

APPENDIX 4E

Cash Converters International Limited

ABN: 39 069 141 546

Financial year ended 30 June 2010

'RESULTS FOR ANNOUNCEMENT TO THE MARKET'

- Revenues from ordinary activities up 34.8% to \$127,787,778;
- Profit from ordinary activities after tax up 34.2% to \$21,676,163;
- Net profit attributable to members up by 33.8% to \$21,629,922;
- The directors of the Company paid a fully franked interim dividend of 1.5 (one and a half) cents per share on 31 March 2010. 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 2010 to those shareholders on the register at the close of business on 16 September 2010;
- Cash Converters is targeting a NPAT for the 2011 financial year in the range of \$27 - \$27.5 million – an increase of approximately 27% on this years result.

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

Inclusions with appendix 4E

Condensed consolidated statement of comprehensive income
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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 2010. 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 2010 to those shareholders on the register at the close of business on 16 September 2010.

Net tangible assets per security

For the current period the net tangible assets per security are \$0.2392;
For the corresponding period they were \$0.0898.

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Details over entities over which control has been gained or lost

Acquisition of trade and assets: four stores in the United Kingdom and nine stores in Australia

During the period the Group acquired the trade and assets of four stores in the UK and nine stores in Australia for total consideration of \$8,866,816.

These transactions have 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	74,302	-	74,302
Trade and other receivables	1,526,470	625,527	2,151,997
Inventories	1,869,317	(126,186)	1,743,131
Property plant and equipment	376,231	220,359	596,590
Deferred tax assets	-	-	-
Other financial assets	-	-	-
Trade and other payables	(84,502)	-	(84,502)
Fair value of net identifiable assets acquired	<u>3,761,818</u>	<u>719,700</u>	<u>4,481,518</u>
Consideration			
Consideration satisfied by cash			8,049,926
Deferred consideration			798,560
Other consideration			18,330
Total consideration			<u>8,866,816</u>
Goodwill arising on acquisition			<u>4,385,298</u>

The initial accounting for the acquisition of the 13 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 13 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 13 stores. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the net profit for the period is \$467,270 attributable to the additional business generated by the 13 stores.

Had the business combinations been effected at 1 July 2009, the revenue of the Group would be \$142,452,778 and net profit \$23,275,697. 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 13 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 2009 financial information of the 13 stores.

Details of associates and joint venture entities

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

Chairman's and Managing Director's review

For a commentary on the results for the period please refer to the Chairman and Managing Director's review lodged with this appendix.

Earnings per security

The basic earnings per share for this period are 6.60 cents per share;
The diluted earnings per share for this period are 6.58 cents per share;

The basic earnings per share for the previous period are 6.77 cents per share;
The diluted earnings per share for the previous period are 6.66 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
24 August 2010

Condensed consolidated statement of comprehensive income

	Consolidated	
	2010	2009
	\$	\$
Revenue	127,787,778	94,803,282
Employee benefits expense	(24,887,303)	(19,711,189)
Depreciation and amortisation expenses	(1,561,768)	(1,162,068)
Finance costs	(1,000,325)	(1,135,225)
Legal fees / legal settlements	(473,505)	(506,175)
Changes in inventories	(30,517,836)	(23,972,266)
Area agents fees / commissions	(7,545,069)	(4,941,768)
Rental expense on operating leases	(4,742,358)	(3,912,899)
Motor vehicle / travel costs	(915,354)	(1,113,848)
Advertising and promotion	(4,017,176)	(1,227,387)
Bad debts / bad debt provision	(10,815,370)	(4,819,032)
Professional and registry costs	(1,646,158)	(1,375,378)
Auditing and accounting services	(646,743)	(343,615)
Bank charges	(912,388)	(821,029)
Other expenses from ordinary activities	(6,893,848)	(6,454,171)
Profit before income tax expense	31,212,577	23,307,232
Income tax expense	(9,536,414)	(7,152,524)
Profit for the year	21,676,163	16,154,708
Other comprehensive income		
Exchange differences on translation of foreign operations	(547,635)	(175,655)
Other comprehensive income for the period	(547,635)	(175,655)
Total comprehensive income for the period	21,128,528	15,979,053
Profit attributable to:		
Owners of the parent	21,629,922	16,164,861
Non-controlling interest	46,241	(10,153)
	21,676,163	16,154,708
Total comprehensive income attributable to:		
Owners of the parent	21,082,314	15,989,206
Non-controlling interest	46,214	(10,153)
	21,128,528	15,979,053
Earnings per share		
Basic (cents per share)	6.60	6.77
Diluted (cents per share)	6.58	6.66

Condensed consolidated statement of financial position

	Consolidated	
	2010	2009
	\$	\$
Current assets		
Cash and cash equivalents	50,716,388	7,002,971
Trade receivables	8,172,853	6,681,554
Personal loans receivable	41,598,787	25,070,661
Inventories	10,707,497	6,958,592
Other assets	1,432,939	853,164
Total current assets	112,628,464	46,566,942
Non-current assets		
Trade and other receivables	3,117,286	1,368,700
Plant and equipment	6,810,314	4,633,423
Deferred tax assets	2,777,803	1,866,991
Goodwill	54,280,310	49,873,170
Other intangible assets	16,283,662	10,473,947
Other financial assets	1,250,000	-
Total non-current assets	84,519,375	68,216,171
Total assets	197,147,839	114,783,114
Current liabilities		
Trade and other payables	10,513,380	8,366,970
Borrowings	3,280,316	3,942,312
Current tax liabilities	5,404,919	3,298,192
Deferred establishment fees	1,773,041	1,310,668
Provisions	1,415,261	1,127,578
Total current liabilities	22,386,917	18,045,720
Non-current liabilities		
Borrowings	10,616,687	12,978,034
Deferred tax liabilities	1,288,539	1,269,700
Total non-current liabilities	11,905,226	14,247,734
Total liabilities	34,292,143	32,293,454
Net assets	162,855,696	82,489,660
Equity		
Issued capital	116,812,467	47,202,376
Reserves	(1,421,453)	259,515
Retained earnings	47,149,168	34,758,496
Parent entity interest	162,540,182	82,220,387
Minority interests	315,514	269,273
Total equity	162,855,696	82,489,660

Condensed consolidated statement of changes in equity

Consolidated	Issued capital	Foreign currency translation reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2008	46,424,331	(698,163)	2,266,667	25,773,648	73,766,483	279,426	74,045,909
Profit for the period	-	-	-	16,164,861	16,164,861	(10,153)	16,154,708
Exchange differences arising on translation of foreign operations	-	(175,655)	-	-	(175,655)	-	(175,655)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	(175,655)	-	16,164,861	15,989,206	(10,153)	15,979,053
Payment of dividends	-	-	-	(7,180,013)	(7,180,013)	-	(7,180,013)
Issue of shares from reserve	1,133,333	-	(1,133,333)	-	-	-	-
Share buy back	(355,289)	-	-	-	(355,289)	-	(355,289)
Share issue costs	-	-	-	-	-	-	-
Balance at 30 June 2009	47,202,375	(873,818)	1,133,334	34,758,496	82,220,387	269,273	82,489,660

Consolidated	Issued capital	Foreign currency translation reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	47,202,375	(873,818)	1,133,334	34,758,496	82,220,387	269,273	82,489,660
Profit for the period	-	-	-	21,629,922	21,629,922	46,241	21,676,163
Exchange differences arising on translation of foreign operations	-	(547,635)	-	-	(547,635)	-	(547,635)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	(547,635)	-	21,629,922	21,082,287	46,241	21,128,528
Payment of dividends	-	-	-	(9,239,250)	(9,239,250)	-	(9,239,250)
Issue of shares	68,829,000	-	-	-	68,829,000	-	68,829,000
Share issue costs	(352,242)	-	-	-	(352,242)	-	(352,242)
Issue of shares from reserve	1,133,334	-	(1,133,334)	-	-	-	-
Balance at 30 June 2010	116,812,467	(1,421,453)	-	47,149,168	162,540,182	315,514	162,855,696

Condensed consolidated statement of cash flows

	Consolidated	
	2010	2009
	\$	\$
Cash flows from operating activities		
Receipts from customers	103,268,010	79,109,342
Payments to suppliers and employees	(95,910,452)	(70,540,758)
Interest received	1,349,126	475,581
Interest received from personal loans	16,028,251	13,997,544
Interest and costs of finance paid	(960,577)	(1,129,562)
Income tax paid	(7,267,174)	(6,613,012)
Net cash flows provided by operating activities	16,507,184	15,299,135
Cash flows from investing activities		
Net cash paid for acquisitions of controlled entities	(13,748,891)	(11,035,619)
Purchase of plant and equipment	(3,363,702)	(1,504,176)
Loan repayments from non related entities	-	2,325
Payments to acquire financial assets	(1,250,000)	-
Net increase in personal loans	(8,782,661)	(7,503,859)
Instalment credit loans made to franchisees	(2,089,139)	(454,692)
Instalment credit loans repaid by franchisees	210,272	712,617
Net cash flows used in investing activities	(29,024,121)	(19,783,404)
Cash flows from financing activities		
Dividends paid – members of parent entity	(9,239,250)	(7,180,013)
Proceeds from borrowings	1,354,952	7,349,143
Repayment of borrowings	(3,241,921)	(3,394,752)
Capital element of finance lease and hire purchase payments	(344,597)	(181,714)
Share buy-back	-	(355,289)
Issue of shares by controlling entity	68,829,000	-
Share issue costs	(352,242)	-
Redemption of unsecured notes by controlled entity	(307,800)	(216,600)
Issue of unsecured notes by controlled entity	93,001	204,816
Net cash flows (used in)/provided by financing activities	56,791,143	(3,774,409)
Net decrease in cash and cash equivalents	44,274,206	(8,258,678)
Cash and cash equivalents at the beginning of the period	6,345,038	15,284,545
Effects of exchange rate changes on the balance of cash held in foreign currencies	97,144	(680,829)
Cash and cash equivalents at the end of the period	50,716,388	6,345,038

RESERVES AND RETAINED EARNINGS**(a) Reserves**

	Consolidated	
	2010	2009
	\$	\$
Foreign currency translation reserve	(1,421,453)	(873,819)
Acquisition earnout reserve	-	1,133,334
Balance at the end of the financial year	(1,421,453)	259,515

Foreign currency translation reserve

	Consolidated	
	2010	2009
	\$	\$
Balance at the beginning of the financial year	(873,818)	(698,163)
Translation of foreign operations	(547,635)	(175,656)
Balance at the end of the financial year	(1,421,453)	(873,818)

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 earn-out reserve

	Consolidated	
	2010	2009
	\$	\$
Balance at the beginning of the financial year	1,133,334	2,266,667
Contingent consideration for Saprock acquisition	-	-
Contingent consideration agreed for the year	(1,133,334)	(1,133,333)
Balance at the end of the financial year	-	1,133,334

Under the terms of the acquisition in regard to the Saprock Group 8,500,000 earn-out shares may be issued in tranches as soon as practicable after the end of the relevant financial year subject to meeting certain earnings targets. The end of the first relevant financial period was 30 June 2007 with the earnings targets being met resulting in 2,833,333 earn-out shares being issued. A further 2,833,333 earn-out shares were issued for the period ending 30 June 2008 following the earn-out target being met. The balance of 2,833,334 earn-out shares were issued in this period following the achievement of the earnings targets for the year ended 30 June 2009. 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 Saprock. An equity reserve is used to record this amount due to a fixed number of equity instruments to be issued.

(b) Retained earnings

	Consolidated	
	2010	2009
	\$	\$
Balance at the beginning of the financial year	34,758,496	25,773,648
Net profit attributable to members of the parent entity	21,629,922	16,164,861
Dividends provided for or paid	(9,239,250)	(7,180,013)
Balance at the end of the financial year	47,149,168	34,758,496

Segment results

	Segment revenues		Segment results	
	Year Ended		Year Ended	
	2010	2009	2010	2009
	\$	\$	\$	\$
Franchise operations	22,974,687	24,409,362	8,710,344	8,642,091
Store operations	62,534,745	45,789,144	6,844,755	5,383,490
Financial services - administration	10,249,019	9,516,552	9,112,424	7,512,836
Financial services - personal loans	37,069,623	20,620,040	15,454,064	9,780,737
Inter-segment elimination of revenues	(6,183,971)	(5,816,743)	-	-
Totals	126,644,103	94,518,355	40,121,587	31,319,154
Interest received	1,143,675	284,927	-	-
Corporate head office costs	-	-	(8,909,010)	(8,011,922)
Total revenue/operating profit	127,787,778	94,803,282	31,212,577	23,307,232
Income tax attribute to operating profits			(9,536,414)	(7,152,524)
Operating profit after income tax			21,676,163	16,154,708
Less: Profit attributable to outside equity interests			(46,241)	10,153
Profit attributable to members of Cash Converters International Limited			21,629,922	16,164,861