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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Directors' Report

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Directors' report

In respect of the half-year ended 31 December 2012, the Directors of Cash Converters International Limited, the Company and parent entity, submit the following report in order to comply with the provisions of the Corporations Act 2001.

Directors

The following persons held office as Directors of the Company during or since the end of the half-year:

Mr Reginald Webb (Non-executive Director, Chairman)
Mr Peter Cumins (Managing Director)
Mr John Yeudall (Non-executive Director)
Mr William Love (Non-executive Director)
Mr Joseph Beal (Non-executive Director)

Dividends

The Directors of the Company recommend that an interim dividend of 2.0 (two) cents per share be paid on 29 March 2013 to those shareholders on the register at the close of business on 15 March 2013.

Review of operations

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

	Segment revenues Half year ended		Segment results Half year ended	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Franchise operations	11,652,258	12,336,132	2,298,956	2,876,335
Store operations	67,964,248	60,847,415	4,592,060	4,287,200
Financial services - administration	9,130,019	7,964,778	7,322,575	6,615,416
Financial services - personal loans	54,687,977	37,973,740	21,468,267	14,113,125
Intersegment elimination of revenues	(8,584,061)	(7,631,999)	-	-
Totals	134,850,441	111,490,066	35,681,858	27,892,076
Corporate head office income/(costs)	65,112	181,599	(9,496,239)	(8,641,337)
Total revenue/operating profit	134,915,553	111,671,665	26,185,619	19,250,739
Income tax attributable to operating profits			(7,754,306)	(6,007,896)
Operating profit after income tax			18,431,313	13,242,843
(Profit)/loss attributable to outside equity interests			-	-
Profit attributable to members of Cash Converters International Limited			18,431,313	13,242,843

Franchise operations

The profit before tax for the franchise operations was \$2,298,956 (2011: \$2,876,335) for the six month period ended 31 December 2012. The Australian business contributed \$1,269,021 (2011: \$1,566,464), the UK business \$846,867 (2011: \$1,003,073) and the International operations \$183,068 (2011: \$306,798) of the profit before tax. The main reason for the decrease in profit for these operations was a reduction in monthly franchise fees due to the acquisition of franchised stores by the corporate store division in the prior years.

CCUK are planning to open a further eight franchised stores in the next few months and two new franchised stores are also planned to open in Australia over the same period.

The total number of franchised stores throughout the world now stands at 603 with 161 stores in the UK, 104 in Australia and 338 throughout the rest of the world. Franchised stores continue to be opened, with four stores opening in the UK and one store in Australia

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in the period to the 31 December 2012. Internationally, growth in Spain has slowed following difficult economic conditions, however a further five stores have opened since June and the first store in Dubai opened in August 2012.

Store operations

This division encompasses the corporate store network in both the UK and Australia. Currently there are 61 stores in the UK and 46 in Australia, resulting in a total of 107 stores.

The store operations delivered a profit before tax of \$4,592,060 (2011: \$4,287,200). The Australian business contributed \$4,614,140 (2011: \$3,862,987) and the UK business a loss of \$9,959 (2011: \$424,213 profit) of the profit before tax.

The UK business recorded a fall in profit primarily because of the profit drag relating to 20 stores opened in the past 18 months that are still moving to break even - this has reduced profits by approximately \$480,000.

On a same store sales basis, for the corresponding period last year, the retail sales growth from our Australian corporate stores was 6.5%, cash advance - principal advanced, and personal loans - principal advanced, delivered growth of 5.0% and 29.9% respectively, pawn broking interest was down slightly at 1.4% below last year. Our UK stores experienced growth in retail sales of 0.4% and cash advance commissions growth of 24.7% with personal loans commission's remaining constant. However, pawn broking interest fell by 5.1% and buyback income by 2.1%.

The current UK growth opportunities will come through the development of financial services through both the corporate and franchise networks. Although the opportunities for 'greenfield' stores in Australia do not deliver the same level of opportunities as the UK, certain states (New South Wales and Victoria) do offer growth potential. The opportunities in Australia lie in franchise store acquisitions, with a number of franchisees willing to sell their stores.

Financial services operations and administration

These divisions incorporate the trading results of MON-E Pty Ltd (Australia), Cash Converters Personal Finance Pty Ltd (Australia) (formerly Safrock Finance Group Pty Ltd) and the UK Finance Division. MON-E Pty Ltd is responsible for providing the internet platform and administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers (average loan size of approximately \$330). Cash Converters Personal Finance provides small, largely unsecured loans through the franchise and corporate store networks in Australia.

The UK Finance Division utilises the software developed in Australia, for both cash advances and personal loans, and is continuing to roll-out the finance products across both the franchise and corporate store networks in the UK. CCUK is utilising the knowledge and experience of Ausgroup Pty Ltd (Australian agent experienced in financial services) to roll out the financial services to corporate stores, franchisees and to train staff. The agreement allows for a 3% commission, payable to Ausgroup, on all principal and interest repayments, with Ausgroup covering all costs associated with the financial services roll-out.

During the period under review the net profit before tax for this division was \$28,790,842 (2011: \$20,728,541), representing an increase on last year's corresponding period of 38.9%. Cash Converters Personal Finance contributed \$18,505,093 (2011:\$12,904,387), MON-E \$6,893,826 (2011:\$6,344,090) and the UK Finance Division a profit of \$3,391,923 (2011:\$1,473,728).

For Australia, bad debt levels continue to remain stable at 5.4% of the cumulative principal loaned less bad debts recovered (2011: 5.6%), however, the UK bad debt levels continue to remain at elevated levels of 11.5% of the cumulative principal loaned less bad debts recovered (2011: 11.0%). The UK personal loan book is still maturing and the level of bad debts we are currently experiencing is in line with the levels initially experienced when establishing our Australian personal loan business. We expect that the UK database will mature and our customer knowledge base will increase allowing the level of bad debts to decrease steadily over the coming years.

The Christmas period is one of the busiest periods for the personal loan product and this year was no exception with a new record of \$16.9 million (2011:\$13.2 million) advanced in Australia and £1.4 million (2011:£1.5 million) in the UK. The loan books are \$84.2 million for Australia and £17.7 million for the UK, at the end of December. Both loan books have bad debt provisions of \$8,525,962 (Australia) and £5,230,376 (UK).

Cash Converters is licensed to provide financial products pursuant to the National Consumer Protection Act and has responsible lending processes and controls in place.

Corporate office costs

These costs represent the corporate office and interest costs for both Australia and the UK. These costs are shown separately because it is difficult to allocate these costs to any specific division/segment and to calculate an arbitrary split of the costs would not be appropriate in obtaining an accurate contribution from each of the divisions.

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*CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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Subsequent events

Cash Converters International limited has requested the UK Financial Services Authority to cancel the listing of the Company's ordinary shares of no par value on the Official List of the United Kingdom Listing Authority and to cancel the admission of the Ordinary Shares to trading on the London Stock Exchange's market for listed securities. It is expected that the cancellation of the UK listing and of the admission of the Ordinary Shares to trading on the London Stock Exchange will take effect at 8.00am on 19 February 2013.

The Board considers that the listing on the Australian Stock Exchange adequately provides for the capital requirements of the Company and gives shareholders a trading forum with reasonable liquidity and all necessary shareholder protections. The additional listing on the London Stock Exchange duplicates costs but does not deliver a significant benefit given the make-up of the UK share register and the low trading volume.

Independent declaration by Auditor

The Auditor's independence declaration is included on page 19 of the half-year financial report.

On behalf of the Board. Signed in accordance with a resolution of directors pursuant to S306(3) of the Corporations Act 2001.

Peter Cumins
Managing Director

Perth, Western Australia
Date: 14 February 2013

**Condensed consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2012**

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	Consolidated Half-year ended	
		31 December 2012 \$	31 December 2011 \$
Franchise fees	3a	5,077,776	5,275,307
Financial services revenue	3b	57,267,588	38,181,862
Sale of goods	3c	47,612,059	45,493,357
Pawn broking fees		7,360,743	7,249,698
Financial services commission	3d	17,371,819	14,982,969
Other revenue	3e	225,568	488,472
Revenue		134,915,553	111,671,665
Cost of Sales	3f	(43,302,764)	(37,642,773)
Gross Profit		91,612,789	74,028,892
Administrative expenses	3g	(30,358,391)	(26,938,627)
Advertising expenses		(2,427,204)	(2,435,301)
Occupancy expenses	3h	(7,143,699)	(6,048,483)
Other expenses	3i	(24,093,573)	(18,303,127)
Finance costs	3j	(1,404,303)	(1,052,615)
Profit before income tax		26,185,619	19,250,739
Income tax expense		(7,754,306)	(6,007,896)
Profit for the period		18,431,313	13,242,843
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		826,798	(1,054,202)
Other comprehensive income for the period		826,798	(1,054,202)
Total comprehensive income for the period		19,258,111	12,188,641
Profit attributable to:			
Owners of the parent		18,431,313	13,242,843
Non-controlling interest		-	-
		18,431,313	13,242,843
Total comprehensive income attributable to:			
Owners of the parent		19,258,111	12,188,641
Non-controlling interest		-	-
		19,258,111	12,188,641
Earnings per share			
Basic (cents per share)		4.7	3.5
Diluted (cents per share)		4.6	3.4

The accompanying notes form an integral part of the condensed consolidated statement of profit or loss and other comprehensive income.

Condensed consolidated statement of financial position
for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 December 2012	30 June 2012
Current assets	\$	\$
Cash and cash equivalents	22,662,540	16,415,161
Trade and other receivables	11,094,595	10,862,191
Personal loan receivables	107,896,992	86,951,171
Inventories	17,373,408	17,078,602
Other assets	4,639,352	4,185,030
Total current assets	163,666,887	135,492,155
Non-current assets		
Trade and other receivables	11,989,222	6,129,701
Plant and equipment	20,415,242	19,581,363
Deferred tax assets	5,910,731	4,812,130
Goodwill	77,699,429	77,249,320
Other intangible assets	16,190,354	15,478,179
Other financial assets	4,000,000	4,000,000
Total non-current assets	136,204,978	127,250,693
Total assets	299,871,865	262,742,848
Current liabilities		
Trade and other payables	18,678,221	19,578,758
Borrowings	4,566,794	11,283,694
Current tax payables	6,171,600	7,102,330
Deferred establishment fees	4,944,841	4,058,936
Provisions	2,987,625	2,657,437
Total current liabilities	37,349,081	44,681,155
Non-current liabilities		
Borrowings	29,439,294	31,365,458
Provisions	96,948	63,275
Other payables	924,927	-
Total non-current liabilities	30,461,169	31,428,733
Total liabilities	67,810,250	76,109,888
Net assets	232,061,615	186,632,960
Equity		
Issued capital	151,708,645	116,812,467
Reserves	(4,521,817)	(3,366,804)
Retained earnings	84,873,738	73,186,248
Equity attributable to owners of the parent	232,060,566	186,631,911
Non-controlling interest	1,049	1,049
Total equity	232,061,615	186,632,960

The accompanying notes form an integral part of the condensed consolidated statement of financial position

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Other reserve \$	Retained earnings \$	Attributable to owners of the parent \$	Non- controlling interest \$	Total \$
Balance at 1 July 2011	116,812,467	(5,027,031)	706,776	57,067,184	169,559,396	1,049	169,560,445
Profit for the period	-	-	-	13,242,843	13,242,843	-	13,242,843
Exchange differences arising on translation of foreign operations	-	(1,054,202)	-	-	(1,054,202)	-	(1,054,202)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	(1,054,202)	-	13,242,843	12,188,641	-	12,188,641
Share-based payments	-	-	877,246	-	877,246	-	877,246
Payment of dividends	-	-	-	(6,651,133)	(6,651,133)	-	(6,651,133)
Balance at 31 December 2011	116,812,467	(6,081,233)	1,584,022	63,658,894	175,974,150	1,049	175,975,199
Balance at 1 July 2012	116,812,467	(6,028,429)	2,661,625	73,186,248	186,631,911	1,049	186,632,960
Profit for the period	-	-	-	18,431,313	18,431,313	-	18,431,313
Exchange differences arising on translation of foreign operations	-	826,798	-	-	826,798	-	826,798
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	826,798	-	18,431,313	19,258,111	-	19,258,111
Issue of shares	32,725,000	-	-	-	32,725,000	-	32,725,000
Share issue costs (net of tax)	(775,582)	-	-	-	(775,582)	-	(775,582)
Share-based payments	-	-	964,949	-	964,949	-	964,949
Shares issued on exercise of performance rights	2,946,760	-	(2,946,760)	-	-	-	-
Payment of dividends	-	-	-	(6,743,823)	(6,743,823)	-	(6,743,823)
Balance at 31 December 2012	151,708,645	(5,201,631)	679,814	84,873,738	232,060,566	1,049	232,061,615

The accompanying notes form an integral part of the condensed consolidated statement of changes in equity

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	Consolidated	
		Half-year ended 31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities			
Receipts from customers		104,394,911	104,665,925
Payments to suppliers and employees		(100,126,305)	(99,901,396)
Interest received		203,817	472,846
Interest received from personal loans		28,790,355	14,564,916
Net increase in personal loans		(19,617,329)	(11,031,421)
Interest and costs of finance paid		(1,404,303)	(1,052,615)
Income tax paid		(9,040,727)	(6,335,332)
Net cash flows provided by operating activities		3,200,419	1,382,923
Cash flows from investing activities			
Net cash paid for acquisitions of controlled entities	8	(971,506)	(6,130,534)
Acquisition of intangible asset		(1,144,528)	-
Proceeds from sale of plant and equipment		37,000	-
Purchase of plant and equipment		(2,708,556)	(6,524,400)
Amounts advanced to third parties		(6,200,000)	(1,375,000)
Instalment credit loans made to franchisees		-	-
Instalment credit loans repaid by franchisees		385,184	308,903
Net cash flows used in investing activities		(10,602,406)	(13,721,031)
Cash flows from financing activities			
Dividends paid – members of parent entity		(8,921,136)	(6,651,133)
Repayment of borrowings		(13,751,399)	(144,126)
Proceeds from borrowings		5,335,255	16,000,000
Capital element of finance lease and hire purchase payments		(245,965)	(176,772)
Issue of shares by controlling entity		32,725,000	-
Share issue costs		(1,107,975)	-
Redemption of unsecured notes by controlled entity		-	-
Net cash flows provided by financing activities		14,033,780	9,027,969
Net increase / (decrease) in cash and cash equivalents		6,631,793	(3,310,139)
Cash and cash equivalents at the beginning of the period		16,415,161	23,456,996
Effects of exchange rate changes on the balance of cash held in foreign currencies		(384,414)	(603,607)
Cash and cash equivalents at the end of the period	7	22,662,540	19,543,250

The accompanying notes form an integral part of the condensed consolidated statement of cash flows

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts presented in Australian dollars unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2012, other than the impact of the adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board (AASB) that are relevant to the consolidated entity and effective for annual reporting periods beginning on or after 1 July 2012.

New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to Cash Converters International Ltd include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year. However the application of AASB 2011-9 has resulted in a change to the Group's presentation of, or disclosure in, its half year financial statements.

2. Segmental information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the managing director (chief operating decision maker) in order to allocate resources to the segment and to assess its performance.

Information reported to the consolidated entity's Managing Director for the purposes of resource assessment and assessment of performance is focussed on the nature of the service and category of customer. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

Franchise operations

This involves the sale of franchises for the retail sale of second hand goods and the sale of master licences for the development of franchises in countries around the world.

Store Operations

This involves the retail sale of second hand goods at corporate owned stores in Australia and the UK.

Financial service – personal loans

This segment includes the Cash Converters Personal Finance – Instalment Loans business.

Financial service – administration

This segment includes the Cash Converters Personal Finance – Administration's cash advance administration platform.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies.

The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the periods under review.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

2. Segmental information (cont'd)

	Segment revenues		Segment results	
	Half year ended		Half year ended	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$	\$	\$	\$
Franchise operations	11,652,258	12,336,132	2,298,956	2,876,335
Store operations	67,964,248	60,847,415	4,592,060	4,287,200
Financial services – administration	9,130,019	7,964,778	7,322,575	6,615,416
Financial services - personal loans	54,687,977	37,973,740	21,468,267	14,113,125
Intersegment elimination of revenue	(8,584,061)	(7,631,999)	-	-
	134,850,441	111,490,066	35,681,858	27,892,076
Corporate/support office	65,112	181,599	(9,496,239)	(8,641,337)
Total revenue/operating profit	134,915,553	111,671,665	26,185,619	19,250,739
Income tax attributable to operating profit			(7,754,306)	(6,007,896)
Operating profit after income tax			18,431,313	13,242,843
Less: Profit attributable to outside equity interests			-	-
Profit attributable to members of Cash Converters International Limited			18,431,313	13,242,843

Segment profit represents the profit earned by each segment without the allocation of central administration costs and directors' salaries, interest income and expense in relation to corporate facilities, and tax expense. This is the measure reported to the managing director (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the consolidated entity's assets by reportable segment:

	31 December 2012	30 June 2012
	\$	\$
Franchise operations	21,679,830	21,583,737
Store operations	99,754,417	97,004,207
Financial services – administration	18,610,975	17,969,354
Financial services – personal loans	121,793,328	108,001,201
Total of all segments	261,838,550	244,558,499
Unallocated assets	38,033,315	18,184,349
Total assets	299,871,865	262,742,848

Unallocated assets include various corporate assets including cash held at a corporate level that has not been allocated to the underlying segments.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

2. Segmental information (cont'd)

The following is an analysis of the consolidated entity's liabilities by reportable segment:

	31 December 2012	30 June 2012
	\$	\$
Franchise operations	2,045,366	1,672,947
Store operations	6,463,802	7,748,823
Financial services – administration	2,052,888	3,268,958
Financial services - personal loans	20,859,643	22,959,081
Total of all segments	31,421,699	35,685,809
Unallocated liabilities	36,388,551	40,424,079
Total liabilities	67,810,250	76,109,888

Unallocated liabilities include consolidated entity borrowings not specifically allocated to the underlying segments.

3. Revenues and Expenses

	2012	2011
	\$	\$
3a Franchise fees		
Weekly franchise fees	3,658,904	3,683,479
Initial fees	110,808	201,932
Advertising levies	221,900	214,700
Training levies	184,800	179,942
Computer levies	901,364	995,254
	<u>5,077,776</u>	<u>5,275,307</u>
3b Financial services revenue		
Instalment credit loan interest	940,095	338,014
Personal loan interest	44,015,321	29,711,036
Loan establishment fees	12,312,172	8,132,812
	<u>57,267,588</u>	<u>38,181,862</u>
3c Sale of goods		
Retail sales	45,803,383	42,634,124
Retail wholesales	1,808,676	2,859,233
	<u>47,612,059</u>	<u>45,493,357</u>
3d Financial services commission		
Cheque cashing commission	618,138	322,004
Financial services commission	16,753,681	14,660,965
	<u>17,371,819</u>	<u>14,982,969</u>
3e Other revenue		
Rent	-	15,182
Interest	203,817	472,846
Other	21,751	444
	<u>225,568</u>	<u>488,472</u>

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

3. Revenues and expenses (cont'd)

	2012	2011
	\$	\$
3f Cost of Sales		
Sale of goods	28,416,004	27,400,512
Personal loan bad debts	15,243,101	10,194,378
Cash advance bad debts	975,408	903,430
Franchise fees bad debts	8,896	158,554
Recovery of bad debts	(1,340,645)	(1,014,101)
	<u>43,302,764</u>	<u>37,642,773</u>
3g Administrative expenses		
Employee benefits	27,698,652	24,272,949
Provision for annual leave	245,537	401,733
Superannuation expense	1,380,241	1,212,818
Motor vehicle/travel costs	1,033,961	1,051,127
	<u>30,358,391</u>	<u>26,938,627</u>
3h Occupancy expenses		
Rent	4,250,268	3,949,743
Outgoings	2,077,541	1,337,427
Other	815,890	761,313
	<u>7,143,699</u>	<u>6,048,483</u>
3i Other expenses		
Legal fees	594,002	912,929
Area agent fees/commission	11,719,946	7,072,098
Professional and registry costs	1,870,935	1,282,753
Auditing and accounting services	298,584	224,115
Bank charges	2,010,371	1,428,594
Loss/(Profit) on disposal of plant and equipment	3,719	(1,804)
Loss in relation to increase in contingent consideration	-	582,595
Other expenses from ordinary activities	4,795,290	4,837,277
Depreciation	2,099,062	1,466,519
Amortisation of intangibles	701,664	498,051
	<u>24,093,573</u>	<u>18,303,127</u>
3j Finance costs		
Interest	1,380,258	1,022,498
Finance lease charge	24,045	30,117
	<u>1,404,303</u>	<u>1,052,615</u>

4. Issuances and repurchases of equity securities

During the current period, 5,600,000 ordinary shares were issued as a result of the exercise of performance rights. An additional 38,500,000 shares were issued pursuant to the Company's ASX listing rule 7.1 15% capacity. The total number of ordinary shares in issue is 423,861,025 as at 31 December 2012. Refer to note 9 for information in relation to share-based payments issued during the period.

Balance at the beginning of the period	379,761,025
Shares issued during the year	<u>44,100,000</u>
Balance at end of the period	<u>423,861,025</u>

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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5. Subsequent events

The Directors recommend an interim dividend of 2.0 cents per share. This dividend will be 100% franked and will be paid on 29 March 2013. The financial effect has not been reported in this financial report.

Cash Converters International limited has requested the UK Financial Services Authority to cancel the listing of the Company's ordinary shares of no par value on the Official List of the United Kingdom Listing Authority and to cancel the admission of the Ordinary Shares to trading on the London Stock Exchange's market for listed securities. It is expected that the cancellation of the UK listing and of the admission of the Ordinary Shares to trading on the London Stock Exchange will take effect at 8.00am on 19 February 2013.

The Board considers that the listing on the Australian Stock Exchange adequately provides for the capital requirements of the Company and gives shareholders a trading forum with reasonable liquidity and all necessary shareholder protections. The additional listing on the London Stock Exchange duplicates costs but does not deliver a significant benefit given the make-up of the UK share register and the low trading volume.

Aside from the matter discussed above, the Directors are not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the economic entity or the state of affairs of the economic entity in subsequent financial periods.

6. Dividends

	2012		2011	
	Cents per share	Total \$	Cents per share	Total \$
<i>Recognised amounts</i>				
<i>Fully paid ordinary shares</i>				
Final dividend:	1.75	6,743,820	1.75	6,645,818
<i>Unrecognised amounts</i>				
Fully paid ordinary shares				
Interim dividend:	2.00	8,477,221	1.75	6,645,818

7. Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
Cash and cash equivalents	22,662,540	19,543,250
Bank overdrafts	-	-
	<u>22,662,540</u>	<u>19,543,250</u>

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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8. Acquisitions of business

During the period the Group acquired the trade and assets of two stores in the UK. The consideration transferred was \$1,062,253 and comprised of cash and deferred consideration components.

This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Fair Value recognised on acquisition \$
Net assets acquired:	
Cash and cash equivalents	24,208
Trade and other receivables	145,557
Inventories	204,020
Plant and equipment	92,308
Intangible assets	334,678
Trade and other payables	<u>(27,333)</u>
Fair value of net identifiable assets acquired	773,438
Consideration:	
Consideration satisfied by cash	995,714
Deferred consideration	<u>66,538</u>
Total consideration	1,062,252
Goodwill arising on acquisition	288,814
The cash outflow on acquisition is as follows:	
Net cash acquired with the stores	24,208
Cash paid	<u>(995,714)</u>
Net consolidated cash outflow	<u><u>(971,506)</u></u>

The acquisition of two stores included deferred consideration in the form of retention payments. These payments are held for the retention period of 12 months following the acquisition to meet any warranty or other claims against the stores arising from the acquisition.

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

In accordance with AASB3 '*Business Combinations*' the acquirer is required to fair value all acquired assets and liabilities. The valuation of the re-acquired rights and customer relationships (intangible assets) associated with the store purchases has not been completed at the date of finalisation of this report. Additionally, for tax purposes the tax values of the assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustments to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. These valuations may also impact the recognised fair values of other assets acquired as part of the business combination.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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8. Acquisitions of business (cont'd)

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the two stores. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the two stores. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the net profit for the period is \$111,323 attributable to the additional business generated by the two stores.

9. Share-based payment plan

The Executive Performance Rights Plan, which was approved by shareholders on 30 November 2010, allows the Directors of the Company to issue up to 20,000,000 Performance Rights which will vest into ordinary shares in the Company upon the achievement of certain vesting conditions. As at 30 June 2012, the shareholders approved the issue of 13,800,000 Performance Rights under the Plan to the managing director and the Company's senior management team. Refer to the Annual Report for the year ended 30 June 2012 for further details.

On 25 September 2012, the Company's Board of Directors approved a resolution to issue 851,000 Performance Rights under the Plan to members of the Company's senior management team. The rights were issued free of charge. The 851,000 Performance Rights were split into three Tranches, with Tranche 1 comprising 283,666 Performance Rights, Tranche 2 comprising 283,667 Performance Rights and Tranche 3 comprising 283,667 Performance Rights. All three Tranches contain different vesting conditions. Each right entitles the holder to subscribe for one fully paid ordinary share in the Company at the exercise price of \$Nil.

These Performance Rights vest and are immediately converted into ordinary shares once certain performance conditions are met. During the period, the following performance rights were granted:

	Vested	Number of right granted	Grant Date	Fair value per right at grant date \$	Expiry Date	First Exercise Date	Last Exercise Date
Senior Management Team							
Ian Day							
Tranche 1	-	66,667	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	66,667	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	66,666	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015
Ralph Groom							
Tranche 1	-	76,667	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	76,667	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	76,666	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015
Glen Fee							
Tranche 1	-	17,000	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	17,000	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	17,000	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015
Gavin Irons							
Tranche 1	-	16,667	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	16,667	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	16,666	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015
Peter Wessels							
Tranche 1	-	16,667	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	16,667	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	16,666	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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	Vested	Number of right granted	Grant Date	Fair value per right at grant date \$	Expiry Date	First Exercise Date	Last Exercise Date
David Patrick							
Tranche 1	-	56,667	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	56,667	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	56,666	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015
Mike Osborne							
Tranche 1	-	33,333	25/9/2012	0.751	1/7/2013	1/7/2013	1/7/2013
Tranche 2	-	33,333	25/9/2013	0.714	1/7/2014	1/7/2014	1/7/2014
Tranche 3	-	33,334	25/9/2014	0.679	1/7/2015	1/7/2015	1/7/2015

The following vesting conditions are attached to the performance rights:

Tranche	Vesting hurdle
1	i) The Consolidated Entity achieving budgeted Net Profit after tax for the financial year ending 30 June 2013. ii) Continuous employment through to vesting determination date, being 1 July 2013.
2	i) The Consolidated Entity achieving budgeted Net Profit after tax for the financial year ending 30 June 2014. ii) Continuous employment through to vesting determination date, being 1 July 2014.
3	i) The Consolidated Entity achieving budgeted Net Profit after tax for the financial year ending 30 June 2015. ii) Continuous employment through to vesting determination date, being 1 July 2015.

Fair value of performance rights:

The fair value of the performance rights granted is estimated as at the grant date using a Black Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used to determine the fair value of performance rights issued during the period ended 31 December 2012.

	Tranche 1	Tranche 2	Tranche 3
Dividend yield (%)	5.00	5.00	5.00
Expected future volatility (%)	40.00	40.00	40.00
Risk-free interest rate (%)	2.60	2.60	2.56
Expected life of right (years)	0.8	1.8	2.8
Underlying share price at grant date (\$)	0.78	0.78	0.78

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2012

CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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9. Share-based payment plan (cont'd)

Expected life of performance rights:

	Grant date	Grant number	Expected life of right
Tranche 1	25/09/2012	283,667	0.8 years
Tranche 2	25/09/2013	283,667	1.8 years
Tranche 3	25/09/2014	283,666	2.8 years

The dividend yield is based on analysis of the Company's dividend yield over the past 5 years and considers the ability of the Company to pay dividends in the future. The expected volatility reflects the assumption that the historical volatility is indicative of future trends over the life of the Performance Rights.

The expense recognised for employee services received by the Company during the period is shown in the table below:

	Half year ended	
	31 December 2012	31 December 2011
Expense arising from equity-settled share-based payment transaction	964,949	877,243
Total expense arising from share-based payment transaction	964,949	877,243

Directors declaration

*CASH CONVERTERS INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011*

Directors' declaration

The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to S303(5) of the Corporations Act 2001.

On behalf of the Directors

Peter Cumins
Managing Director

Perth, Western Australia
Date: 14 February 2013