# Cash Converters International Limited

## Annual Report 2005

# CORPORATE DIRECTORY

## DIRECTORS

| | |
|---|---|
| Reginald Webb | *Chairman* |
| Peter Cumins | *Managing Director* |
| Michael Cooke | *Group Legal Director* |
| John Yeudall | *Non-Executive Director* |

## COMPANY SECRETARY

Ralph Groom

## REGISTERED OFFICE

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

## SHARE REGISTRARS

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

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

## AUDITORS

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

## SOLICITORS

Cooke & Co
38 Philip Road
DALKEITH Western Australia 6009

## BANKERS

IN AUSTRALIA:
National Australia Bank
50 St George's Terrace
PERTH Western Australia 6000

IN UNITED KINGDOM:
Barclays Bank PLC
Corporate Banking Centre
32 Clarendon Road
WATFORD Hertfordshire
United Kingdom

## TRUSTEE FOR UNSECURED NOTE HOLDERS

Perpetual Trustee Consolidated Limited
Level 7, 9-11 Castlereagh Street
SYDNEY New South Wales 2001

## STOCK EXCHANGE

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

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

## CORPORATE BROKER

ABN AMRO Morgans
Level 1, 197 Adelaide Terrace
PERTH Western Australia 6000

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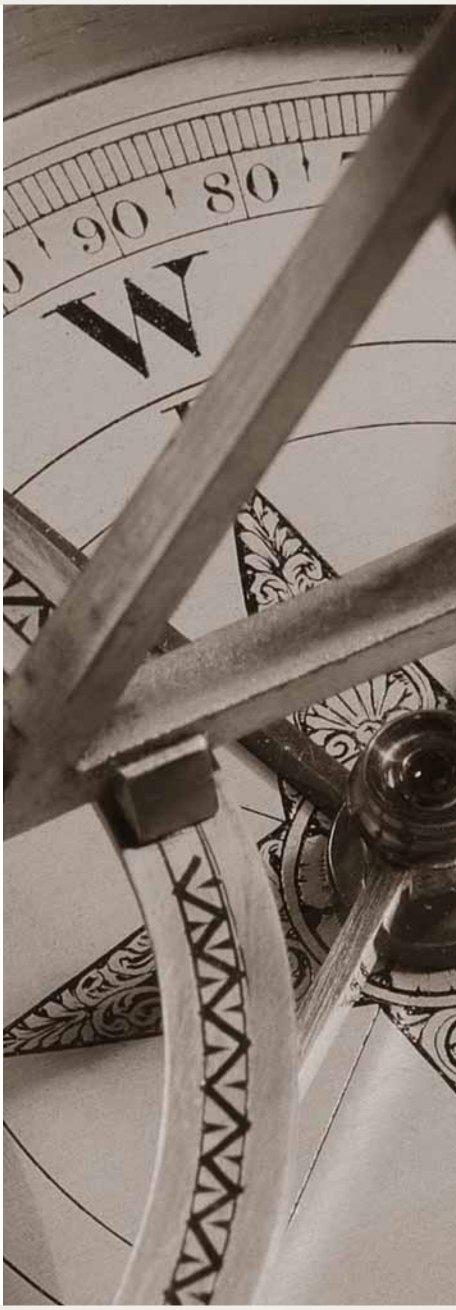

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# CHAIRMAN & MANAGING DIRECTOR'S REVIEW

*It gives us great pleasure to present the Annual Report and the group accounts for the financial year ending 30 June 2005.*

*This year's net profit is $3,078,296 and is in line with Company expectations. Although down on the previous year because of the higher than usual renewal fees received last year ($1,708,000) compared to this year ($444,454), the year still produced a number of operational highlights and, more importantly, continued growth in our ongoing income streams.*

## HIGHLIGHTS FOR THE YEAR

- Cash advance commissions: $1,755,754 up 119.8%;
- Cheque cashing commission passes $1 million for the first time: $1,044,423 up 19.7%;
- The Australian network continues as our best performer with an operating profit before tax of $4,206,204. This was achieved even though income was down by $1,263,546 from one off renewal fees received compared to the fees received in the previous year;
- CCUK has completed a successful in-house trial of its online auction site and prepares for a soft launch in September;
- The UK division opened its first two corporate stores in the north of England towns of Burnley and Bolton. Each store has performed better than forecast with the Bolton store recording a profit in July 2005 after only nine months of trade.

## PROFIT ANALYSIS

| | 2004 | 2005 | % |
|---|---|---|---|
| Earnings before interest, tax, depreciation and amortisation | 6,410,509 | 5,250,783 | -22.1 |
| Income tax | 1,621,328 | 1,396,329 | -13.9 |
| Depreciation & amortisation | 506,043 | 576,387 | 13.4 |
| Borrowing costs | 440,741 | 199,771 | -54.7 |
| Net profit before minority interests | 3,842,397 | 3,078,296 | -19.9 |
| Less minority interests | 106,887 | 10,590 | -90.1 |
| Net profit after minority interests | 3,735,510 | 3,067,706 | -17.9 |

## REVENUE

Operating revenue for the period was $18,608,542 (2004: $23,354,993).

The major variances in revenue can be attributed to:

- A decrease in retail wholesale sales to $4,552,641 (2004: $8,025,202);
- A decrease in the sale of 15 year licence agreements to our UK franchisees - $756,477 (2004: $1,522,736);
- A decrease in renewal fees paid by Australian franchisees who have elected to renew their franchise agreement for a further 10 years - $444,454 (2004: $1,708,000);
- An increase in cash advance commission to $1,755,754 (2004: $798,808);
- An increase in cheque cashing commission to $1,044,423 (2004: $872,545)

## FINANCIAL SERVICES

The cash advance business model introduced into the Australian network in August 1999 has continued to grow at a rapid rate during the period as the following table demonstrates:

| | 2004 | 2005 |
|---|---|---|
| Total number of loans | 137,737 | 280,908 |
| Total principal loaned | $29,458,924 | $63,496,993 |
| Group commissions | $798,808 | $1,755,754 |

Group commissions for the first half of this year were $689,134 and for the second half they were $1,066,620 representing a 124.9% increase on the corresponding period last year.

There are currently 84 stores providing cash advances - 37 in Queensland, 24 in Victoria, 10 in South Australia and 13 in Western Australia. We expect a further 20 stores to come on line during the next 12 months.

As more stores come on stream the advertising budget for cash advance will grow which will see further growth in business.

## OTHER FINANCIAL SERVICES

The UK cheque cashing business contributed $1,044,423 and Western Union money transfer commissions contributed $183,891.

Unsecured personal loans of $1,000 to $2,000 and secured loans from $2,000 to $10,000 were introduced in Queensland last year with success and a national rollout of this product has now commenced. Commissions on these loans contributed $138,408.

## AUSTRALIAN AND INTERNATIONAL DIVISION

The division has performed well during the period, however because of the fall in renewal fees operating profit before tax fell slightly to $4,206,204

Five years ago, the Company embarked upon a growth strategy, which included the introduction of additional lending products via the franchised network. As well as improving the profitability of stores, the strategy has ensured that the franchised model will remain extremely robust in changing retail conditions and should provide upside for Company profitability.

This evolution of the franchised model now sees personal finance centres operational in the majority of stores nationally, offering cash advance, Western Union money transfer and a growing number approved to offer cheque cashing and personal loans up to $10,000. This powerful platform will allow the Company to adopt a leadership position in the emerging micro-lending industry with further scope for the addition of complimentary financial products.

Although the business is forging ahead, the Cash Converters brand in Australia, whilst strong, needs refreshing to support our future direction. The introduction of further financial services has seen the growing product range outreaching the way the broader community understands the business. To address this the Company has appointed a new advertising agency - ‘303’, who will work with us on the development of our Cash Converters brand strategy and the creative execution needed to revitalise the presentation of our business and develop an advertising strategy to drive new business opportunities and pull more customers into our stores.

While we are focussed on strengthening the business model and network and refreshing the appeal of the Cash Converters brand, we are examining alternative ways to commercialise the brand for greater profit and to lessen the Company’s dependence on the franchised network as the sole source of profit. A stand alone personal finance centre that offers the same products as those offered in store is on trial in Brisbane and will provide a prototype for Company owned and franchised units.

The International network contributed $357,566 in fees.

## CASH CONVERTERS UK DIVISION

Cash Converters UK (CCUK) produced a profit before tax of $248,583 (2004: $1,105,115). This result was in line with expectation as the number of 15 year licence sales to those franchisees who had reached the end of their 10 year franchise agreement reduced from a high the previous year of $1,522,736 to $756,477 in 2005.

The profile of the Cash Converters brand has been raised by a successful franchisee funded television campaign and was further boosted by a peak time BBC documentary entitled ‘Skint’ in which one of our stores featured prominently. This programme rated extremely well and presented our business in a very favourable light. A clear increase in business was enjoyed following this series and the UK stores are now experiencing levels of business which contrast sharply to a struggling UK high street.

## UK CORPORATE STORES

As reported last year the Board approved the concept of opening company owned mini stores. The Greater Manchester area was identified as an ideal territory to expand the concept since the demographics of the population and the population size were ideal for our business.

The first store was opened in Bolton and has been an outstanding success having reached profit in July 2005 after only nine months of trade. The second store opened in Burnley in June and after two months of trade is already 20% up on budget.

We are currently looking for a site in Bury or Blackburn for store number three. It is planned to open this store pre-December and a fourth store in the second half of the year.

## UK ONLINE AUCTION SITE

The Cash Converters auction site will be launched in September after a final period of testing. It is anticipated that this will grow into a significant income stream over the next few years as franchisees move into the world of e-trading. Our franchisees have already enjoyed successful trading on the EBay auction site. This confirmed our view that there is a huge untapped market for our second hand products and that online auction customers are comfortable to deal with Cash Converters.

This online auction site has a worldwide application and the Company intends to introduce it to the Australian franchise network in the new year.

Of the UK adult market, 67% has now experienced home shopping through the internet. It is estimated that the total UK e-trading market was valued at £14.5 billion in 2004 and this is expected to grow further in 2005. Figures released by EBay itself report that they have 95 million customers in 150 countries and sales of 24 billion dollars during 2003, which represents an increase of approximately 60% over the previous year.

The Cash Converters auction site can capitalize on this rapidly growing market. The project will be supported by marketing and PR strategies that will build on the existing strength of the brand plus the bricks and mortar credibility of our UK store network. We can provide a warranty on goods, customers will have the comfort of tracking payments and delivery with a national retailer and goods will have been purchased for sale from customers whose identity had been verified at the time of purchase. These are just a few advantages of dealing with the Cash Converters retail network that will set it apart from other auction sites.

## DIVIDENDS

The Board paid a fully franked interim dividend of 0.5(half) cent per share on 31 March 2005. The Directors have also declared a final fully franked dividend of 0.5(half) cent per share to be paid on 30 September 2005 to those shareholders on the register at the close of business on 16 September 2005.

## CHAIRMAN

The Board would like to take this opportunity to thank Mr Brian Cumins, our original founder and Chairman, who retired on 12 January 2005, for his significant contribution to the Company since its inception. Congratulations Brian on building such a well known national and international brand from scratch in such a relatively short period of time - a fantastic achievement.

## THE FUTURE

As reported last year, the Company has very little debt, adequate cash reserves, a strong cash flow and a stable franchise chain.

Cash advance continues to grow strongly which will have a positive impact on our profits in the short term. The growth of our company owned stores and the launch of our on-line auction site will have a significant impact on our profits in the longer term. The future looks bright.

We would like to thank our fellow directors, management and staff for a job well done.

**Reginald Webb**

*Chairman*

**Peter Cumins**

*Managing Director*

# HISTORY

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

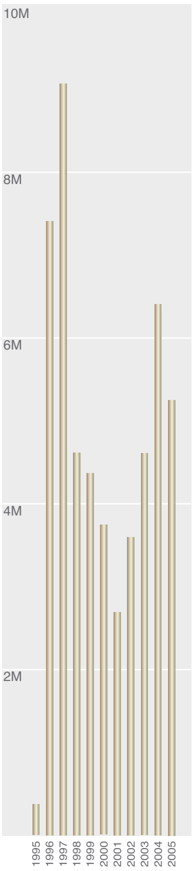
*During the next four years the merchandising formula and trading style that has underwritten the groups success were developed and tested in the market place. A total of seven stores were open and trading profitably before the franchising of Cash Converters began with the opening of two franchised outlets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

In 1990 the Group began to expand into other Australian States and now has over 100 outlets throughout Australia. The success of its Australian operations resulted in Cash Converters seeking to expand into overseas markets.

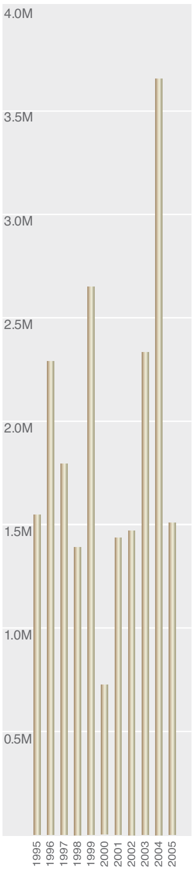
The Company's carefully planned entry into Europe was launched in 1991 when the first store in the United Kingdom was opened at Gants Hill in Essex. Since then further stores have opened in the UK taking the total to over 100 stores.

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

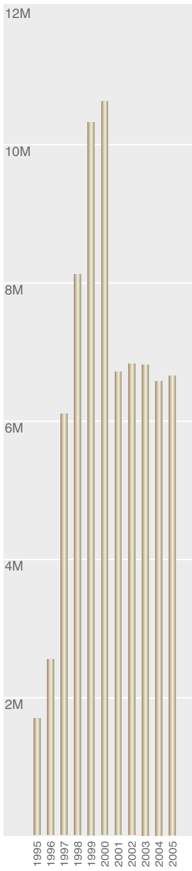
Since launching the concept in 1984, Cash Converters has grown enormously with representation in 21 countries worldwide and to a network of close to 450 franchised stores.



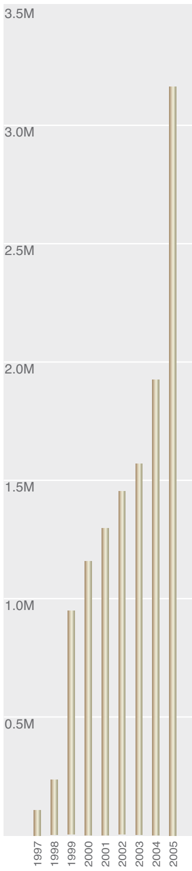

**OPERATING PROFIT**
before tax, interest, depreciation, amortisation, intellectual property write-down and restructuring costs




**INITIAL FRANCHISE FEES**
including new store fees and six and ten year franchise renewals




**WEEKLY FRANCHISE FEES**
fees from traditional stores, UK mini stores and Australian buys and loans centres




**FINANCIAL SERVICES COMMISSION**
including commissions for cash advance, personal loans, cheque cashing and Western Union money transfer

# CORPORATE OBJECTIVES

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

- *To achieve high and increasing levels of profitability, enabling Cash Converters to meet its responsibilities to shareholders;*
- *To offer opportunities for franchisees and employees, based upon individual initiative, ability and commitment to succeed;*
- *To be recognised as a world leader in the retail franchising industry through the provision of innovative business opportunities and management support services to franchisees; and*
- *To provide, through franchisees, retail outlets that are distinguished by the quality of retail standards and value of the merchandise on offer.*

## CORE BUSINESS

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

Franchising was adopted because of its inherent benefits to both the franchisor and the franchisee and its ability to help the Company manage cultural and commercial differences around the world.

As an international franchisor the Company receives the benefit of being able to expand its business quickly and receive the strong managerial commitment of a local franchisee. The franchisee in turn receives the benefit of investing in a successful retailing formula, the product of which is already well proven and as a result the business risk is significantly reduced.

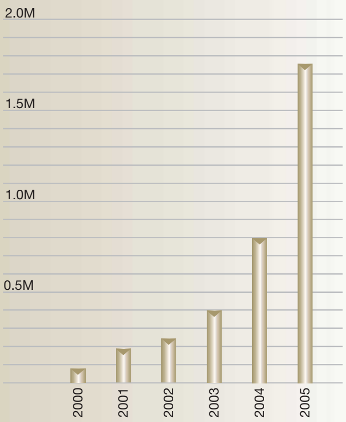
Under the franchise agreements the group provides each franchisee with a business format franchise. This provides each franchisee with the right to use the Cash Converters trademark and business systems.

The Company, Cash Converters International Limited, is the International master franchisor of the franchising concept. The Company sells a licence for the franchise rights of a country to a sub-franchisor. It is the sub-franchisor who develops each country, which they may split into individual territories or regions for sale to a regional sub-franchisor responsible for the sale of franchises to individual franchisees.

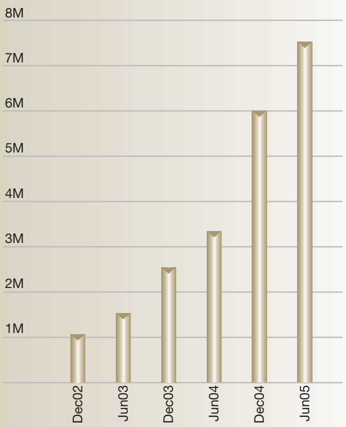
The individual franchisees are the strength behind the global network since they believe wholeheartedly in the concept and have an overwhelming commitment to succeed. This commitment and dedication to their business represents the strength behind the group and underpins the whole ethos of the Company.

# GROWTH OPPORTUNITIES

CASH ADVANCE COMMISSION




CASH ADVANCE PRINCIPAL LOANED




*The Cash Converters concept has developed into a business model that now incorporates a number of new financial services and other opportunities that will provide good growth.*

*The following information is provided to enable our shareholders to have a better understanding of the growth potential of these services and opportunities.*

## FINANCIAL SERVICES

The Cash Converters networks in both the UK and Australia have adopted a number of financial services during the past few years. These services have been sourced by the franchisor and, after a suitable trial period, have been launched throughout the networks. All have added value to the franchise chain and have generated additional revenue and commission for the Company.

### CASH ADVANCE

This service was first launched by the Australian network in 2000 and has developed into a substantial income stream for both the franchisee and franchisor. The service offers small unsecured loans – which currently average $226 per loan – to customers who are currently employed and have a bank account. Repayments are automatically debited to the borrower's bank account and are controlled by a central computer. The software for the service has been written by a third party operator who also provides training and ongoing support to the franchise network. Each loan is usually for a term of 30 days. The franchisee has the responsibility to administer the loan and is also at risk in regard to any bad debts associated with the loan, which are currently averaging only 2.8% of the principal loaned. The Company bears no risk in relation to bad debts.

The total number of Australian customers who have used this service is now well over 100,000 and the principal loaned on a monthly basis has exceeded $7.5 million.

The graphs opposite help to demonstrate the excellent growth this product has achieved during the past three years.

## PERSONAL LOANS

These have been trialled in Australia with great success. Initially personal loans in the $1,000 to $2,000 range were offered and this has now increased to loans up to $10,000. Our franchise network in Queensland is now advancing over $1.0 million a month in personal loans. The Company's commission in regard to this product for the year was $138,408. This commission is set to grow as more stores offer the service.

An independent lender provides the personal loans. They have developed the software, undertake credit checks on the borrower and lend their money to the customer. The franchisee and the Company receive a commission on the total value of the loans advanced. The Company bears no risk in relation to bad debts.

Personal loans are also offered as a service by the UK network under a similar arrangement.

## CHEQUE CASHING

This service has now been operating in the UK since 1997 and although the commissions generated by this product have been reasonably flat over the past few years they are set to increase as the number of mini stores increases around the UK.

Cheque Cashing is also offered as a service by the Australian network.

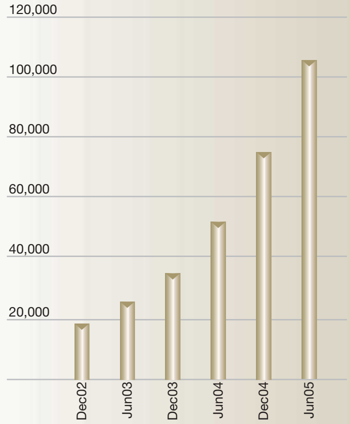
## WESTERN UNION

This is another financial service introduced to the network a number of years ago and although not producing large commissions, the service is offered by the network in Australia and the UK and provides another reason for customers to visit a Cash Converters store.

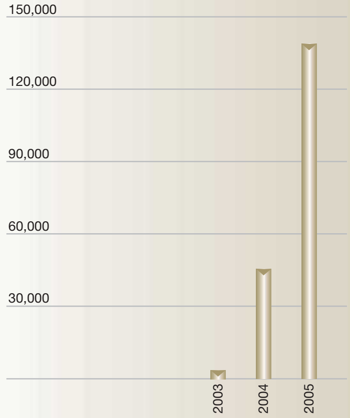
# MINI STORE

The 'mini store' concept in the UK started out as a 'financial service centre' providing cheque cashing, cash advance, Western Union, personal loans and other financial services. It has now evolved to offer retail sales and pawnbroking. One of the reasons for the development of the mini store was he difficulty in securing good retail sites of approximately 300 square metres (as required by a traditional store), on the UK high street. A mini store requires a far smaller retail area of between 80 to 100 square metres plus some accompanying storage space. Such premises are far easier to obtain in good high street locations around the UK.

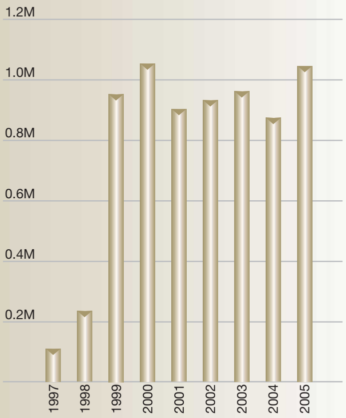
CASH ADVANCE CUSTOMER NUMBERS



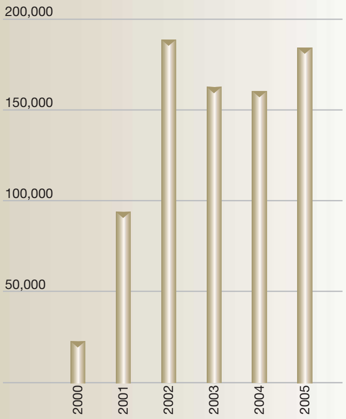

PERSONAL LOANS COMMISSION



### CHEQUE CASHING COMMISSION




### WESTERN UNION COMMISSION




Following the success of the mini stores opened in an area north of London the Company has embarked on a project to open their own mini stores in the north of England. To date, two stores have been opened, in Bolton and Burnley, and are trading very well. A third site is currently being sought and the success of the first two stores augurs very well for the future growth of the mini store concept in selected areas of the UK.

## PERSONAL FINANCIAL CENTRE

In Australia the success of the mini store concept in the UK has not gone unnoticed. In the near future, the Company will embark on the opening of a network of corporate ‘personal financial centres’. These centres will not exactly replicate the UK mini store, since they will not offer retail sales and pawnbroking. However, they will offer all the financial services and, in particular, cash advances which have been very successful in Australia.

A store recently opened in Brisbane, under franchise, and the early signs are that it will be successful. Company stores will be based on this franchise model.

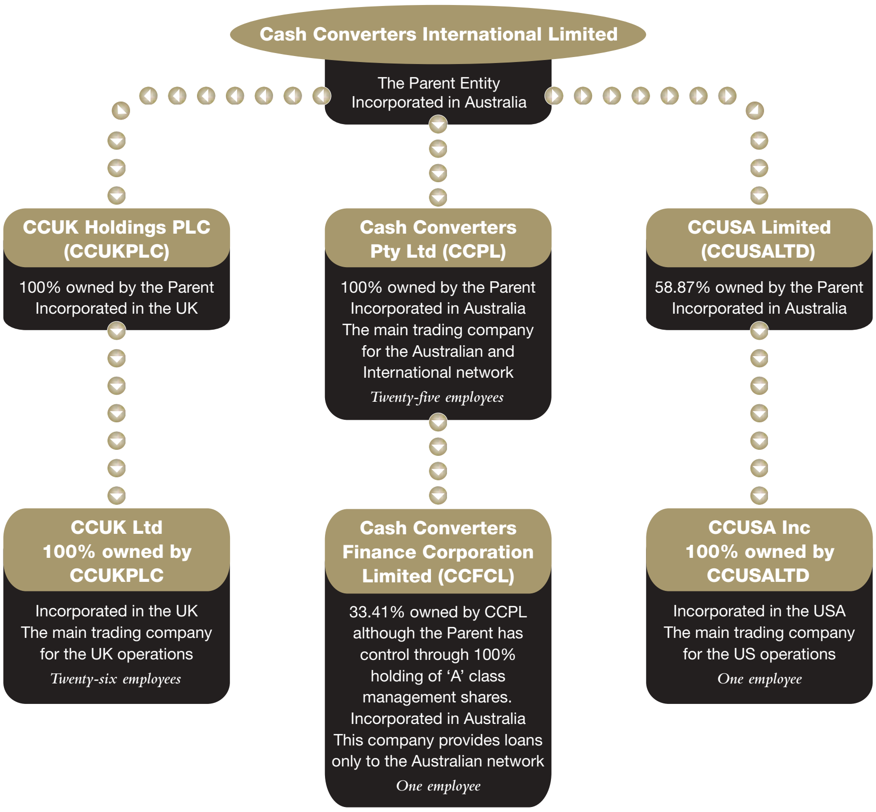
## AUCTION SITE

Buying and selling on the internet is here to stay and following the huge success of EBay, CCUK has now developed its own auction site which will be up and running in early September 2005. It is anticipated that this will grow into a significant income stream as the franchisees move into the world of e-trading. Approximately 67% of the UK adult market has now experienced home shopping through the internet. The Cash Converters auction site can capitalise on this rapidly growing market. The launch of the project will be supported by marketing and PR strategies that build on the existing strength of the brand plus the bricks and mortar credibility of a UK store network.

In due course, the Company intends to launch the auction site in Australia.

The UK auction site address is: www.cashconverters.co.uk

# THE GROUP STRUCTURE




# DIRECTORS' PROFILES

## REGINALD WEBB – Chairman

Reginald Webb, aged 62, is a Fellow of the Institute of Chartered Accountants of Australia and has retired as a Partner of PricewaterhouseCoopers. In that position he worked in both North America and Europe as well as Australia. He was a partner for 20 years and served on the Policy Board of that firm.

Mr Webb joined the Board in 1997 and serves on the audit, remuneration and nomination committees.

Mr Webb is also a director of Dorsogna Limited and Westland Housing Society, both of which he joined in 1996.

## PETER CUMINS – Managing Director

Peter Cumins aged 54, is an Australian national. He joined the Group in August 1990 as Finance and Administration Manager when the Company had just 23 stores, becoming General Manager in March 1992. He became Group Managing Director in April 1995.

Peter Cumins, a qualified accountant, has overseen the major growth in the number of franchises in Australia as well as the international development of the Cash Converters franchise system.

His experience in the management of large organisations has included senior executive positions in the government health sector, specifically with the Fremantle Hospital Group, where he was Finance and Human Resources Manager.

## MICHAEL COOKE – Legal Director

Michael Cooke, aged 51, is an Australian national. He is a solicitor in Western Australia with over 20 years experience in the fields of commercial, corporate and taxation law.

Mr Cooke's independent practice has handled Cash Converters legal work since 1992, including the drafting of the franchise agreements and sub-franchisor agreements. His firm now oversees all Cash Converters' commercial legal work (except in respect of litigation).

## JOHN YEUDALL – Non-Executive Director

John Yeudall aged 61 was born in the UK and qualified there as a Chartered Engineer. He has been an Australian Citizen for many years making Perth his home since 1982. He has a successful history in both the public and private sectors having spent ten years with the Australian Trade Commission responsible for facilitating Australian trade with the Middle East. Part of that role was a three year term as Consul General in Dubai. This followed a successful career in private business in Saudi Arabia. He was the founder of the IKEA franchise in WA holding the position as Managing Director. Currently John is involved in the Steel Industry, running the Western Australia and South Australia industry associations. In this role he is working closely with the relevant major companies and both State Governments.

Mr Yeudall joined the Board in December 2002 and serves on the audit, remuneration and nomination committees.

Mr Yeudall is also Chairman of the ISS Group Limited since September 2004.

# FINANCIAL STATEMENTS

In respect of the financial year ended 30 June 2005 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 Brian Cumins (Non-executive Chairman – resigned 12 January 2005)
- Mr Peter Cumins (Managing Director)
- Mr Michael Cooke (Executive Director)
- Mr Reginald Webb (Non-executive Director – appointed Chairman 12 January 2005)
- Mr John Yeudall (Non-executive Director)

## PRINCIPAL ACTIVITIES

The consolidated entity's principal activity is that of a franchisor of second hand stores operating 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 2005 was $3,067,706 (2004: $3,735,510) after a charge for income tax of $1,396,329 (2004:$1,621,328), and adjusting for profit attributable to outside equity interests in controlled entities of $10,590 (2004: $106,887).

## DIVIDENDS

The directors of the Company paid a fully franked interim dividend of 0.5 (half) cent per share on 31 March 2005. The directors have also declared a final fully franked dividend of 0.5 (half) cent per share to be paid on 30 September 2005 to those shareholders on the register at the close of business on 16 September 2005.

## REVIEW OF OPERATIONS

A summary of consolidated revenues and results by significant industry segments is set out below. A 15% franchise fee charged by the Australian franchise division to the UK franchise division has been eliminated for comparison purposes.

| | **Segment revenues** | | **Segment results** | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | **$** | **$** | **$** | **$** |
| Australian Franchise Division | 8,894,007 | 8,983,922 | 4,206,204 | 4,363,329 |
| Australian Finance Corporation Division | 397,388 | 454,507 | 34,017 | 143,169 |
| UK Franchise Division | 9,261,687 | 13,876,707 | 248,583 | 1,105,115 |
| US Franchise Division | 55,460 | 39,857 | 117,493 | (16,216) |
| | 18,608,542 | 23,354,993 | 4,606,297 | 5,595,397 |
| Less: Unallocated expenses | | | 131,672 | 131,672 |
| Operating profit | | | 4,474,625 | 5,463,725 |
| Income tax attributable to operating profit | | | (1,396,329) | (1,621,328) |
| Operating profit after income tax | | | 3,078,296 | 3,842,397 |
| Less: Profit attributable to outside equity interests | | | 10,590 | 106,887 |
| Profit attributable to members of Cash Converters International Limited | | | 3,067,706 | 3,735,510 |

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

## CASH CONVERTERS AUSTRALIA & INTERNATIONAL FRANCHISE DIVISION

The past 12 months has seen the majority of stores introducing personal finance centres and as a result the cash advance product is now well established. Net commissions for this product alone have risen from $798,808 last year to $1,755,754 this year.

The additional personal finance initiatives offered by these centres including personal loans, cheque cashing, and money transfers are delivering improved returns and also gaining acceptance amongst franchisees. A recent trial of extended warranty on selected product has been successful and this will be another service the franchise network will offer on selected second hand goods. A stand-alone personal finance centre is on trial in Brisbane and will provide a prototype for Company owned and franchised units.

The process of defining, explaining and enforcing standards and expectations has delivered encouraging results and will continue. Revisions of the national print and store signage tender will further support the commitment to raising standards. The introduction of personal finance centres and the definition of new jewellery standards will be followed with a full review of the overall standard of presentation of stores to ensure that the network has a look and feel that will take us into the future. Retail conditions are particularly tough across the country and the extensive array of cheap imports has had a negative effect on both customer willingness to sell product to stores and retail sales.

The establishment of the retail training organisation and introduction of accredited traineeships has added increased credibility to the training agenda, which remains an important part of the operational support provided to the network and the task of raising presentation and service standards.

There is widespread acceptance of the functionality and robustness of the CCWin system with all future enhancements enjoying the benefit of the professional testing procedures introduced some time ago. Recent cosmetic changes to improve the ease of use of CCNet will now be supported with improvements to the functionality of the system to deliver a simple, useful and intuitive tool for managers and franchisees.

Our attention remains focussed on strengthening the business model and network and refreshing the appeal of the Cash Converters brand. At the same time we will consider alternative ways of capitalising on the brand for greater profit and to lessen our dependence on the network as the sole source of profit. Corporately owned personal finance centres and an internet based auction site are two projects that offer significant potential in this regard.

The International network contributed $357,566 in royalties for the year.

## CASH CONVERTERS UK DIVISION

Cash Converters UK (CCUK) is now very confident that the 'mini store' concept, which it has been refining over the past two years, is now ready to expand around the United Kingdom. This confidence is further enhanced by the early success of the two corporate mini stores now trading in the North of England towns of Bolton and Burnley. As mentioned in previous reports, these stores usually occupy an area of approximately 100 square metres of prime retail space (plus storage and back office facilities) and as a result site locations are far easier to secure when compared to a traditional store which requires approximately 300 square metres of prime space.

During the year a total of 15 new stores commenced trading taking the total number of stores in the UK to 105. The sale of fifteen-year licences to existing franchisees resulted in the signing of two contracts during the period.

The Cash Converters brand has been further boosted by a peak time BBC documentary titled 'Skint' in which a store in Birmingham featured prominently. The documentary was based around real life experiences of people using second hand and pawnbroking stores to supplement their incomes. A clear increase in business was enjoyed following this series and the UK stores are now experiencing levels of business which contrast sharply to a struggling UK high street.

Strong support is being given by franchisees to the upgrading of the internal and external branding of each store with over 75% of the network now complete. The upgrade to the company developed point of sale software (CCWin) has continued with the vast majority of the stores now operating the software.

CCUK has been developing a web based auction site to compete directly with the likes of EBay and other web based sites. The Cash Converters auction site will be launched in September after a final period of testing. It is anticipated that this will grow into a significant income stream over the next few years as franchisees move into the world of e-trading. Approximately 67% of the UK adult market has now experienced home shopping through the internet. It is estimated that the total UK e-trading market was valued at £14.5 billion in 2004 and this is expected to grow further in 2005.

The Cash Converters auction site can capitalise on this rapidly growing market. The project will be supported by marketing and PR strategies that build on the existing strength of the brand plus the bricks and mortar credibility of a UK store network.

During the coming period the further expansion of the mini store corporate network, combined with the progress made from franchising activity should provide the UK division with further strong growth.

### CASH CONVERTERS USA DIVISION

The directors are confident that the USA offers considerable scope for franchise development in the future.

## 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 that referred to in 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 previously, 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.

## LIKELY DEVELOPMENTS

There are no likely developments in the operations of the consolidated entity that were not finalised at the date of 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 because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## OPTIONS GRANTED

The Company issued options in November and December 2001 pursuant to the Annual General Meeting held on 27 November 2001.

Of the 17,000,000 options issued, 1,000,000 were exercised in March 2004. The 16,000,000 remaining options have different exercise prices, 10,000,000 have an exercise price of $0.05 each, 4,000,000 have an exercise price of $0.07 each and 2,000,000 have an exercise price of $0.09 each. The options may be exercised at any time prior to 30 September 2006. The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme. All options have now been exercised at the following prices: 10,000,000 at $0.05, 4,000,000 at $0.07, and 2,000,000 at $0.09. No options have been issued during the financial year.

The options were issued to the following parties:

| AS AN INCENTIVE TO THE BOARD AND THE EXECUTIVE MANAGEMENT TEAM | | NUMBER |
|---|---|---|
| Mr Peter Cumins | – Managing Director | 5,000,000 |
| Mr Michael Cooke | – Executive Director | 5,000,000 |
| Mr Geoffrey Taylor | – Retired non-executive Director | 1,000,000 |
| Mr Reginald Webb | – Non-executive Director | 1,000,000 |
| Mr Ian Day | – General Manager – Australia | 1,500,000 |
| Mr Ralph Groom | – Group Financial Controller / Company Secretary | 1,500,000 |
| Mrs Kerry Bradley | – Manager Cash Converters Finance Corporation Limited | 500,000 |
| Mr Jim Spratley | – Financial Controller - CCUK | 500,000 |

## 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 |
|---|---|---|---|
| **Brian Cumins** | Founder and former Managing Director of Cash Converters Pty Ltd. Joined the Board in 1995. | Resigned as Chairman on 12 January 2005 | 28,837,433 |
| **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 | 5,886,151 |
| **Michael Cooke** | BA, LLB. Handled Cash Converters legal work since 1992. Developed the Finance Company concept of Cash Converters Finance Corporation Limited. Joined the Board in 1995. | Executive Director Member of the Nomination Committee | 5,000,000 |
| **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 a director of ISS Group Limited since September 2004. | Non-Executive Director Member of the Audit and Nomination Committees and Chairman of the Remuneration Committee | Nil |
| **Reginald Webb** | FCA. Fellow of the Institute of Chartered Accountants and a former partner of PricewaterhouseCoopers. Mr Webb also holds a number of non-executive directorships. Joined the Board in 1997. Also a director of Dorsogna Limited and Westland Housing Society both since 1996. | Non-Executive Chairman Chairman of the Audit Committee. Member of the Remuneration and Nomination Committees | 1,100,000 |
| **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 | 2,446,618 |

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

Two of the directors, Peter Cumins and Michael Cooke have been issued service contracts. These contracts continue indefinitely and require that 12 months notice is given by either party to terminate the agreement.

## 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:

| | Board of directors meetings | | Audit committee meetings | | Remuneration/nomination committee meetings | |
|---|---|---|---|---|---|---|
| **Director** | **Number held** | **Number attended** | **Number held** | **Number attended** | **Number held** | **Number attended** |
| B. Cumins | 6 | 5 | - | - | - | - |
| P. Cumins | 12 | 12 | - | - | - | - |
| M. Cooke | 12 | 11 | - | - | - | - |
| R. Webb | 12 | 12 | 4 | 4 | 2 | 2 |
| J. Yeudall | 12 | 12 | 4 | 4 | 2 | 2 |

## REMUNERATION REPORT

## DIRECTORS' AND EXECUTIVES' REMUNERATION

The remuneration committee, consisting of two 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, retirement and termination entitlements, 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, Legal Director and certain other senior executives are formalised in service agreements.

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

Details of the nature and amount of each element of the remuneration of each director of the Company and consolidated entity and each of the five officers of the consolidated entity receiving the highest remuneration are set out in the following tables:

### NON-EXECUTIVE DIRECTORS OF CASH CONVERTERS INTERNATIONAL LIMITED

| | Primary | | | Post employment | Equity | Total |
|---|---|---|---|---|---|---|
| **Name** | **Directors' base fee $** | **Motor Vehicle $** | **Other non-cash benefits $** | **Super-annuation $** | **Options $** | **$** |
| B. Cumins | 21,000 | 10,081 | 9,460 | 1,890 | - | 42,431 |
| R. Webb | 56,000 | - | - | - | - | 56,000 |
| J. Yeudall | 38,532 | - | - | 3,468 | - | 42,000 |

EXECUTIVE DIRECTORS OF CASH CONVERTERS INTERNATIONAL LIMITED

| | | Primary | | | Post employment | Equity | Total |
|---|---|---|---|---|---|---|---|
| Name | | Base Salary $ | Motor Vehicle $ | Other non-cash benefits $ | Super-annuation $ | Options $ | $ |
| P. Cumins | Managing Director | 315,084 | 24,339 | - | - | - | 339,423 |
| M. Cooke | Legal Director | 310,200 | - | - | - | - | 310,200 |

OTHER EXECUTIVES OF THE CONSOLIDATED ENTITY

| | Primary | | | | Post employment | Equity | Total |
|---|---|---|---|---|---|---|---|
| Name | Base Salary $ | Motor Vehicle $ | Bonus $ | Other non-cash benefits $ | Super-annuation $ | Options $ | $ |
| I. Day<br>General Manager - Australia | 154,333 | 17,705 | 30,000 | - | 11,585 | - | 213,623 |
| J. Spratley<br>Group Accountant - UK | 159,948 | 19,506 | - | - | 31,479 | - | 210,933 |
| R. Groom<br>Company Secretary /<br>Group Financial Controller | 121,185 | 18,631 | 15,210 | 14,976 | 36,250 | - | 206,252 |
| M. Lemmon<br>Director of Operations - UK | 148,327 | 15,005 | 18,793 | - | 21,782 | - | 203,907 |

"Other executives" 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.

The bonus received by M Lemmon was 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. Mr R Groom received a bonus for achieving a reduction in actual costs for the Australian business. The actual bonuses earned are paid at the discretion of the Board.

## 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 entered into an agreement in respect of directors and officers liability insurance to provide cover for the current directors and officers.

In accordance with the normal commercial practice, the relevant insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

During the financial year the Company agreed to indemnify the Company's auditors, Deloitte Touche Toumatsu, to the extent permitted by law against a liability incurred as such an auditor, except to the extent that that liability is attributable to some act, omission, neglect or default on their part, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability by an auditor.

## AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration is included on page 64 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, general taxation assistance pertaining to an ATO GST Private Ruling and application of the Financial Acquisition threshold test and a high level assessment of the Company existing AGAAP accounting policies against the new A-IFRS accounting standards.

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 3 to the financial statements.

For and on behalf of the Board

M. J. Cooke

**Michael Cooke**

*Director*

*Perth, Western Australia*

*Date: 27 September 2005*

# CORPORATE GOVERNANCE

## BOARD

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

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

Two of the non-executive directors, being Mr Reginald Webb and Mr John Yeudall, 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 two non-executive directors appointed by the Board, being Mr Reginald Webb and Mr John Yeudall, and with regular attendance by the managing director at the request of the audit committee.

Meetings of the committee are usually held in March, 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 dealings in the Company's securities while in possession of inside information.

## REMUNERATION COMMITTEE

The remuneration committee was established on 26 May 1997 and comprises of two non-executive directors, being Mr John Yeudall and Mr Reginald Webb, 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.

## 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 | ✗ | 1 |
| 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 *Guide to reporting on Principle 2* | ✓ | |
| 3.1 | Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: | | |
| | 3.1.1 the practices necessary to maintain confidence in the Company's integrity | ✓ | |
| | 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | ✓ | |
| 3.2 | Disclose the policy concerning trading in company securities by Directors, Officers and Employees. | ✓ | |
| 3.3 | Provide the information indicated in *Guide to reporting on Principle 3* | ✓ | |
| 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 | ✗ | 2 |
| | - at least three members | ✗ | 3 |
| 4.4 | The audit committee should have a formal charter | ✓ | |
| 4.5 | Provide the information indicated in *Guide to reporting on Principle 4* | ✓ | |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclose requirements to ensure accountability at a senior management level for that compliance | ✓ | |
| 5.2 | Provide the information indicated in *Guide to reporting on Principle 5* | ✓ | |
| 6.1 | Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings | ✓ | |
| 6. 2 | 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 | ✓ | |

| | | Complied | Note |
|---|---|---|---|
| 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 *Guide to reporting on Principle 7* | ✓ | |
| 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 *Guide to reporting on Principle 9* | ✓ | |
| 10.1 | Establish and disclose a code of conduct to guide compliance with legal and other obligations | ✓ | |

1. The current Board consists of four members, two of which are independent. However, the Board believes that as currently constituted it has the range of skills, knowledge and experience necessary to efficiently govern the Company and by setting the Company's strategic direction create shareholder value.
2. 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 suitable qualified to undertake both roles.
3. The audit committee consists of the two independent directors with regular attendance by the managing director.

# STATEMENT OF FINANCIAL PERFORMANCE

*for the financial year ended 30 June 2005*

| | Notes | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|---|
| **Revenue from ordinary activities** | 2 | 18,608,542 | 23,354,993 | 2,290,396 | 627,401 |
| Employee benefits expenses | | (3,953,578) | (3,746,153) | - | - |
| Depreciation and amortisation expenses | | (576,387) | (506,043) | - | - |
| Borrowing costs | | (199,771) | (440,741) | - | (193,447) |
| Legal fees / legal settlements | | (519,753) | (421,142) | - | - |
| Raw materials / consumable items | | (4,296,697) | (7,834,443) | - | - |
| Area agents fees / commissions | | (357,892) | (363,213) | - | - |
| Rental expense on operating leases | | (562,341) | (499,218) | - | - |
| Cost of asset sales | | (40,992) | (310,266) | - | - |
| Motor vehicle/travel costs | | (834,392) | (855,833) | - | - |
| Management fees | | - | (381,239) | (829,331) | (433,954 |
| Bad debts | | (78,798) | (235,620) | - | - |
| Professional and registry costs | | (252,496) | (133,752) | - | - |
| Auditing and accounting services | | (252,943) | (187,350) | - | - |
| Bank charges | | (301,839) | (266,188) | - | - |
| Cost of sales – retail stores | | (278,484) | - | - | - |
| Other expenses from ordinary activities | 3 | (1,627,554) | (1,710,067) | - | - |
| Profit from ordinary activities before income tax expense | | 4,474,625 | 5,463,725 | 1,461,065 | - |
| Income tax expense | 4 | (1,396,329) | (1,621,328) | - | - |
| Profit from ordinary activities after income tax expense | | 3,078,296 | 3,842,397 | 1,461,065 | - |
| Outside equity interests in operating profit after income tax | 24b | (10,590) | (106,887) | - | - |
| **Net profit after income tax attributable to members of the parent entity** | 18b | 3,067,706 | 3,735,510 | 1,461,065 | |
| Net exchange differences on translation of financial report of foreign controlled entities | | (49,234) | 249,175 | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity | 18a | (49,234) | 249,175 | - | - |
| **Total changes in equity other than those resulting from transactions with owners as owners** | | 3,018,472 | 3,984,685 | 1,461,065 | - |
| **Earnings per share** | | | | | |
| Basic (cents per share) | 26 | 2.27 | 2.88 | | |
| Diluted (cents per share) | 26 | 2.27 | 2.65 | | |

*The above statement of financial performance should be read in conjunction with the accompanying notes.*

# STATEMENT OF FINANCIAL POSITION

*as at 30 June 2005*

| | Notes | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash assets | 5 | 5,172,719 | 4,632,582 | - | - |
| Receivables | 6 | 2,817,970 | 3,514,012 | 730,803 | - |
| Inventories | 7 | 241,855 | 136,084 | - | - |
| Prepayments | 9 | 247,471 | 202,033 | - | - |
| **Total current assets** | | 8,480,015 | 8,484,711 | 730,803 | - |
| **Non-current assets** | | | | | |
| Receivables | 6 | 2,215,623 | 2,349,295 | 5,646,167 | 4,686,167 |
| Investments | 24 | - | - | 437,591 | 437,591 |
| Plant and equipment | 10 | 1,099,630 | 809,368 | - | - |
| Intangibles | 16 | 9,331,167 | 9,553,231 | - | - |
| Deferred tax assets | 8 | 190,117 | 166,275 | - | - |
| **Total non-current assets** | | 12,836,537 | 12,878,169 | 6,083,758 | 5,123,758 |
| **Total assets** | | 21,316,552 | 21,362,880 | 6,814,561 | 5,123,758 |
| **Current liabilities** | | | | | |
| Payables | 11 | 1,846,070 | 2,978,412 | - | - |
| Interest bearing liabilities | 12 | 663,318 | 1,434,540 | - | - |
| Current tax liabilities | 13 | 326,550 | 612,714 | - | - |
| Provisions | 14 | 958,544 | 198,752 | 730,803 | - |
| **Total current liabilities** | | 3,794,482 | 5,224,418 | 730,803 | - |
| **Non-current liabilities** | | | | | |
| Payables | 11 | 565,092 | 511,591 | - | - |
| Interest bearing liabilities | 12 | 1,141,191 | 2,293,086 | - | - |
| Deferred tax liabilities | 15 | 1,215,510 | 1,260,965 | - | - |
| **Total non-current liabilities** | | 2,921,793 | 4,065,642 | - | - |
| **Total liabilities** | | 6,716,275 | 9,290,060 | 730,803 | - |
| **Net assets** | | 14,600,277 | 12,072,820 | 6,083,758 | 5,123,758 |
| **Equity** | | | | | |
| Contributed equity | 17 | 6,093,100 | 5,133,100 | 6,083,758 | 5,123,758 |
| Reserves | 18 | (498,240) | (449,006) | - | - |
| Accumulated profits | 18 | 8,878,698 | 7,272,597 | - | - |
| Total parent entity interest | | 14,473,558 | 11,956,691 | 6,083,758 | 5,123,758 |
| Outside equity interests in controlled entities | 24 | 126,719 | 116,129 | - | - |
| **Total equity** | | 14,600,277 | 12,072,820 | 6,083,758 | 5,123,758 |

*The above statement of financial position should be read in conjunction with the accompanying notes.*

# STATEMENT OF CASH FLOWS

*for the financial year ended 30 June 2005*

| | Notes | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 18,210,724 | 21,295,519 | - | - |
| Payments to suppliers and employees | | (14,181,203) | (15,432,165) | - | - |
| Interest received | | 212,042 | 263,932 | - | 193,447 |
| Interest and costs of finance paid | | (184,462) | (410,166) | - | (193,447) |
| Income tax paid | | (1,728,535) | (945,928) | - | - |
| Dividend received | | - | - | 730,802 | - |
| Net cash flows from operating activities | 27 | 2,328,566 | 4,771,192 | 730,802 | - |
| **Cash flows from investing activities** | | | | | |
| Purchase of franchise licence | | - | (100,000) | - | - |
| Proceeds from sale of plant, equipment and inventories | | 40,992 | 505,548 | - | - |
| Purchase of plant and equipment | | (625,060) | (80,428) | - | - |
| Investment in controlled entity | | - | (5,000) | - | - |
| Loan repayments from non related entities | | 17,657 | 15,516 | - | - |
| Instalment credit loans made to franchisees | | (1,121,587) | (898,502) | - | - |
| Instalment credit loans repaid by franchisees | | 1,429,220 | 1,325,279 | - | - |
| Net cash flows from investing activities | | (258,778) | 762,413 | - | - |
| **Cash flows applied to financing activities** | | | | | |
| Dividends paid | | (730,802) | - | (730,802) | - |
| Repayment of borrowings | | (1,667,099) | (12,289,597) | - | (11,180,639) |
| Capital element of finance lease and hire purchase payments | | (86,758) | (151,064) | - | - |
| Proceeds from borrowings | | - | 2,000,000 | - | - |
| Unsecured deposits repaid | | (245,151) | (100,000) | - | - |
| Issue of shares by controlling entity | | 960,000 | 50,000 | - | - |
| Buy-back of shares by controlling entity | | - | (97,191) | - | - |
| Redemption of unsecured notes by controlled entity | | (200) | (2,329,043) | - | - |
| Issue of unsecured notes by controlled entity | | 300,951 | 405,504 | - | - |
| Net cash flows applied to financing activities | | (1,469,059) | (12,511,391) | (730,802) | (11,180,639) |
| Net increase/(decrease) in cash held | | 600,729 | (6,977,786) | - | (11,180,639) |
| Cash at the beginning of the period | | 4,632,582 | 11,540,177 | - | 11,180,639 |
| Exchange rate variations on foreign cash balances | | (60,592) | 70,191 | - | - |
| Cash at the end of the period | 27 | 5,172,719 | 4,632,582 | - | - |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 June 2005*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general-purpose report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report comprises the accounts of the Company, Cash Converters International Limited, and the consolidated accounts of the Group comprising the Company, as the parent entity, and the entities it controlled at the end of, or during, the financial year. The financial report has been prepared on the basis of historical costs and, except where stated, do not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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 transaction or other events is reported.

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

### (a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the consolidated entity include the assets and liabilities of the Company and the entities it controlled at the end of the financial year and the results of the Company and the entities it controlled during the year. Where entities are not controlled throughout the financial year, the consolidated results include the results of those entities for that part of the year during which control existed. The controlled entities are listed in Note 25 to the financial statements.

The effect of all transactions between entities in the consolidated entity and intra-entity balances are eliminated in full in preparing the consolidated accounts. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statements of financial position.

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

### (b) INVENTORIES

Wholesale and pre-owned goods on hand are stated at the lower of cost and net realisable value.

### (c) DEPRECIATION AND AMORTISATION OF PLANT, EQUIPMENT AND VEHICLES

Plant and equipment are depreciated over their estimated useful lives using the diminishing value method. Profits and losses on disposal of plant and equipment are taken into account in determining the profit for the year.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rate used was 15 % (2004: 15%).

Estimated useful lives used in the calculation of depreciation range from 2-5 years.

### (d) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset, other than intangibles at note 1(l), is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. In determining recoverable amount net cash flows have been discounted to their present value.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where the net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

### (e) LEASED ASSETS

Assets acquired under finance leases are included as plant and equipment in the Statement of Financial Position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are expensed to the Statement of Financial Performance on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

### (f) REVENUE

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 in full when they become due and payable. 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 payable and the costs in relation to the income are recognised as expenses when incurred. In regard to International franchise fees, these are recognised as income on a cash received basis.

**Instalment credit loan interest**

Interest received from franchisees in respect of instalment credit loans is recognised as income when earned. The 'rule of 78', 'actuarial' and the 'daily current balance' method have been used to allocate fixed interest to accounting periods.

**Other categories of revenue**

Other categories of revenue, such as retail wholesale sales, 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.

### (g) 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.

### (h) RECEIVABLES

Trade receivables and other receivables are recorded at amount due less any allowance for doubtful debts. An allowance is made for any doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the period in which they are identified.

## (i) INTELLECTUAL PROPERTY, GOODWILL AND TRADE NAME

Included in the financial statements of the consolidated entity are intangible assets classified as intellectual property, goodwill and trade names. These amounts have arisen either on consolidation or through buy-back of overseas sub-master licence rights, including those achieved as a result of the acquisition of Cash Converters UK Holdings PLC, Cash Converters Pty Ltd or Cash Converters USA

Limited, or through direct acquisitions of regional sub-master rights in Australia by Cash Converters Pty Ltd.

The depreciable amount of all intangible assets is amortised on a straight line basis over their economic useful life, where material. The economic useful life of intellectual property and goodwill has been assessed on an individual asset basis and does not exceed 20 years from the date of acquisition. The directors review the economic useful life of each asset annually.

## (j) FOREIGN CURRENCIES

**i) Transactions**

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date. All exchange differences either realised or unrealised are brought to account in the profit and loss account in the financial year in which they arise.

**ii) Foreign controlled entities**

As the foreign controlled entities are self-sustaining their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

## (k) ACCOUNTS PAYABLE

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

## (l) INTEREST BEARING LIABILITIES

i) Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt.

Interest is accrued over the period it becomes due and is recorded as part of other creditors.

ii) Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include: Interest on bank overdrafts and short-term and long-term borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings.

## (m) LICENCE RENEWAL CONTRIBUTIONS

Amounts received from franchisees in respect of contributions towards licence renewals are accumulated by Cash Converters Finance Corporation Limited and are evidenced by unsecured notes.

## (n) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the directors of these entities elected to implement the tax consolidation system.

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

(o) 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.

(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 value 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.

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

(q) INVESTMENTS

Investments in controlled entities are recorded at cost.

## 2. REVENUE

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Profit from ordinary activities before income tax includes the following items of revenue:** | | | | |
| Weekly franchise fees | 6,660,497 | 6,580,896 | - | - |
| Initial fees | 309,344 | 421,007 | - | - |
| Licence fees | 756,477 | 1,522,736 | - | - |
| Ten-year renewals | 402,454 | 1,434,273 | - | - |
| Ten-year renewals - renewed at six years | 42,000 | 273,727 | - | - |
| Sub-franchisor licence sales | 104,713 | 46,892 | - | - |
| Advertising levies | 292,300 | 240,600 | - | - |
| Instalment credit loan interest | 382,725 | 425,433 | - | - |
| Retail wholesale sales | 4,552,641 | 8,025,202 | - | - |
| Cheque cashing commission | 1,044,423 | 872,545 | - | - |
| Training levies | 940,095 | 911,758 | - | - |
| Corporate store revenue | 397,794 | 286,336 | - | - |
| Computer levy | 256,023 | 247,397 | - | - |
| Financial services commission | 2,113,206 | 1,052,470 | - | - |
| | 18,254,692 | 22,341,272 | - | - |
| **Revenue from non-operating activities** | | | | |
| Rent received | 76,665 | 67,058 | - | - |
| Dividend revenue from subsidiary | - | - | 1,461,065 | - |
| Interest revenue | 212,042 | 267,975 | - | 193,447 |
| Management fees from controlled entity | - | - | 829,331 | 433,954 |
| Proceeds from sale of plant and equipment | 40,992 | 505,548 | - | - |
| Other revenue | 24,151 | 173,140 | - | - |
| | 353,850 | 1,013,721 | 2,290,396 | 627,401 |
| **Revenue from ordinary activities** | 18,608,542 | 23,354,993 | 2,290,396 | 627,401 |

## 3. EXPENSES

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Profit from ordinary activities before income tax includes the following items of expense:** | | | | |
| Raw materials / consumable items (cost of sales) | 4,296,697 | 7,834,443 | - | - |
| Area agents fees / commissions | 357,892 | 363,213 | - | - |
| Depreciation of plant and equipment | 335,819 | 261,281 | - | - |
| Amortisation of intangibles | 222,064 | 220,953 | - | - |
| Amortisation of assets under finance lease | 18,504 | 23,809 | - | - |
| Cost of asset sales | 40,992 | 310,266 | - | - |
| Rental expense on operating leases | 562,341 | 499,218 | - | - |
| Borrowing costs | | | | |
| Interest: | | | | |
| - Directors and director related entities | 12,415 | 40,394 | - | - |
| - Other entities | 187,356 | 434,716 | - | 193,447 |
| Finance lease charges | 4,833 | 6,025 | - | - |
| Write back of bad and doubtful debts (trade debtors) | (77,443) | (155,965) | - | - |
| Provision for employee benefits | 42,679 | 44,039 | - | - |
| Bad debts written off | | | | |
| - Trade debtors and instalment loans | 78,798 | 235,620 | - | - |
| 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 | 209,804 | 165,506 | - | - |
| - Other services | 43,139 | 21,844 | - | - |

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **4. INCOME TAX EXPENSE** | | | | |
| (a) The prima facie income tax expense on the pre tax accounting profit reconciles to the income tax expense in the financial statement as follows: | | | | |
| Profit from ordinary activities | 4,474,625 | 5,463,715 | 1,461,065 | - |
| Prima facie tax payable on operating profit before income tax at 30%. | 1,342,388 | 1,639,118 | 438,320 | - |
| **Add** | | | | |
| Non-deductible expenses | 63,974 | 203,672 | - | - |
| Future income tax benefit not previously recognised now brought to account | (84,558) | (213,379) | - | - |
| Amortisation | 39,502 | 39,502 | - | - |
| Under/(over) provision in prior years | 24,454 | (46,126) | - | - |
| **Less** | | | | |
| Intra-group dividends | - | - | (438,320) | - |
| Effect of rates of tax on overseas entity | 10,569 | (1,459) | - | - |
| **Impact of the tax consolidation system** | | | | |
| Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group | - | - | 1,363,729 | - |
| Net income tax expense/(benefit) arising under tax sharing agreements with subsidiaries in the tax consolidated group | - | - | (1,363,729) | - |
| | 1,396,329 | 1,621,328 | - | - |
| (b) No part of the future income tax benefit shown in Note 8 is attributable to tax losses. The directors estimate that the potential future income tax benefit at 30 June 2005 in respect to tax losses not brought to account is | 184,387 | 209,445 | | |

This benefit for tax losses will only be obtained if:

i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or

ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

## 5. CASH ASSETS

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| On hand | 22,827 | 1,000 | - | - |
| In bank | 5,149,892 | 4,631,582 | - | - |
| | 5,172,719 | 4,632,582 | - | - |

## 6. RECEIVABLES

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade debtors | 2,381,012 | 2,983,361 | 730,803 | - |
| less allowance for doubtful debts | (169,493) | (198,172) | - | - |
| | 2,211,519 | 2,785,189 | 730,803 | - |
| Instalment credit loans | 821,084 | 1,017,457 | - | - |
| less allowance for doubtful debts | (214,633) | (288,634) | - | - |
| | 606,451 | 728,823 | - | - |
| | 2,817,970 | 3,514,012 | 730,803 | - |
| **Non-current** | | | | |
| Instalment credit loans | 2,215,623 | 2,276,828 | - | - |
| Loans to non-related entities | - | 72,467 | - | - |
| Loans to controlled entities | - | - | 5,646,167 | 4,686,167 |
| | 2,215,623 | 2,349,295 | 5,646,167 | 4,686,167 |

Trade debtors include weekly franchise fees, sub-master licence sales and development agent fees outstanding. Where the collection of the debtor is doubtful a provision for doubtful debts is recognised. In the case of the weekly franchise fees a provision for all fees in excess of 90 days is recognised.

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, a provision for doubtful debtors is recognised for the shortfall.

The loans to non-related entities carry a fixed interest rate, which varies from 10% - 13%. If the loan is to a franchisee a fixed or floating charge is held over the franchisees store otherwise no security is held.

## 7. INVENTORIES

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| Wholesale stocks of new and pre-owned goods at cost | 241,855 | 136,084 | - | - |
| Net realisable value | 241,855 | 136,084 | - | - |

## 8. DEFERRED TAX ASSETS

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Non-current** | | | | |
| Future income tax benefits | 190,117 | 166,275 | - | - |

The consolidated future income tax benefit relates solely to timing differences.

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|

## 9. OTHER ASSETS

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Prepayments | 247,471 | 202,033 | - | - |

## 10. PLANT AND EQUIPMENT

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| Plant, equipment and vehicles - at cost | 2,807,146 | 2,239,508 | - | - |
| Less accumulated depreciation | (1,743,669) | (1,484,796) | - | - |
| | 1,063,477 | 754,712 | - | - |
| Plant, equipment and vehicles | | | | |
| - at capitalised lease value | 158,144 | 158,144 | - | - |
| Less accumulated amortisation | (121,991) | (103,488) | - | - |
| | 36,153 | 54,656 | - | - |
| | 1,099,630 | 809,368 | - | - |

**Reconciliation**

Reconciliation of the carrying amounts of the plant and equipment at the beginning and end of the current financial year are set out below.

| | Consolidated plant, equipment and vehicles 2005 $ | Consolidated plant, equipment and vehicles 2004 $ |
|---|---|---|
| Carrying amount at 1 July 2004 | 809,368 | 1,259,175 |
| Additions | 705,036 | 138,170 |
| Disposals | (40,992) | (310,266) |
| Depreciation/amortisation expense | (354,323) | (285,090) |
| Foreign currency exchange differences | (19,459) | 7,379 |
| Carrying amount at 30 June 2005 | 1,099,630 | 809,368 |
| Aggregate depreciation allocated as an expense during the year: | | |
| Plant/equipment and vehicle - cost | 335,819 | 261,281 |
| Plant/equipment and vehicle - leased | 18,504 | 23,809 |

## 11. PAYABLES

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Accounts payable | 597,628 | 1,047,446 | - | - |
| Accrued creditors | 1,072,402 | 1,475,241 | - | - |
| Unsecured notes | 151,040 | 410,725 | - | - |
| Other | 25,000 | 45,000 | - | - |
| | 1,846,070 | 2,978,412 | - | - |
| **Non-current** | | | | |
| Unsecured notes | 565,092 | 511,591 | - | - |

## 12. INTEREST BEARING LIABILITIES

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Loans | 600,000 | 1,373,155 | - | - |
| Hire purchase and lease liabilities (note 21) | 63,318 | 61,385 | - | - |
| | 663,318 | 1,434,540 | - | - |
| **Non-current** | | | | |
| Loans | 1,000,000 | 2,008,076 | - | - |
| Hire purchase and lease liabilities (note 21) | 141,191 | 127,017 | - | - |
| Unsecured deposits | - | 157,993 | - | - |
| | 1,141,191 | 2,293,086 | - | - |
| **Financing arrangements** | | | | |
| Unrestricted access was available at balance date to the following lines of credit: | | | | |
| **Credit standby arrangements** | | | | |
| Total facilities | | | | |
| Bank overdrafts | 522,689 | 263,644 | - | - |
| Variable rate bill facility | 1,600,000 | 2,700,000 | - | - |
| | 2,122,689 | 2,963,644 | - | - |
| Used at balance date | | | | |
| Bank overdrafts | - | - | - | - |
| Variable rate bill facility | 1,600,000 | 2,700,000 | - | - |
| | 1,600,000 | 2,700,000 | - | - |
| Unused at balance date | | | | |
| Bank overdrafts | 522,689 | 263,644 | - | - |
| Variable rate bill facility | - | - | - | - |
| | 522,689 | 263,644 | - | - |

The bank overdraft and the loans payable of the controlled entities are secured by a fixed and floating charge over the total assets of the entity and a cross guarantee from the parent entity.

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.

Unsecured notes do not earn interest. They are payable on demand if a noteholder ceases to be a franchisee, 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.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $ | $ | $ | $ |

## 13. CURRENT TAX LIABILITIES

| | | | | |
|---|---|---|---|---|
| Income tax | 326,550 | 612,714 | - | - |

## 14. PROVISIONS

| | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Dividend | 730,803 | - | 730,803 | - |
| Employee benefits | 222,463 | 187,385 | - | - |
| Fringe benefits tax | 5,278 | 11,367 | - | - |
| | 958,544 | 198,752 | 730,803 | - |

## 15. DEFERRED TAX LIABILITIES

| | | | | |
|---|---|---|---|---|
| **Non-current** | | | | |
| Deferred income tax | 1,215,510 | 1,260,965 | - | - |

## 16. INTANGIBLE ASSETS

| | | | | |
|---|---|---|---|---|
| Trade Names at cost | 10,895,820 | 10,895,820 | - | - |
| Less accumulated amortisation | (1,564,653) | (1,342,589) | - | - |
| | 9,331,167 | 9,553,231 | - | - |

Trade names are stated at cost to the consolidated entity and relates to amounts recognised either on consolidation, through the buy-back of overseas sub-master licence rights including the acquisition of Cash Converters UK Holdings PLC, Cash Converters Pty Ltd or Cash Converters USA Ltd , 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 20 years from the date of acquisition. The directors review the economic useful life on a regular basis.

## 17. CONTRIBUTED EQUITY

| | Company | |
|---|---|---|
| | 2005 | 2004 |
| | Shares | Shares |
| **a)** | | |
| **Fully paid ordinary shares** | | |
| Balance at beginning of financial year | 130,160,449 | 130,075,859 |
| Share options exercised during the year | 16,000,000 | 1,000,000 |
| Share buy-back | - | (915,410) |
| Balance at end of financial year | 146,160,449 | 130,160,449 |

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $ | $ | $ | $ |
| **b)** | | | | |
| Balance at the beginning of the year | 5,133,100 | 5,180,291 | 5,123,758 | 5,170,949 |
| Share buy-back | - | (97,191) | - | (97,191) |
| Share options exercised | 960,000 | 50,000 | 960,000 | 50,000 |
| Balance at the end of the financial year | 6,093,100 | 5,133,100 | 6,083,758 | 5,123,758 |

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.

## 18. RESERVES AND ACCUMULATED PROFITS/(LOSSES)

| | | | | |
|---|---|---|---|---|
| **a) Reserves** | | | | |
| Foreign currency translation reserve | (498,240) | (449,006) | - | - |
| Movements in reserves were: | | | | |
| **Foreign currency translation reserve** | | | | |
| Balance at the beginning of the financial year | (449,006) | (698,181) | - | - |
| Net difference on translation of overseas controlled entities | (49,234) | 249,175 | - | - |
| Balance at the end of the financial year | (498,240) | (449,006) | - | - |

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve.

| | | | | |
|---|---|---|---|---|
| **b) Accumulated profits** | | | | |
| Accumulated profit at the beginning of the financial year | 7,272,597 | 3,537,087 | - | - |
| Net profit attributable to members of the parent entity | 3,067,706 | 3,735,510 | - | - |
| Dividends received | - | - | 1,461,605 | - |
| Dividends provided for or paid | (1,461,605) | - | (1,461,605) | - |
| Accumulated profits at the end of the financial year | 8,878,698 | 7,272,597 | - | - |

## 19. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial assets, financial liability and equity investment are discussed in note 1 to the financial statements.

**(a) Credit risk exposures**

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 it's franchisees. The consolidated entity has a policy obtaining sufficient collateral or other securities from these franchisees.

**(b) Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

| | | | Fixed interest maturing in: | | | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Floating interest rate** | **1 Year or less** | **over 1 to 5 years** | **more than 5 years** | **Non-interest bearing** | **Total** |
| **2005** | | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | | | | |
| Cash | 5 | 5,172,719 | - | - | - | - | 5,172,719 |
| Receivables | 6 | - | 606,451 | 2,215,623 | - | 2,211,519 | 5,033,593 |
| | | 5,172,719 | 606,451 | 2,215,623 | - | 2,211,519 | 10,206,312 |
| Weighted average interest rate | | 5.14% | 12.00% | 12.00% | - | - | |
| **Financial liabilities** | | | | | | | |
| Bank overdraft and loans | 12 | 1,600,000 | - | - | - | - | 1,600,000 |
| Trade and other creditors | 11 | - | - | - | - | 1,695,030 | 1,695,030 |
| Employee benefits | 14 | - | - | - | - | 222,463 | 222,463 |
| Unsecured notes | 11 | - | - | - | - | 716,132 | 716,132 |
| Hire purchase and lease liability | 12 | - | 63,318 | 141,191 | - | - | 204,509 |
| | | 1,600,000 | 63,318 | 141,191 | - | 2,633,625 | 4,438,134 |
| Weighted average interest rate | | 11.60% | 6.90% | 6.97% | - | - | |
| Net financial assets/(liabilities) | | 3,572,719 | 543,133 | 2,074,432 | - | (422,106) | 5,768,178 |

| 2004 | Notes | Floating interest rate $ | Fixed interest maturing in: 1 Year or less $ | over 1 to 5 years $ | more than 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash | 5 | 4,632,582 | - | - | - | - | 4,632,582 |
| Receivables | 6 | - | 728,823 | 2,349,295 | - | 2,785,189 | 5,863,307 |
| | | 4,632,582 | 728,823 | 2,349,295 | - | 2,785,189 | 10,495,889 |
| Weighted average interest rate | | 3.99% | 12.00% | 12.00% | - | - | |
| **Financial liabilities** | | | | | | | |
| Bank overdraft and loans | 12 | - | 1,373,155 | 2,008,076 | - | - | 3,381,231 |
| Trade and other creditors | 11 | - | - | - | - | 2,567,687 | 2,567,687 |
| Employee benefits | 14 | - | - | - | - | 187,385 | 187,385 |
| Unsecured notes | 11 | - | - | - | - | 922,316 | 922,316 |
| Unsecured deposits | 12 | - | - | 157,993 | - | - | 157,993 |
| Hire purchase and lease liability | 12 | - | 61,385 | 127,017 | - | - | 188,402 |
| | | - | 1,434,540 | 2,293,086 | - | 3,677,388 | 7,405,014 |
| Weighted average interest rate | | - | 6.88% | 7.04% | - | - | |
| Net financial assets/(liabilities) | | 4,632,582 | (705,717) | 56,209 | - | (892,199) | 3,090,875 |

**(c) 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 economic entity 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. In the case of unsecured notes, a discount rate of 8.65%, being the rate on the secured loan has been used in calculating fair value.

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

| | 2005 Carrying amount $ | 2005 Net fair value $ | 2004 Carrying amount $ | 2004 Net fair value $ |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| **Financial liabilities** | | | | |
| Unsecured notes | 716,132 | 587,151 | 922,316 | 801,459 |
| | 716,132 | 587,151 | 922,316 | 801,459 |

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **20. MATURITY ANALYSIS** | | | | |
| **Debts payable** | | | | |
| Not later than 1 year | 2,509,388 | 4,412,952 | - | - |
| Later than 1, not later than 2 years | 649,427 | 870,969 | - | - |
| Later than 2, not later than 5 years | 855,156 | 1,645,110 | - | - |
| Later than 5 years | 201,700 | 288,598 | - | - |
| | 4,215,671 | 7,217,629 | - | - |
| **Debts receivable** | | | | |
| Not later than 1 year | 2,817,970 | 3,514,012 | - | - |
| Later than 1, not later than 2 years | 860,142 | 899,963 | - | - |
| Later than 2, not later than 5 years | 1,355,481 | 1,449,332 | - | - |
| Later than 5 years | - | - | 5,646,167 | 4,686,167 |
| | 5,033,593 | 5,863,307 | 5,646,167 | 4,686,167 |

## 21. COMMITMENTS FOR EXPENDITURE

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **(a) Finance lease and hire purchase commitments** | | | | |
| Finance lease and hire purchase expenditure contracted for at balance sheet date, payable: | | | | |
| Within one year | 76,867 | 74,925 | - | - |
| Later than one, not later than five years | 151,541 | 139,806 | - | - |
| | 228,408 | 214,731 | - | - |
| Less future finance charges | (23,899) | (26,329) | - | - |
| | 204,509 | 188,402 | - | - |
| Provided for as hire purchase and lease liabilities: | | | | |
| Current | 63,318 | 61,385 | - | - |
| Non-current | 141,191 | 127,017 | - | - |
| | 204,509 | 188,402 | - | - |
| **(b) Non-cancellable operating lease commitments** | | | | |
| Non-cancellable operating lease commitments payable: | | | | |
| Within one year | 439,025 | 332,835 | - | - |
| Later than one, not later than five years | 1,308,605 | 569,905 | - | - |
| Later than five years | 520,156 | 42,300 | - | - |
| | 2,267,786 | 945,040 | - | - |

Finance lease commitments relate to office equipment, fixtures and fittings and vehicle leases. Operating lease commitments relate to head office premises in Australia, the regional offices in the UK and around Australia and the corporate store premises at Bolton and Burnley in the UK. Cash Converters hold an option to renew on the Australian premises.

## 22. RELATED PARTY TRANSACTIONS

**(a) Specified directors' and specified executives' emoluments**

The specified directors of Cash Converters International Limited during the year were:

- B. Cumins (Non-executive Chairman – resigned 12 January 2005)
- R. Webb (Non-executive Director – appointed Chairman 12 January 2005)
- J. Yeudall (Non-executive)
- P. Cumins (Managing Director, Executive)
- M. Cooke (Legal Director, Executive)

The specified executives of Cash Converters International Limited during the year were:

- M. Lemmon (Director of Operations - UK)
- I. Day (General Manager – Australia)
- R. Groom (Company Secretary / Group Financial Controller)
- J. Spratley (Group Accountant – UK)

| | Primary | | | | Post employment | Total |
|---|---|---|---|---|---|---|
| **2005** | **Directors' base fee / salary $** | **Motor Vehicle $** | **Bonus $** | **Other non-cash benefits $** | **Super-annuation $** | **$** |
| **Specified non-executive directors of Cash Converters International Limited** | | | | | | |
| B. Cumins | 21,000 | 10,081 | - | 9,460 | 1,890 | 42,431 |
| R. Webb | 56,000 | - | - | - | - | 56,000 |
| J. Yeudall | 38,532 | - | - | - | 3,468 | 42,000 |
| **Specified executive directors of Cash Converters International Limited** | | | | | | |
| P. Cumins | 315,084 | 24,339 | - | - | - | 339,423 |
| M. Cooke | 310,200 | - | - | - | - | 310,200 |
| Total | 719,816 | 24,339 | - | - | 3,468 | 747,623 |
| **Specified other executives of the consolidated entity** | | | | | | |
| M. Lemmon | 148,327 | 15,005 | 18,793 | - | 21,782 | 203,907 |
| I. Day | 154,333 | 17,705 | 30,000 | - | 11,585 | 213,623 |
| J. Spratley | 159,948 | 19,506 | - | - | 31,479 | 210,933 |
| R. Groom | 121,185 | 18,631 | 15,210 | 14,976 | 36,250 | 206,252 |
| Total | 583,793 | 70,847 | 64,003 | 14,976 | 101,096 | 834,721 |

## 22. RELATED PARTY TRANSACTIONS continued

| 2004 | Primary<br>Directors' base fee / salary<br>$ | Primary<br>Motor Vehicle<br>$ | Primary<br>Bonus<br>$ | Primary<br>Other non-cash benefits<br>$ | Post employment<br>Super-annuation<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| **Specified non-executive directors of Cash Converters International Limited** | | | | | | |
| B. Cumins | 42,000 | 14,238 | - | 29,067 | 3,780 | 89,085 |
| R. Webb | 42,000 | - | - | - | - | 42,000 |
| J. Yeudall | 42,000 | - | - | - | - | 42,000 |
| **Specified executive directors of Cash Converters International Limited** | | | | | | |
| P. Cumins | 307,380 | 27,472 | - | - | - | 334,852 |
| M. Cooke | 294,173 | - | - | - | - | 294,173 |
| Total | **727,553** | **41,710** | **-** | **29,067** | **3,780** | **802,110** |
| **Specified other executives of the consolidated entity** | | | | | | |
| J. Urry | 185,957 | - | 24,794 | - | 38,890 | 249,641 |
| I. Day | 147,872 | 17,705 | 25,000 | 17,676 | 12,697 | 220,950 |
| J. Spratley | 151,493 | - | 12,397 | - | 28,206 | 192,096 |
| R. Groom | 121,185 | 18,041 | - | 14,976 | 31,037 | 185,239 |
| Total | **606,507** | **35,746** | **62,191** | **32,652** | **110,830** | **847,926** |

Peter Cumins and Michael Cooke are employed under contracts of service entitling them to a notice period of up to 12 months.

**(b) Director-related entities**

The relationships between the Company and director-related entities are as follows:

**Oakrange Holdings Pty Ltd** - This company is owned and controlled by Brian Cumins.

**Riverwood Park Pty Ltd** - This company is owned and controlled by Brian Cumins.

**Hosking Financial Group** - Brian Cumins has an interest in this entity.

**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 |
| Northcote Store (VIC) Pty Ltd | Northcote VIC | Brian Cumins |
| Prahran Store Pty Ltd | Prahran VIC | Brian Cumins |
| Preston Store Pty Ltd | Preston VIC | Brian Cumins |
| Collingwood Store Pty Ltd | Collingwood VIC | Brian Cumins |
| Parkdale Store Pty Ltd | Parkdale VIC | Brian Cumins |
| Fountain Gate Store Pty Ltd | Fountain Gate VIC | Brian Cumins |
| Werribee Store Pty Ltd | Werribee VIC | Brian Cumins |
| Croydon Store Pty Ltd | Croydon VIC | Brian Cumins |

### (c) Loan disclosure

| | Balance at beginning $ | Interest Charged $ | Interest not charged $ | Write-off $ | Balance at end $ | Number in Group |
|---|---|---|---|---|---|---|
| **2005** | | | | | | |
| Specified directors | 267,544 | 51,071 | - | - | 528,193 | 5 |
| Specified executives | - | - | - | - | - | 4 |
| Total | **267,544** | **51,071** | **-** | **-** | **528,193** | **9** |
| **2004** | | | | | | |
| Specified directors | - | 25,698 | - | - | 267,544 | 5 |
| Specified executives | - | - | - | - | - | 4 |
| Total | **-** | **25,698** | **-** | **-** | **267,544** | **9** |

Individuals with loans above $100,000 in the year

| | Balance at beginning $ | Interest Charged $ | Interest not charged $ | Write-off $ | Balance at end $ | Highest in period $ |
|---|---|---|---|---|---|---|
| **2005** | | | | | | |
| P. Cumins [Blackport Pty Ltd] | 135,685 | 23,221 | - | - | 280,913 | 280,913 |
| B. Cumins [Northcote Store (VIC) Pty Ltd] | 131,859 | 14,608 | - | - | 114,068 | 129,159 |
| B. Cumins [Prahran Store Pty Ltd] | - | 13,242 | - | - | 133,212 | 150,000 |
| Total | **267,544** | **51,071** | **-** | **-** | **528,193** | **547,087** |
| **2004** | | | | | | |
| P. Cumins [Blackport Pty Ltd] | - | 9,044 | - | - | 135,685 | 147,605 |
| B. Cumins [Northcote Store (VIC) Pty Ltd] | 147,605 | 16,654 | - | - | 131,859 | 149,999 |
| Total | 147,605 | 25,698 | - | - | 267,544 | 297,604 |

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.

**(d) Specified directors' and specified executives' equity holdings**

Fully paid ordinary shares issued by Cash Converters International Limited

| | Balance at 1 July 2004 No. | Granted as remuneration No. | Received on exercise of options No. | Disposal of shares No. | Balance at 30 June 2005 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| Specified directors | | | | | | |
| B. Cumins | 28,837,433 | - | - | - | 28,837,433 | 28,837,433 |
| P. Cumins | 2,043,701 | - | 5,000,000 | (1,157,550) | 5,886,151 | - |
| M. Cooke | - | - | 5,000,000 | - | 5,000,000 | - |
| R. Webb | 100,000 | - | 1,000,000 | - | 1,100,000 | - |
| Specified executives | | | | | | |
| I. Day | 1,016,919 | - | 1,500,000 | - | 2,516,919 | - |
| R. Groom | 1,246,618 | - | 1,500,000 | (300,000) | 2,446,618 | - |
| J. Spratley | - | - | 500,000 | (500,000) | - | - |
| M. Lemmon | - | - | - | - | - | - |
| | **33,244,671** | **-** | **14,500,000** | **(1,957,550)** | **45,787,121** | **-** |

Executive share options issued by Cash Converters International Limited

| | Balance at 1 July 2004 No. | Granted as remuneration No. | Exercised No. | Balance at 30 June 2005 No. |
|---|---|---|---|---|
| Specified directors | | | | |
| P. Cumins | 5,000,000 | - | (5,000,000) | - |
| M. Cooke | 5,000,000 | - | (5,000,000) | - |
| R. Webb | 1,000,000 | - | (1,000,000) | - |
| Specified executives | | | | |
| I. Day | 1,500,000 | - | 1,500,000) | - |
| R. Groom | 1,500,000 | - | (1,500,000) | - |
| J. Spratley | 500,000 | - | (500,000) | - |
| M. Lemmon | - | - | - | - |
| | **14,500,000** | **-** | **(14,500,000)** | **-** |

**(e) Other transactions with specified directors**

The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified directors or their personally-related entities:

| | **2005 $** |
|---|---|
| Franchise fees payable in advance on the 1st of each month | 546,650 |
| Total advertising levy payable monthly in advance | 768,815 |
| Total training levies paid monthly in advance | 36,300 |
| Total miscellaneous fees payable on 30 day account | 34,517 |
| Total wholesale invoices payable on 30 day account | 25,927 |
| Total recognised as revenue | 1,412,209 |

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

Riverwood Park Pty Ltd, a company owned and controlled by Brian Cumin has provided an unsecured deposit to Cash Converters Finance Corporation Limited of $Nil (2004: $157,993). The unsecured deposit is by agreement not due and payable within 12 months by the lender unless at the option of the company. This deposit accrues interest at a rate of 10% per annum. During the year interest of $12 415 (2004: $40,394) was paid to Riverwood Park Pty Ltd.

No transactions with specified executives other than remuneration, loans or equity holdings have taken place during the period.

One of the directors, Brian Cumins, holds shares in Mon-e Pty Ltd the company that provides the software for the Cash Advances. The amount of Cash Advance commissions received by Cash Converters Pty Ltd was $1,710,821 under normal commercial trading terms and conditions.

## 23. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Since the end of the financial year the directors are not aware of any matter or circumstance 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.

## 24(a). INVESTMENTS IN CONTROLLED ENTITIES

| Name of entity | Country of incorporation | Ownership interest 2005 | 2004 | Type of business |
|---|---|---|---|---|
| **Directly controlled by Cash Converters International Limited** | | | | |
| Cash Converters Pty Ltd | Australia | 100% | 100% | Franchisor |
| Cash Converters UK Holdings PLC | UK | 100% | 100% | Holding Company |
| Cash Converters USA Limited | Australia | 58.87% | 58.87% | Holding Company |
| **Directly controlled by Cash Converters Pty Ltd** | | | | |
| Cash Converters Finance Corporation Limited | Australia | 33.40% | 34.57% | Finance Company |
| **Directly controlled by Cash Converters USA Limited** | | | | |
| Cash Converters USA Inc | USA | 100% | 100% | Franchisor |

## 24(b). OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Outside equity interests hold 570,196 (2004: 560,196), 50 cent ordinary shares in Cash Converters Finance Corporation Limited, being 66.67% of the ordinary issued share capital, and 66.59% 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.

## 24(b). OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES continued

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.

| | Consolidated | |
|---|---|---|
| | **2005** | **2004** |
| | **$** | **$** |
| Outside equity interests in controlled entities comprises: | | |
| Contributed capital | 3,252,622 | 3,252,622 |
| Accumulated losses | (3,125,903) | (3,136,493) |
| | 126,719 | 116,129 |

## 25. 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 National Australia Bank totalling $2,000,000 for a variable rate bill facility provided to Cash Converters Finance Corporation Limited (CCFCL). Cash Converters USA Inc (CCUSA) has issued a guarantee to First Priority Leasing Company Inc for a finance lease on fixtures and fittings and provided a loan performance guarantee to Business Lenders LLC for loans provided to franchisees. The performance guarantee covers five loans amounting to a guarantee limit of $246,504.

Cash Converters UK Limited (CCUK) has provided a guarantee to Lombard Finance for a loan made to a franchisee and has provided lease rental guarantees for franchisees of $1,958,713.

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 2005 requiring disclosure in the financial statements.

| | Consolidated 2005 | Consolidated 2004 |
|---|---|---|

## 26. EARNINGS PER SHARE

| | 2005 | 2004 |
|---|---|---|
| Basic earnings per share (cents per share) | 2.27 | 2.88 |
| Diluted earnings per share (cents per share) | 2.27 | 2.65 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 135,666,859 | 129,612,095 |
| Earnings | 3,078,296 | 3,842,397 |
| 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 basic | 135,666,859 | 129,612,095 |
| Options | - | 11,152,095 |
| Weighted average number of ordinary shares diluted | 135,666,859 | 140,764,190 |

The number of potential ordinary shares not included in the above calculation is nil (2004: Nil).

## 27. CASH FLOW INFORMATION

| | Consolidated 2005 $ | Consolidated 2004 $ | Company 2005 $ | Company 2004 $ |
|---|---|---|---|---|
| **(a) Reconciliation of net cash flow from operating activities with profit from ordinary activities after income tax** | | | | |
| Operating profit after tax | 3,078,296 | 3,842,397 | 1,461,065 | - |
| Non-cash flows in operating profit: | | | | |
| Amortisation | 222,064 | 220,953 | - | - |
| Depreciation | 354,323 | 285,090 | - | - |
| Bad debts written off | 78,798 | 235,620 | - | - |
| Lease and hire purchase interest | 18,400 | 16,510 | - | - |
| Profit on sale of plant and equipment | - | (11,303) | - | - |
| Increase/(decrease) in income taxes payable | (311,927) | 490,130 | - | - |
| Decrease in future income tax benefits | 25,176 | 73,495 | - | - |
| Increase/(decrease) in deferred tax | (45,455) | 111,775 | - | - |
| Net exchange differences | (20,793) | 7,684 | - | - |
| Realised foreign exchange loss | 65,216 | - | - | - |
| Change in assets and liabilities: | | | | |
| (Increase)/decrease in inventories | (125,308) | 45,152 | - | - |
| (Increase)/decrease in prepayments | (64,087) | 81,174 | - | - |
| Decrease/(increase) in trade and term debtors | 404,999 | (814,013) | (730,803) | - |
| (Decrease)/increase in trade creditors and accruals | (719,969) | 189,059 | - | - |
| Decrease in employee and other provisions | (72,268) | (2,531) | - | - |
| Increase in fees receivable rolled into loans to other related entities | (558,899) | - | - | - |
| **Cash flows from operations** | 2,328,566 | 4,771,192 | 730,802 | - |

## 27. CASH FLOW INFORMATION continued

**(b) Reconciliation of cash**

For the purpose of this statement of cash flows, cash 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 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $ | $ | $ | $ |
| Cash on hand and at bank | 5,172,719 | 4,632,582 | - | - |

**(c) Non-cash financing and investing activities**

**Plant and equipment**

During the financial year, the consolidated entity purchased a vehicle with a fair value of $79,976 (2004: $45,102) under a hire purchase agreement and plant and equipment with a fair value of $Nil (2004: $12,640) under a lease agreement. This acquisition is not reflected in the statement of cash flows.

## 28. DIVIDENDS

The directors of the Company paid a fully franked interim dividend of 0.5 (half) cent per share on 31 March 2005. The directors have also declared a final fully franked dividend of 0.5 (half) cent per share to be paid on 30 September 2005 to those shareholders on the register at the close of business on 16 September 2005.

The Company and consolidated entity has Australian franking credits available of $3,958,395 on a tax paid basis (2004: $2,877,915).

## 29. RECEIVABLES AND PAYABLES DENOMINATED IN FOREIGN CURRENCIES

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | $ | $ | $ | $ |
| **Receivables** | | | | |
| **Current – not effectively hedged** | | | | |
| Pounds Sterling | 1,940,801 | 2,505,669 | - | - |
| United States Dollars | - | 32,360 | - | - |
| **Payables** | | | | |
| **Current – not effectively hedged** | | | | |
| Pounds Sterling | 1,199,919 | 1,981,607 | - | - |
| United States Dollars | 5,137 | 252,350 | - | - |

## 30. EMPLOYEE NUMBERS

| | No. | No. | No. | No. |
|---|---|---|---|---|
| Average number of employees during the financial year | 53 | 49 | - | - |

## 31. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Cash Converters International Limited will be required to adopt Australian Accounting Standards Board (AASB) equivalents to International Financial Reporting Standards (A-IFRS), for its financial reporting at the half year ending 31 December 2005 and the full year ending 30 June 2006. At these dates a first time adopter of A-IFRS will be required to restate its comparative financial statements using all A-IFRS, except for AASB 132 Financial Instruments: Disclosure and Presentation, AASB 139 Financial Instruments: Recognition and Measurement, AASB 4 Insurance Contracts and AASB6 Exploration for and Evaluation of Mineral Resources. For Cash Converters International Limited this means the preparation of an opening balance sheet in accordance with A-IFRS as at 1 July 2004, with the majority of restatement adjustments being made, retrospectively, against opening retained earnings.

During the year Cash Converters International Limited established a project team to manage the transition to A-IFRS who have been working on the project together with independent experts. As a result of these procedures, Cash Converters International Limited has graded impact areas as either high, medium or low and has established dedicated project teams to address each of the areas in order of priority as represented by the gradings. An A-IFRS steering committee has been established to oversee the progress of each of the project teams and make necessary decisions. Regular updates are provided to the Audit Committee. As Cash Converters International Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with A-IFRS as at 1 July 2004. Set out below are the key areas where accounting policies will change and may have an impact on the financial report.

The amounts disclosed below are a best estimate as at the date of preparing the financial statements and may change due to:

(a) further work being performed by the A-IFRS project team; and

(b) potential amendments to the Australian equivalents to the International Financial Reporting Standards (A-IFRS) and interpretations thereof being issued by the standard setters and the International Financial Reporting Interpretations Committee (IFRIC).

### FINANCIAL INSTRUMENTS

The directors have elected to apply the first time adoption exemption available to Cash Converters International Limited to defer the date of transition of AASB132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement to 1 July 2005. Accordingly, there are no quantitive impacts on the 30 June 2005 financial statements. Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost; financial assets held to maturity – measured at amortised cost; financial assets held for trading – measured at fair value with fair value changes charged to net profit or loss; financial assets available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet.

### IMPAIRMENT OF ASSETS

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. There is not expected to be any adjustment required under A-IFRS in the Consolidated Entity for the year ended 30 June 2005.

### SHARE BASED PAYMENTS

Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Under the current accounting policy no amounts are recognised in the financial accounts in relation to equity based compensation schemes. There is not expected to be any adjustment required under A-IFRS in the Consolidated Entity for the year ended 30 June 2005.

## 31. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

**INCOME TAXES**

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied as described in note 1(n). Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. At the date of this report, the directors have determined that there will be no impact on the financial position as at 30 June 2005.

Under A-IFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the present 'virtually certain' test. The consolidated entity has not recognised these losses as an asset under A-IFRS as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in Australia.

The directors are still finalising their assesment of the the impact of AASB 112 Income Tax on the Company.

**TAX CONSOLIDATION**

UIG Interpretation 1052 'Tax Consolidation Accounting' mandates a significantly different manner of accounting for income taxes in tax-consolidated groups compared to the present Australian requirements. The approved Interpretation will be applicable for financial years ending on or after 31 December 2005, and will require that each entity in the tax-consolidated group recognise deferred tax assets (other than unused tax losses and unused tax credits) and deferred tax liabilities relating to its own balances. At the date of this report, the directors have not quantified the impact, if any, of the above in the proforma financial statements.

**BUSINESS COMBINATIONS**

On initial adoption of A-IFRS the directors have elected not to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation.

**CUMULATIVE EXCHANGE DIFFERENCES**

On initial adoption of A-IFRS the consolidated entity has elected to reset the foreign currency translation reserve to zero. An amount of $449,006 (company: nil) was reclassified from the foreign currency translation reserve to retained earnings. These translation differences will be excluded from the calculation of any gain or loss on a subsequent disposal of the foreign operation.

During the financial year ended 30 June 2005, under A-IFRS, the foreign currency translation reserve is adjusted by the tax effect of the current year translation loss recognised in the foreign currency translation reserve.

**ACCUMULATED LOSSES**

With limited exceptions, adjustments required on first-time adoption of A-IFRS are recognised directly as retained earnings (or if appropriate another category of equity) at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be a decrease in retained earnings of $449,006.

**PROFORMA FINANCIAL STATEMENTS**

The following proforma statement of financial performance and statement of financial position outline the likely impacts on the current year result and financial position of the Company and consolidated entity had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impacts outlined in the following proforma financial statements.

**Proforma Statement of Financial Performance for the year ended 30 June 2005**

| | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|
| | AGAAP actual $ | A-IFRS impact $ | A-IFRS proforma $ | AGAAP actual $ | A-IFRS impact $ | A-IFRS proforma $ |
| **Revenue from ordinary activities** | 18,608,542 | - | 18,608,542 | 2,290,396 | - | 2,290,396 |
| Employee benefits expenses | (3,953,578) | - | (3,953,578) | - | - | - |
| Depreciation and amortisation expenses | (576,387) | - | (576,387) | - | - | - |
| Borrowing costs expense | (199,771) | - | (199,771) | - | - | - |
| Legal fees/legal settlements | (519,753) | - | (519,753) | - | - | - |
| Raw materials/consumable items | (4,296,697) | - | (4,296,697) | - | - | - |
| Area agents fees/commissions | (357,892) | - | (357,892) | - | - | - |
| Rental expense on operating leases | (562,341) | - | (562,341) | - | - | - |
| Cost of asset sales | (40,992) | - | (40,992) | - | - | - |
| Motor vehicle/travel costs | (834,392) | - | (834,392) | - | - | - |
| Management fees | - | - | - | (829,331) | - | (829,331) |
| Bad debts | (78,798) | - | (78,798) | - | - | - |
| Professional and registry costs | (252,496) | - | (252,496) | - | - | - |
| Auditing and accounting services | (252,943) | - | (252,943) | - | - | - |
| Bank charges | (301,839) | - | (301,839) | - | - | - |
| Cost of sales – retail stores | (278,484) | - | (278,484) | - | - | - |
| Other expenses from ordinary activities | (1,627,554) | - | (1,627,554) | - | - | - |
| Profit from ordinary activities before income tax expense | 4,474,625 | - | 4,474,625 | 1,461,065 | - | 1,461,065 |
| Income tax expense | (1,396,329) | - | (1,396,329) | - | - | - |
| Profit from ordinary activities after income tax expense | 3,078,296 | - | 3,078,296 | 1,461,065 | - | 1,461,065 |
| Outside equity interests in operating profit after income tax | (10,590) | - | (10,590) | - | - | - |
| **Net profit after income tax attributable to members of the parent entity** | 3,067,706 | - | 3,067,706 | 1,461,065 | - | 1,461,065 |
| Net exchange differences on translation of financial report of foreign controlled entities | (49,234) | - | (49,234) | - | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity | (49,234) | - | (49,234) | - | - | - |
| **Total changes in equity other than those resulting from transactions with owners as owners** | 3,018,472 | - | 3,018,472 | 1,461,065 | - | 1,461,065 |

**Proforma Statement of Financial Position as at 30 June 2005**

| | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|
| | AGAAP actual $ | A-IFRS impact $ | A-IFRS proforma $ | AGAAP actual $ | A-IFRS impact $ | A-IFRS proforma $ |
| **Current assets** | | | | | | |
| Cash assets | 5,172,719 | - | 5,172,719 | - | - | - |
| Receivables | 2,817,970 | - | 2,817,970 | 730,803 | - | 730,803 |
| Inventories | 241,855 | - | 241,855 | - | - | - |
| Other | 247,471 | - | 247,471 | - | - | - |
| **Total current assets** | 8,480,015 | - | 8,480,015 | 730,803 | - | 730,803 |
| **Non-current assets** | | | | | | |
| Receivables | 2,215,623 | - | 2,215,623 | 5,646,167 | - | 5,646,167 |
| Investments | - | - | - | 437,591 | - | 437,591 |
| Plant and equipment | 1,099,630 | - | 1,099,630 | - | - | - |
| Intangibles | 9,331,167 | - | 9,331,167 | - | - | - |
| Deferred tax assets | 190,117 | - | 190,117 | - | - | - |
| **Total non-current assets** | 12,836,537 | - | 12,836,537 | 6,083,758 | - | 6,083,758 |
| **Total assets** | 21,316,552 | - | 21,316,552 | 6,814,561 | - | 6,814,561 |
| **Current liabilities** | | | | | | |
| Payables | 1,846,070 | - | 1,846,070 | - | - | - |
| Interest bearing liabilities | 663,318 | - | 663,318 | - | - | - |
| Current tax liabilities | 326,550 | - | 326,550 | - | - | - |
| Provisions | 958,544 | - | 958,544 | 730,803 | - | 730,803 |
| **Total current liabilities** | 3,794,482 | - | 3,794,482 | 730,803 | - | 730,803 |
| **Non-current liabilities** | | | | | | |
| Payables | 565,092 | - | 565,092 | - | - | - |
| Interest bearing liabilities | 1,141,191 | - | 1,141,191 | - | - | - |
| Deferred tax liabilities | 1,215,510 | - | 1,215,510 | - | - | - |
| **Total non-current liabilities** | 2,921,793 | - | 2,921,793 | - | - | - |
| **Total liabilities** | 6,716,275 | - | 6,716,275 | 730,803 | - | 730,803 |
| **Net assets** | 14,600,277 | - | 14,600,277 | 6,083,758 | - | 6,083,758 |
| **Equity** | | | | | | |
| Contributed equity | 6,093,100 | - | 6,093,100 | 6,083,758 | - | 6,083,758 |
| Reserves | (498,240) | 449,006 | (49,234) | - | - | - |
| Accumulated profits | 8,878,698 | (449,006) | 8,429,692 | - | - | - |
| Total parent equity interest | 14,473,558 | - | 14,473,558 | 6,083,758 | - | 6,083,758 |
| Outside equity interest in controlled entities | 126,719 | - | 126,719 | - | - | - |
| **Total equity** | 14,600,277 | - | 14,600,277 | 6,083,758 | - | 6,083,758 |

## 32. SEGMENT INFORMATION

**Information on business segments**

| Segment revenues | External Sales 2005 $ | External Sales 2004 $ | Inter-segment 2005 $ | Inter-segment 2004 $ | Total 2005 $ | Total 2004 $ |
|---|---|---|---|---|---|---|
| Franchising | 18,013,775 | 22,662,215 | - | - | 18,013,775 | 22,662,215 |
| Financing | 382,755 | 424,803 | - | - | 382,755 | 424,803 |
| **Total of all segments** | 18,396,530 | 23,087,018 | - | - | 18,396,530 | 23,087,018 |
| Eliminations | | | | | | |
| Unallocated | | | | | 212,012 | 267,975 |
| Consolidated revenue | | | | | 18,608,542 | 23,354,993 |

| | Assets 2005 $ | Assets 2004 $ | Liabilities 2005 $ | Liabilities 2004 $ |
|---|---|---|---|---|
| **Segment assets & liabilities** | | | | |
| Franchising | 17,970,727 | 17,835,615 | 3,551,195 | 5,930,590 |
| Financing | 3,345,825 | 3,527,265 | 3,165,080 | 3,359,470 |
| **Total of all segments** | 21,316,552 | 21,362,880 | 6,716,275 | 9,290,060 |
| Eliminations | - | - | - | - |
| Unallocated | - | - | - | - |
| Consolidated | 21,316,552 | 21,362,880 | 6,716,275 | 9,290,060 |

| | Total 2005 $ | Total 2004 $ |
|---|---|---|
| **Segment results** | | |
| Franchising | 4,572,280 | 5,452,228 |
| Financing | 34,017 | 143,169 |
| **Total of all segments** | 4,606,297 | 5,595,397 |
| Eliminations | - | - |
| Unallocated | (131,672) | (131,672) |
| Profit from ordinary activities before tax | 4,474,625 | 5,463,725 |
| Income tax expense relating to ordinary activities | (1,396,329) | (1,621,328) |
| Net profit from ordinary activities after related income tax expense | 3,078,296 | 3,842,397 |

| | Franchising 2005 $ | Franchising 2004 $ | Financing 2005 $ | Financing 2004 $ |
|---|---|---|---|---|
| **Other segment information** | | | | |
| Acquisition of segment assets | 710,294 | 138,170 | - | - |
| Depreciation and amortisation of segment assets | 576,387 | 506,043 | - | - |
| Significant expenses: | | | | |
| Bad debts | 5,201 | 163,620 | 73,597 | 72,000 |

**Information on geographical segments**

| **Geographical segments** | **Revenue from external customers 2005 $** | **Segment assets 2005 $** | **Acquisition of segment assets 2005 $** |
|---|---|---|---|
| Australia | 8,933,829 | 17,811,602 | 134,156 |
| UK Division | 9,261,687 | 3,489,710 | 576,138 |
| US Division | 55,460 | 15,240 | - |
| Rest of the World | 357,566 | - | - |
| Consolidated | 18,608,542 | 21,316,552 | 710,294 |

1. The economic entity operates predominantly in the following industries:

   **Franchising**

   This involves the sale of franchises for the retail sale of second hand goods, and sales of master licences for the development of countries outside of Australia.

   **Finance**

   The finance division was established to provide loans to existing franchisees within Australia, for the development of their businesses.
2. Intersegment pricing is based upon an agreed interest rate between Cash Converters Pty Ltd and Cash Converters Finance Corporation Limited.
3. 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

## 33. COMPANY DETAILS

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

Registered office:

Level 18, 37 St Georges Terrace

PERTH WA 6000

Telephone: +61 8 9221 9111

# DIRECTORS' DECLARATION

The directors declare that:

(a) The attached financial statements and notes thereto comply with Accounting Standards;

(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;

(c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by S.295A of the Corporations Act 2001.

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

For and on behalf of the Board

**Michael Cooke**

*Director*

*Perth, Western Australia*

*Date: 27 September 2005*

# INDEPENDENT AUDIT REPORT

*to the members of Cash Converters International Limited*

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

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## SCOPE

### THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Cash Converters International Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 29 to 61. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### AUDIT APPROACH

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

In our opinion, the financial report of Cash Converters International Limited is in accordance with:

(a) 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 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**KEITH F JONES**

Partner

Chartered Accountants

Perth, 27 September 2005

# INDEPENDENCE DECLARATION

Deloitte.

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

27 September 2005

Dear Sirs

**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 2005, 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 faithfully

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**KEITH F JONES**
Partner
Chartered Accountants

# SHAREHOLDER INFORMATION

*The shareholder information set out below was applicable as at 12 September2005*

## SUBSTANTIAL SHAREHOLDERS

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

| Name | Number of ordinary shares | Percentage of issued shares |
|---|---|---|
| Hosking Financial Group | 28,662,433 | 19.61 |
| J P Morgan Nominees Australia Limited | 16,525,747 | 11.31 |
| Westpac Custodian Nominees Limited | 9,600,000 | 6.57 |
| RBC Global Services Australia Nominees Pty Ltd | 8,991,544 | 6.15 |
| ANZ Nominees Limited | 7,317,398 | 5.01 |

## DISTRIBUTION OF EQUITY

| | Ordinary shares |
|---|---|
| Distribution schedule of holdings: | |
| 1 - 1,000 | 113 |
| 1,001 - 5,000 | 378 |
| 5,001 - 10,000 | 319 |
| 10,001 - 100,000 | 672 |
| 100,001 and over | 94 |
| Total number of holders | 1576 |
| Number of holders of less than a marketable parcel | 213 |

## TWENTY LARGEST EQUITY SECURITY HOLDERS

| Name | Number of ordinary shares | Percentage of Issued shares |
|---|---|---|
| Hosking Financial Group | 28,662,433 | 19.61 |
| J P Morgan Nominees Australia Limited | 16,525,747 | 11.31 |
| Westpac Custodian Nominees Limited | 9,600,000 | 6.57 |
| RBC Global Services Australia Nominees Pty Ltd | 8,991,544 | 6.15 |
| ANZ Nominees Limited | 7,317,398 | 5.01 |
| Mrs Merle Cooke | 5,000,000 | 3.42 |
| Bydand Capital Pty Ltd | 4,185,172 | 2.86 |
| Mr Wayne Douglas and Mrs Heather Janet Hubbard | 2,997,809 | 2.05 |
| Australian Executor Trustees Limited | 2,899,520 | 1.98 |
| McNicol Investments Pty Ltd | 2,550,644 | 1.75 |
| Mrs Christine Dorey | 1,844,701 | 1.26 |
| Otto Enterprises Pty Ltd | 1,335,627 | 0.91 |
| Mr Mohammed H Al Mulla | 1,283,166 | 0.88 |
| Mr Steven John Attard | 1,250,000 | 0.86 |
| Mr Michael Edward Constable | 1,133,801 | 0.78 |
| State Street Nominees Limited | 1,068,766 | 0.73 |
| Psychopath Investments Pty Ltd | 1,000,000 | 0.68 |
| Mr Reginald Paul Webb | 1,000,000 | 0.68 |
| Mr Ian Day & Mrs Sally Day | 994,644 | 0.68 |
| Mr Peter Casey | 946,250 | 0.65 |
| | 100,587,222 | 68.82 |

## VOTING RIGHTS

All shares are of one class with equal voting rights.

## SHAREHOLDER INFORMATION

The Shareholder information set out above was applicable as at 12 September 2005.

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