Cash Converters Announces Record Profit Result

The Directors of Cash Converters International Limited ('Cash Converters') are pleased to report a record profit result of $16.2 million for the 2009 financial year.

The table below provides a summary of the financial performance.

Financial Results Summary

	30 June 2009	30 June 2008	Variance %
Revenue	$94,397,900	$74,405,882	+26.9
EBITDA	$25,604,525	$23,443,909	+9.2
Depreciation and amortisation	$1,162,068	$882,312	+31.7
EBIT	$24,442,457	$22,561,597	+7.4
Income tax	$7,152,524	$6,423,983	+11.3
Borrowing costs	$1,135,225	$963,028	+17.9
Net profit before minority interest	$16,154,708	$15,174,586	+6.5
Less minority interests	$(10,153)	$31,183	+132.6
Net profit after minority interests	$16,164,861	$15,143,403	+6.7
Basic earnings per share	6.77	6.28	+7.8
Divisional Operating Profit	**30 June 2009**	**30 June 2008**	**Variance %**
Store operations	$7,234,263	$4,348,261	+66.4
Finance operations	$16,122,541	$17,299,880	-6.8
Total Divisional Operating profit *	$23,356,804	$21,648,141	+7.9
*** see segment note with Appendix 4E**			

Highlights

- The 2009 financial year has been the most successful in the Company's history, with a record net profit of $16.2 million, up 6.5% on the previous year.

- Revenue growth of 27% to $94.4 million. The major drivers for revenue growth over the year included an increase in personal loan interest and establishment fees of $5.2 million, an increase in corporate store revenue of $14.9 million and an increase in financial services commission of approximately $600,000.

- The UK has continued its improved performance over recent years and contributed an EBIT of $2.7 million, up 174.6% on the previous year. Store numbers (company owned and franchised) grew by 6 to 136.

- The Australian business continued to be a solid contributor with EBIT from franchising operations of $2.5 million (incorporating the absorption of 75% of all head office costs). The total EBIT from Australian franchising and store operations was $5.6 million. Store numbers (company owned and franchised) grew by 2 to 136.

- The Company owned store strategy has gained momentum with the acquisition this year of 15 franchised stores, 7 in the UK and 8 in Australia, taking total corporate store numbers to 37.

- The corporate store network has seen revenues grow by 76% to $34.5 million producing a combined EBIT of $4.4 million (up 187% on 2008FY) for the UK and Australian owned stores, with only a part year contribution from the 15 staggered store acquisitions.

- Safrock loan book growth of 55% to $21.4 million. The Safrock personal loans business and the MON-E cash advance administration platform generated an EBIT of $16.1 million (2008 $17.3 million) which is down 7.3% on the previous year. This reduction was the result of the Company renegotiating the terms of its franchise agreement with franchisees and granting franchisees a reduction in the process charges levied by MON-E. The reduced fee arrangement had a negative impact on MON-E in 2009 of approximately $2 million.

Dividend

The Directors have declared a fully franked final dividend of 1.5 cents per share. The dividend will be paid on 30 September 2009 to those shareholders on the register at the close of business on 16 September 2009. This will take the total dividend payment for the year to 3.0 cents per share, fully franked. This represents a payout ratio of approximately 45%.

Guidance for the 2010 Financial Year

The Company expects earnings growth in 2010 from the full year impact of store acquisitions in 2009 and the impact from the significant growth in the Safrock loan book in the last quarter of this financial year.

In the absence of new capital from the proposed EzCorp transaction, the expected NPAT for 2010 is in the range of $18 - $18.5 million. With the deployment of the additional capital, should the EZCORP transaction proceed, earnings are expected to exceed this guidance.

Outlook

The announcement in August of the introduction (subject to shareholder approval and due diligence) of EzCorp as a strategic shareholder representing a fully diluted interest of 30% of the Company will result in a cash injection of $54 million. Following the completion of this transaction Cash Converters will be very well positioned to fast-track the execution of its stated strategy of opening new company stores in the UK and Australia, as well as further acquisitions of franchised stores in 2010. The Company sees the acquisition of franchised stores and increasing the funding capacity of the Cash Advance and Personal loan products as a real opportunity to transform the Group into a significant store operating entity.

The year has been a busy and challenging one with the successful acquisition and integration of 15 franchised stores into our corporate store division. During one of the worst global economic downturns Cash Converters has reported a record profit result and with the growth opportunities we have identified we are optimistic that further growth will be achieved in the 2010 financial year. The staff, management and franchisees are to be congratulated for their contributions to the strong financial result this year.

Inclusions with appendix

Income statement
Balance sheet
Statement of recognised income and expense
Cash flow statement
Statement of retained earnings
Segment results

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 2009. 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 2009 to those shareholders on the register at the close of business on 16 September 2009.

Net tangible assets per security

For the current period the net tangible assets per security are $0.0898;
For the corresponding period they were $0.0830.

Details over entities over which control has been gained or lost

Acquisition of trade and assets: Seven stores in the United Kingdom and eight stores in Australia

During the period the Group acquired the trade and assets of seven stores in the UK and eight stores in Australia for total consideration of $11,980,447.

This transaction has been accounted for using the acquisition method of accounting.
The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination $	Fair value adjustments $	Fair value $
Net assets acquired:			
Cash and cash equivalents	162,813	-	162,813
Trade and other receivables	2,093,449	768,200	2,861,649
Inventories	2,224,731	(15,293)	2,209,438
Property plant and equipment	1,025,019	-	1,025,019
Trade and other payables	(88,906)	(145,829)	(234,735)
Fair value of net identifiable assets acquired	5,417,106	607,078	6,024,184
Consideration			
Consideration satisfied by cash			11,198,432
Deferred consideration			205,000
Other consideration			577,016
Total consideration			11,980,447
Goodwill arising on acquisition			**5,956,264**

The initial accounting for the acquisition of the 15 stores has only been provisionally determined at reporting date.
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 issuance 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 15 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 15 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 $917,851 attributable to the additional business generated by the 15 stores. Had the business combinations been effected at 1 July 2008, the revenue of the Group would be $103,018,546 and net profit $17,065,382. 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 future periods.
In determining the 'pro-forma' revenue and profit of the Group had the 15 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 2008 financial information of the 15 stores.

Details of associates and joint venture entities

The Company has no information to disclose in regard to associates and joint venture entities.

Earnings per security

The basic earnings per share for this period are 6.77 cents per share;
The diluted earnings per share for this period are 6.66 cents per share;

The basic earnings per share for the previous period are 6.28 cents per share;
The diluted earnings per share for the previous period are 6.12 cents per share;

Audited accounts

Appendix 4E has been prepared from accounts that are currently in the process of being audited.

Ralph Groom
Company Secretary
26 August 2009

Income statement for the financial year ended 30 June 2009

	Consolidated 2009 $	2008 $
Revenue	94,397,900	74,405,882
Employee benefits expense	(19,711,189)	(13,010,857)
Depreciation and amortisation expenses	(1,162,068)	(882,312)
Finance costs	(1,135,225)	(963,028)
Legal fees / legal settlements	(506,175)	(478,977)
Changes in inventories	(23,972,266)	(16,745,147)
Area agents fees / commissions	(4,941,768)	(5,709,839)
Rental expense on operating leases	(3,912,899)	(2,413,997)
Motor vehicle/travel costs	(1,113,848)	(1,016,238)
Advertising and promotion	(1,227,387)	(451,379)
Bad debts/bad debt provision	(4,819,032)	(4,302,072)
Professional and registry costs	(1,375,378)	(929,264)
Auditing and accounting services	(463,930)	(391,756)
Bank charges	(821,029)	(1,177,660)
Other expenses from ordinary activities	(5,928,474)	(4,334,787)
Profit before income tax expense	23,307,232	21,598,569
Income tax expense	(7,152,524)	(6,423,983)
Profit for the year	16,154,708	15,174,586
Attributable to:		
Equity holders of the parent	16,164,861	15,143,403
Minority interest	(10,153)	31,183
	16,154,708	15,174,586
Earnings per share		
Basic (cents per share)	6.77	6.28
Diluted (cents per share)	6.66	6.12

Balance sheet as at 30 June 2009

	Consolidated 2009 $	2008 $
Current assets		
Cash and cash equivalents	7,002,971	16,322,202
Trade receivables	6,418,488	5,161,595
Personal loans receivable	25,333,727	14,280,565
Inventories	6,958,592	3,306,989
Other assets	853,164	281,553
Total current assets	46,566,942	39,352,904
Non-current assets		
Trade and other receivables	1,368,700	1,950,157
Plant and equipment	4,633,423	2,580,301
Deferred tax assets	1,866,991	1,851,285
Goodwill	49,873,170	43,650,114
Other intangible assets	10,473,947	9,876,716
Total non-current assets	68,216,171	59,908,573
Total assets	114,783,114	99,261,477
Current liabilities		
Trade and other payables	8,366,970	6,743,196
Borrowings	3,942,312	4,539,025
Current tax payables	3,298,192	2,748,328
Deferred establishment fees	1,310,668	1,399,282
Provisions	1,127,577	823,048
Total current liabilities	18,045,576	16,252,879
Non-current liabilities		
Borrowings	12,978,034	7,689,721
Deferred tax liabilities	1,269,700	1,272,968
Total non-current liabilities	14,247,734	8,962,689
Total liabilities	32,293,310	25,215,568
Net assets	82,489,660	74,045,909
Equity		
Issued capital	47,202,376	46,424,331
Reserves	259,515	1,568,504
Retained earnings	34,758,496	25,773,648
Parent entity interest	82,220,387	73,766,483
Minority interests	269,273	279,426
Total equity	82,489,660	74,045,909

Statement of recognised income and expense for the financial year ended 30 June 2009

	Consolidated 2009 $	Consolidated 2008 $
Exchange differences arising on translation of foreign operations	(175,656)	(610,717)
Net income (expense) recognised directly in equity	(175,656)	(610,717)
Profit for the year	16,154,708	15,174,586
Total recognised income and expense for the year	15,979,052	14,563,869
Attributable to:		
Equity holders of the parent	15,989,205	14,532,686
Minority interest	(10,153)	31,183
	15,979,052	14,563,869

Cash flow statement for the financial year ended 30 June 2009

	Consolidated 2009 $	2008 $
Cash flows from operating activities		
Receipts from customers	79,372,408	66,830,614
Payments to suppliers and employees	(70,803,824)	(51,319,890)
Interest received	475,581	768,464
Interest received from personal loans	13,997,544	10,495,573
Interest and costs of finance paid	(1,129,562)	(944,772)
Income tax paid	(6,613,012)	(7,209,275)
Net cash flows provided by operating activities	15,299,135	18,620,714
Cash flows from investing activities		
Net cash paid for acquisitions of controlled entities	(11,035,619)	(15,786,230)
Proceeds from sale of plant and equipment	-	7,032
Purchase of plant and equipment	(1,504,176)	(760,159)
Loan repayments from non-related entities	2,325	28,942
Instalment credit loans made to franchisees	(454,692)	(439,204)
Net increase in personal loans	(7,503,859)	(2,670,978)
Instalment credit loans repaid by franchisees	712,617	688,969
Net cash flows used in investing activities	(19,783,404)	(18,931,628)
Cash flows from financing activities		
Dividends paid – members of parent entity	(7,180,013)	(7,229,442)
Proceeds from borrowings	7,349,143	12,425,837
Repayment of borrowings	(3,394,752)	(2,180,314)
Capital element of finance lease and hire purchase payments	(181,714)	(134,994)
Share buy-back	(355,289)	(1,245,873)
Redemption of unsecured notes by controlled entity	(216,600)	-
Issue of unsecured notes by controlled entity	204,816	66,963
Net cash (used)/provided by financing activities	(3,774,409)	1,702,177
Net (decrease)/increase in cash and cash equivalents	(8,258,678)	1,391,263
Cash and cash equivalents at the beginning of the year	15,284,545	14,171,122
Effects of exchange rate changes on the balance of cash held in foreign currencies.	(680,829)	(277,840)
Cash and cash equivalents at the end of the year	6,345,038	15,284,545

	Consolidated 2009 $	2008 $
Reserves and retained earnings		
(a) Reserves		
Foreign currency translation reserve	(873,819)	(698,163)
Acquisition earnout reserve	1,133,334	2,266,667
Balance at the end of the financial year	259,515	1,568,504
Foreign currency translation reserve		
Balance at the beginning of the financial year	(698,163)	(87,446)
Translation of foreign operations	(175,656)	(610,717)
Balance at the end of the financial year	(873,819)	(698,163)

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.

	2009 $	2008 $
Acquisition earnout reserve		
Balance at the beginning of the financial year	2,266,667	3,400,000
Contingent consideration agreed for the year	(1,133,333)	(1,133,333)
Balance at the end of the financial year	1,133,334	2,266,667

Earn-out shares

Under the terms of the acquisition in regard to the Safrock Group 8,500,000 earn-out shares may be issued in tranches as soon as practicable after the end of the relevant financial year subject to meeting certain earnings targets. The end of the first relevant financial period was 30 June 2007 with the earnings targets being met resulting in 2,833,333 earn-out shares being issued. A further 2,833,333 earn-out shares were issued for the period ending 30 June 2008 following the earn-out target being met. This leaves a balance of 2,833,334 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.

	2009 $	2008 $
(b) Retained earnings		
Balance at the beginning of the financial year	25,773,648	17,859,689
Net profit attributable to members of the parent entity	16,164,861	15,143,403
Dividends provided for or paid	(7,180,013)	(7,229,442)
Balance at the end of the financial year	34,758,496	25,773,648

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 finance division was originally established to provide loans to existing franchisees within Australia, for the development of their businesses. Since October 2006 this division also incorporates the MON-E cash advance business and the Safrock personal loans business.

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

	External Sales		Inter-segment		Total	
Segment revenues	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**	**$**	**$**
Store operations	65,273,844	43,257,441	-	-	65,273,844	43,257,441
Financing	28,727,086	30,494,150	-	-	28,727,086	30,494,150
Total of all segments	94,000,930	73,751,591	-	-	94,000,930	73,751,591
Unallocated					396,970	654,291
Consolidated revenue					94,397,900	74,405,882

	Total	
Segment results	**2009**	**2008**
	$	**$**
Store operations	7,234,263	4,348,261
Financing	16,122,541	17,299,880
Total of all segments	23,356,804	21,648,141
Eliminations	-	-
Unallocated	(49,572)	(49,572)
Profit before income tax expense	23,307,232	21,598,569
Income tax expense	(7,152,524)	(6,423,983)
Profit for the period	16,154,708	15,174,586

Segmental information ***(cont'd)***

Segment assets & liabilities	**Assets 2009 $**	**Assets 2008 $**	**Liabilities 2009 $**	**Liabilities 2008 $**
Store operations	51,165,829	45,573,210	16,141,761	17,244,573
Financing	63,617,285	53,688,267	16,151,692	7,970,995
Total of all segments	114,783,114	99,261,477	32,293,453	25,215,568
Consolidated	114,783,114	99,261,477	32,293,453	25,215,568

Other segment information	**Store operations 2009 $**	**Store operations 2008 $**	**Financing 2009 $**	**Financing 2008 $**
Acquisition of segment assets	1,281,984	691,157	58,665	69,002
Depreciation and amortisation of segment assets	1,023,210	765,593	138,858	137,147
Significant expenses:				
Bad debts/bad debt provision	852,955	427,290	3,966,077	3,852,253

Secondary reporting -geographical segments

Geographical segments	**Revenue from external customers 2009 $**	**Revenue from external customers 2008 $**	**Segment assets 2009 $**	**Segment assets 2008 $**	**Acquisition of segment assets 2009 $**	**Acquisition of segment assets 2008 $**
Australia	61,927,167	51,361,575	100,145,761	88,939,361	805,857	448,408
UK Division	32,110,057	22,710,115	14,635,893	10,318,133	534,792	311,751
US Division	13,270	9,446	1,460	3,983	-	-
Rest of the World	347,406	324,746	-	-	-	-
Consolidated	94,397,900	74,405,882	114,783,114	99,261,477	1,340,649	760,159

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 was open for a 12 month timeframe with a maximum number of shares to be purchased being 24,300,000. Under this buy-back 5,968,674 were acquired for the total consideration of $1,601,161. On 10 December 2008 Cash Converters International Limited advised the Market that it would commence a buy-back of its shares commencing 28 December 2008. The buy-back will be open for a 12 month timeframe with a maximum number of shares to be purchased being 23,700,000. No shares have yet been purchased under this buy-back.

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	
	2009	**2008**
	$	**$**
Cash and cash equivalents	7,002,971	16,322,202
Bank overdraft	(657,933)	(1,037,657)
	6,345,038	15,284,545