

Registered Number: 03096334

CASH CONVERTERS (UK) LIMITED

Report and Financial Statements

30 June 2009

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CASH CONVERTERS (UK) LIMITED

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CASH CONVERTERS (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Peter Cumins
Reginald Paul Webb
John Yeudall
David Patrick
Cameron Hetherington

Secretary

Derek Ralph Groom
James Peter Conway Spratley

Registered office

Unit 17
Gentlemens Field
Westmill Road
Ware
Hertfordshire
SG12 0EF

Bankers

Barclays Bank plc
PO Box 104
22-24 Upper Marlborough Road
St Albans
Hertfordshire
AL1 3AL

National Westminster Bank plc
PO Box 204
1 Hatton Garden
London
EC1P 1DU

Solicitors

Hilliers
Common Farm
Liddlington
Bedford
MK43 0BG

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
St Albans

CASH CONVERTERS (UK) LIMITED

DIRECTORS' REPORT

The directors present herewith their annual report, together with the audited financial statements of the company for the year ended 30 June 2009.

Activities

The principal activities of the company are the provision of franchise services and the retailing of new and second hand goods together with pawn broking, cheque cashing and a range of financial services.

Business review and future prospects

The net profit before tax for the 12 month period ending 30 June 2009 was £869,801 (2008: £170,158)

The corporate store division now has 21 stores trading following the recent acquisition, in August 2009, of a store in Barnsley in the north of England. All corporate stores performed well during the year with strong retail growth and the consistent growth of loan banks, associated with pawnbroking and other personal loan products, all delivering to bottom line profit.

Total store numbers stand at 137. A further four franchised stores are planned to open in the three month period ending October 2009. Franchise enquires are still high so we anticipate further strong growth in stores openings. UK franchisees have continued to enjoy strong business growth and this has given further encouragement to existing franchisees to also grow their store numbers.

The UK auction site continues to increase in terms of growth, the number of registered users and the number of 'hits' to the site. There are now 66 stores offering products on the auction site with total products listed of over 11,000. During July 2009 approximately 174,000 unique logged onto the site, resulting in over £44,000 in sales.

In September 2009 the financial services currently offered in Australia will start to be promoted in the UK market. The trial will commence in north England at the Ashton-under-Lyne store and move to the 21 corporate store network once the trial proves successful. The credit environment in the UK operates under a more sophisticated credit rating system with both positive and negative credit checks available for prospective borrowers. This lessens the credit risk significantly and helps in the decision on whether to lend funds.

In summary, excellent progress has been made in significantly improving the profitability of the UK business through the acquisition of stores and the expansion of the franchise network. Further store acquisitions and the anticipated growth in financial services income should continue to deliver profit growth this financial year.

Going Concern Statement

Cash Converters business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The Company has net current liabilities of £1,192,000, and an overdraft of £127,000 at 30 June 2009. The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the Company.

CASH CONVERTERS (UK) LIMITED

DIRECTORS' REPORT (Continued)

Cash Converters has a number of long term contracts with Franchisees and suppliers across different geographic areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Based on this review and the future business prospects of the Company, despite the current economic conditions, the directors believe the Company will be able to meet its liabilities as they fall due. The directors have also received written guarantees from the ultimate parent company securing the company's obligation to banks and balances owing to Cash Converters International

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Employees

The company has a policy of employing disabled persons and continuing to employ staff who become disabled. The directors attempt to keep all employees fully informed of company developments, including the financial and economic factors affecting the performance of the company. The directors regularly consult employees or their representatives so that views of employees can be taken into account in making decisions that are likely to affect their interests.

Directors

The directors during the period were as follows:

Peter Cumins	Australia
Reginald Paul Webb	Australia
John Yeudall	Australia
Andrew Moffat (resigned 27/10/08)	Australia
Cameron Hetherington (resigned 24/4/09)	Australia
Mark Lemmon (resigned 11/5/09)	
David Patrick (appointed 2/9/09)	

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

CASH CONVERTERS (UK) LIMITED

DIRECTORS' REPORT (Continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The results for the year are shown on page 7. No dividend is payable for the year ended 30 June 2009 (2008: £nil).

Provision of Information to Auditors

Each of the persons, who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

A resolution for the re-appointment of Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the board



David Patrick
Director

11/12/2009

Independent auditors' report to the members of Cash Converters (UK) Limited

We have audited the financial statements of Cash Converters (UK) Limited for the year ended 30 June 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from the material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2009 and its profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Cash Converters UK Limited (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;

Paul Schofield

Paul Schofield (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
St Albans, United Kingdom
11 December 2009

CASH CONVERTERS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 £'000	2008 £'000
Turnover	2	14,286	9,895
Cost of sales		(7,754)	(5,662)
Gross profit		6,532	4,233
Administrative expenses		(5,421)	(3,840)
Operating profit	3	1,111	393
Interest payable and similar charges	6	(241)	(223)
Profit on ordinary activities before taxation		870	170
Tax on profit on ordinary activities	7	(242)	(68)
Profit for the financial year		628	102

There are no other recognised gains and losses other than those reflected above and accordingly no Statement of Total Recognised Gains and Losses has been prepared.

The results of both the current year and previous year arise from continuing operations.

The notes 1 to 20 form part of the financial statements.


CASH CONVERTERS (UK) LIMITED

BALANCE SHEET AT 30 JUNE 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Intangible Assets	8	2,040	1,073
Tangible assets	9	864	527
		2,904	1,600
Current assets			
Stock	10	1,067	685
Debtors	11	2,650	1,514
Cash at bank and in hand		-	921
		3,717	3,120
Creditors: amounts falling due within one year	12	(4,890)	(3,580)
Net current liabilities		(1,173)	(460)
Total assets less current liabilities		1,731	1,140
Creditors: amounts falling due after one year	13	(263)	(300)
Net assets		1,468	840
Capital and reserves			
Called up share capital	14	789	789
Profit and loss account	15	679	51
Shareholders' funds	16	1,468	840

Registered Number: 03096334

The financial statements were approved by the board of directors on 11/12/2009 and were signed on its behalf by:



Director

The notes 1 to 20 form part of these financial statements.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting convention.

Going concern

Cash Converters business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. Although the Company has net current liabilities of £1,192,000, and an overdraft of £127,000 at 30 June 2009. The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the Company.

Cash Converters has a number of long term contracts with Franchisees and suppliers across different geographic areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Based on this review and the future business prospects of the Company, despite the current economic conditions, the directors believe the Company will be able to meet its liabilities as they fall due. The directors have also received written guarantees from the ultimate parent company securing the company's obligation to banks and balances owing to Cash Converters International

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets less their estimated residual value over their estimated useful lives as follows:

Fixtures and fittings	25% reducing balance
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Intangible assets – goodwill

Goodwill arises on the acquisition of new stores, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its economic life which is 20 years.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

1 ACCOUNTING POLICIES (Continued)

Related parties

As more than 90% of the company's share capital is held by its ultimate parent company, whose consolidated financial statements are publicly available, advantage has been taken of paragraph 3 of FRS 8, "Related Party Disclosures", not to disclose transactions with group companies.

Cash flow statement

Advantage has been taken of paragraph 5 of FRS1 (Revised), "Cash flow statements", not to prepare a cash flow statement as the ultimate parent company prepares consolidated financial statements which are publicly available and which include the cash flows of the company.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase price of wholesale and pre-owned goods on hand.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

1 ACCOUNTING POLICIES (Continued)

Revenue

Income from Franchisees is recognised as follows:

- (i) Initial franchise fees – fees in respect of the initial sale of a franchise are recognised when invoiced. Invoicing occurs firstly when franchise agreements are signed (the deposit portion) and secondly when premises arrangements for stores are finalised and contractual commitments are confirmed (the remaining portion) and are legally enforceable.

Continuing franchise fees, levies and other revenue – fees and levies in respect of continuing services to franchisees are recognised when they become due and payable as services are provided. Other revenue for sales of consumables and provision of other goods and services are recognised when goods and services are provided.

Income from corporate stores is recognised when goods and services are provided to customers and are legally enforceable.

2 TURNOVER

The company's turnover is derived from the company's principal activities within the UK market and represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

3 OPERATING PROFIT

	2009 £'000	2008 £'000
Operating profit is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	31	24
Depreciation of fixed assets		
Owned assets	182	208
Amortisation of goodwill	97	55
Operating lease rentals in respect of land and buildings	405	296

4 DIRECTORS' REMUNERATION

The remuneration of the directors who served during the year was as follows:

	2009 £'000	2008 £'000
Fees and salaries	124	115

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

5 EMPLOYEE INFORMATION

The average number of persons employed by the company (including directors) during the year, was as follows:

	2009 Number	2008 Number
Selling	80	48
Administration	30	26
	110	74

Staff costs (including directors' remuneration):

	2009 £'000	2008 £'000
Wages and salaries	2,320	1,638
Social security costs	241	160
	2,561	1,798

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Interest payable and similar charges on:		
Bank facilities	241	223
	241	223

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
UK corporation tax charge on profit on the ordinary activities at 28%	(233)	(52)
Adjustment in respect of prior years	1	(1)
	(232)	(53)
Deferred tax		
Timing differences, origination and reversal	(10)	(11)
Adjustment in respect of prior years	-	(4)
	(242)	(68)

The tax assessed for the year is lower than that resulting from applying the small companies rate of corporation tax in the UK of 28%. (2008: 20%)

The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	871	170
Tax at 28% thereon	(243)	(48)
Expenses not deductible for tax purposes	(2)	(7)
Capital allowance in excess of depreciation	12	4
Effect of rate change	-	(2)
Adjustments in respect of prior years	1	
	(232)	(53)

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

8 INTANGIBLE FIXED ASSETS- GOODWILL

	£'000
Cost	
At 1 July 2008	1,128
Additions	1,064
At 30 June 2009	2,192
Depreciation	
At 1 July 2008	55
Charge for the period	97
At 30 June 2009	152
Net book value	
At 30 June 2009	2,040
At 30 June 2008	1,073

9 TANGIBLE FIXED ASSETS

	Fixtures and fittings £'000
Cost	
At 1 July 2008	1,151
Additions	519
At 30 June 2009	1,670
Depreciation	
At 1 July 2008	624
Charge for the period	182
At 30 June 2009	806
Net book value	
At 30 June 2009	864
At 30 June 2008	527

10 STOCK

	2009 £'000	2008 £'000
Finished goods and goods for resale	1,067	685

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

11 DEBTORS

	2009 £'000	2008 £'000
Trade debtors	452	538
Other debtors	655	752
Prepayments and accrued income	1,543	224
	<u>2,650</u>	<u>1,514</u>

12 CREDITORS: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	127	-
Bank loan	525	300-
Trade creditors	444	356
Other creditors and accruals	359	1,021
Amounts owed to fellow group undertakings	2,976	1,681
Other taxes and social security	426	197
Deferred Tax Liability (note 20)	33	23
	<u>4,890</u>	<u>3,580</u>

13 CREDITORS: amounts falling due after more than one year

	2009 £'000	2008 £'000
Bank loan		
Amounts due between 1-2 years	263	300

The loan matures in December 2010, the interest rate is charged at 3.25% above the Bank of England base rate.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

14 CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised, allotted, called up and fully paid		
788,190 ordinary shares of £1 each	788	788
1,000 ordinary shares of A\$1 each	1	1
	<u>789</u>	<u>789</u>

All shares rank pari passu.

15 RESERVES

	Profit and loss £'000
At 1 July 2008	51
Profit for the year	<u>628</u>
At 30 June 2009	<u>679</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the year	628	102
Opening shareholders' funds	<u>840</u>	<u>738</u>
Closing shareholders' funds	<u>1,468</u>	<u>840</u>

All shareholders' funds are attributable to ordinary shareholders.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

17 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Land and buildings:		
Operating leases which expire –		
within one year	62	12
between two and five years	68	62
over five years	387	299
	<hr/> 517	<hr/> 373

The annual rentals of operating leases are charges to the profit and loss account as they are incurred.

18 ULTIMATE PARENT COMPANY

The smallest group in which the results of the company are consolidated is that headed by the immediate parent company, Cash Converters UK Holdings PLC. The consolidated accounts of this group may be obtained from Companies House or from Cash Converters House, Westmill Road, Ware, Herts, SG12 0EF.

The largest group in which the results of the company are consolidated is that headed by the ultimate parent company, Cash Converters International Limited, a company incorporated in Australia. The consolidated accounts of this group may be obtained from Level 18, Chancery House, 37 St George's Terrace, Perth, WA 6000, Australia.

19 CONTINGENT LIABILITIES

The company has guaranteed rental and lease payments in the event of default by a number of franchisees. Payments made in the year in respect of such guarantees amounted to £nil (2009 - £nil). The maximum amount payable by the company in the event of default is £184,000 (2009 - £184,000)

The company has provided a performance guarantee to its affiliate company Cash Converters USA Inc. in respect of the obligations of that company under Franchise Agreements and other related agreements in the State of Virginia, USA.

The company is a party to claims and counter-claims arising from its business activities. Claims are being defended and liability has not been admitted. The directors believe that no material costs will arise from claims outstanding at the balance sheet date.

CASH CONVERTERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009

20 DEFERRED TAX

Movement on deferred tax in the year

	£'000
At 1 July 2008	23
Credit to the profit and loss account	10
At 30 June 2009	33

Analysis of deferred tax balance

	2009 £'000	2008 £'000
Capital allowances in excess of depreciation	33	23
Short term timing differences	-	-
	33	23