 19 October 2007, the Group acquired the business and assets related to eight franchise stores in Melbourne for cash consideration of \$11,959,594.

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 \$
<b>Net assets acquired:</b>			
Cash and cash equivalents	97,600	-	97,600
Trade and other receivables	2,620,130	(162,000)	2,458,131
Inventory	1,528,868	(175,000)	1,353,869
Property, plant and equipment	1,149,194	(208,793)	940,401
Trade and other payables	(268,980)	(50,000)	(318,982)
Deferred tax assets	-	269,927	269,927
Contingent liabilities	-	-	-
Fair value of net identifiable assets acquired	<u>5,126,812</u>	<u>(325,866)</u>	<u>4,800,946</u>
<b>Consideration</b>			
Consideration satisfied by cash			11,959,594
Costs directly associated with the acquisition			<u>34,864</u>
Total consideration			11,994,458
<b>Goodwill arising on acquisition</b>			<u><u>7,193,512</u></u>

The initial accounting for the acquisition of the Melbourne stores has only been provisionally determined at the reporting date.

The trade and assets were acquired by newly incorporated companies which were 100% owned by CCIL and have joined the company's tax-consolidation group. For tax purposes, the tax values of the assets are required to be reset based on market values and other factors.

At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the business. 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. 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 period is \$929,686 attributable to the additional business generated. Had the business combination been effected at 1 July 2007, the revenue of the Group would be \$79,596,151 and net profit \$15,526,215.

The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison future periods.

In determining the 'pro-forma' revenue and profit of the Group had the business been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.
- utilised the audited 30 June 2007 financial information of the acquired business.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 29. Acquisitions of business *continued*

#### *Acquisition of business and assets: United Kingdom stores*

On 16 July 2007, Cash Converters (UK) Ltd acquired the business and assets of six stores in and around Leeds in the UK for cash consideration of \$3,922,864.

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
	\$	\$	\$
<b>Net assets acquired:</b>			
Cash and cash equivalents	44,480	-	44,480
Trade and other receivables	571,711	-	571,711
Inventories	502,830	-	502,830
Property plant and equipment	349,139	-	349,139
Deferred tax assets	-	-	-
Trade and other payables	(39,251)	-	(39,251)
Fair value of net identifiable assets acquired	1,428,909	-	1,428,909
<b>Consideration</b>			
Consideration satisfied by cash			3,922,864
Other consideration			179,728
Costs directly associated with the acquisition			10,988
Total consideration			4,113,580
<b>Goodwill arising on acquisition</b>			2,684,671

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the six 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 six 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 period is \$418,166 attributable to the additional business generated by the six stores.

Had the business combination been effected at 1 July 2007, the revenue of the Group would be \$74,638,699 and net profit \$15,161,584. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison future periods.

In determining the 'pro-forma' revenue and profit of the Group had the five stores been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination
- utilised the un-audited 30 June 2007 financial information of the five stores.

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 30. Segmental information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expense and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### Business segments

The consolidated entity comprises the following main business segments based on the consolidated entity management reporting system:

**Store operations** - This involves the sale of franchises for the retail sale of second hand goods, and sales of master licences for the development of franchises in countries around the world and the corporate stores in the UK and Australia.

**Financing** - The financing division was originally established to provide loans to existing franchisees within Australia, for the development of their businesses. In October 2006 this division was substantially expanded with the acquisition of MON-E and the Safrock group of companies.

MON-E provides the software and back-office support for the cash advance business and Safrock provides unsecured personal loans through the franchised network.

#### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of each business division. Segment assets are based on geographical location of assets.

Primary reporting -business segments						
Segment revenues	External Sales		Inter-segment		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Store operations	43,257,441	22,752,885	-	-	43,257,441	22,752,885
Financing	30,494,150	22,450,547	-	-	30,494,150	22,450,547
<b>Total of all segments</b>	<b>73,751,591</b>	<b>45,203,432</b>	<b>-</b>	<b>-</b>	<b>73,751,591</b>	<b>45,203,432</b>
Eliminations					-	-
Unallocated					654,291	776,550
Consolidated revenue					<u>74,405,882</u>	<u>45,979,982</u>
Segment results					Total	
					2008	2007
					\$	\$
Store operations					4,348,261	2,869,402
Financing					17,299,880	13,890,284
<b>Total of all segments</b>					<b>21,648,141</b>	<b>16,759,686</b>
Eliminations					-	-
Unallocated					(49,572)	(49,572)
Profit before income tax expense					21,598,569	16,710,114
Income tax expense					(6,423,983)	(5,078,968)
Profit for the period					15,174,586	11,631,146

## Notes to the financial statements

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

### 30. Segmental information (cont'd)

Segment assets & liabilities	Assets		Liabilities	
	2008	2007	2008	2007
	\$	\$	\$	\$
Store operations	79,646,860	62,717,840	17,244,573	6,812,859
Financing	19,614,617	18,015,283	7,970,995	5,962,909
<b>Total of all segments</b>	<b>99,261,477</b>	<b>80,733,123</b>	<b>25,215,568</b>	<b>12,775,768</b>
Consolidated	<u>99,261,477</u>	<u>80,733,123</u>	<u>25,215,568</u>	<u>12,775,768</u>

Other segment information	Store operations		Financing	
	2008	2007	2008	2007
	\$	\$	\$	\$
Acquisition of segment assets	691,157	877,256	69,002	237,079
Depreciation and amortisation of segment assets	765,593	645,471	137,147	124,410
Significant expenses:				
Bad debts/bad debt provision	427,290	3,414	3,852,253	2,604,684

Secondary reporting -geographical segments						
Geographical segments	Revenue from external customers	Revenue from external customers	Segment assets	Segment assets	Acquisition of segment assets	Acquisition of segment assets
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Australia	51,361,575	30,472,181	88,939,361	75,000,708	448,408	613,704
UK Division	22,710,115	15,148,342	10,318,133	5,726,046	311,751	500,631
US Division	9,446	17,981	3,983	6,369	-	-
Rest of the World	324,746	341,478	-	-	-	-
Consolidated	<u>74,405,882</u>	<u>45,979,982</u>	<u>99,261,477</u>	<u>80,733,123</u>	<u>760,159</u>	<u>1,114,335</u>

- Intersegment pricing is based upon an agreed interest rate between Cash Converters Pty Ltd and Cash Converters Finance Corporation Limited.
- Under the geographical segment the revenue included under the 'rest of the world' is the percentage revenue due to the consolidated entity from the sub-master franchisors at a contracted percentage rate of their revenue generated from operations in their countries.

## **Notes to the financial statements**

*CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008*

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### **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

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## **Directors' declaration**

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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## **Directors' declaration**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) 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

Reginald Webb  
Director

Perth, Western Australia  
Date: 22 September 2008

## 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 balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 14 to 63.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



# Deloitte

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 6 to 9 of the directors' report for the year ended 30 June 2008. 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.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Cash Converters International Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



**DELOITTE TOUCHE TOHMATSU**



**Mark Gover**

Partner

Chartered Accountants

Perth, 22 September 2008

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

22 September 2008

Dear Board Members

### **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 2008, 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**



**Mark Gover**  
Partner  
Chartered Accountants

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