

**Registered Number: 03096334**

**CASH CONVERTERS (UK) LIMITED**

**Annual Report and Financial Statements**

**For the year ending 30 June 2018**

**WEDNESDAY**



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## **CASH CONVERTERS (UK) LIMITED**

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## **CASH CONVERTERS (UK) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

Peter Cumins  
Martyn Jenkins  
Martin Hawthorne (Resigned on 19/08/2018)  
Anthony Richardson (Appointed on 14/05/2018)

#### **Company Secretaries**

Derek Ralph Groom (Resigned on 01/07/2017)  
Bradley Edwards (Appointed on 01/07/2017)

#### **Registered office**

Innovation House  
Aston Lane South  
Runcorn  
Cheshire  
WA7 3FY

#### **Bankers**

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

HSBC Bank PLC  
99 High Street  
Chelmsford  
Essex  
CM1 1EQ

Lloyds Bank PLC  
2<sup>nd</sup> Floor, 125 Colmore Row  
Birmingham  
B3 2SF

#### **Solicitors**

Richard Jephson & Co  
Common Farm  
Lidlington  
MK43 0SJ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
Manchester  
M3 3HF

## **CASH CONVERTERS (UK) LIMITED**

### **STRATEGIC REPORT**

The directors present herewith their annual report, together with the audited financial statements of Cash Converters (UK) Limited ('the company') for the year ended 30 June 2018.

The year ended 30 June 2018, saw the company deliver its second complete year since its comprehensive restructure and provide stability to the company. The profit before tax for the 12 month period ending 30 June 2018 was £1.4m (2017: profit of £0.8m) which represents a year on year increase of 73%.

Ongoing forecasts support maintaining the current deferred tax balance, as the current year profit are likely to be repeated and the business still has additional unrecognised tax losses which will be utilised against future taxable incomes.

#### **Franchise operations**

Cash Converters (UK) Limited ("CCUK") continues to maintain a strong franchise presence in the UK, with 196 franchised stores across 45 franchisees. During 2016, CCUK sold 44 of its corporate stores to existing franchisees. These store sales were given a franchise fee free period to assist with integrating these stores into their existing operations. As at the 30 June 2018 all stores are now paying fees which have increased the annual turnover by £443k for year ending 30 June 2018. Franchisees are facing varied trading conditions across the country, with some performing very strongly, whilst others finding the market challenging, but with the corporate stores sold into the network reporting profits during the year, the opportunity is still evident for further growth into new territories currently under represented.

#### **Financial Services**

Following the restructure in 2016, CCUK ceased offering personal loans. In the year ending 30 June 2018 CCUK has revenue of £118k relating to payments from customers for aged personal loans. As of July 2018 CCUK have not been collecting any personal loan aged debt.

With the sale and closure of the corporate stores, CCUK no longer offers the cash advance product although the franchisees do continue to offer the product in the majority of their stores under their own credit license. CCUK continues to process the payments and maintain the software system for the franchisees to manage the loans, for which CCUK receives a percentage of the fees successfully collected on behalf of the franchisees.

As of January 2018, CCUK no longer offer the cheque cashing product although the franchisees do have the option to use third party cheque cashers.

#### **Outlook & Going Concern**

As forecast, the restructure of the UK business has provided a profitable outcome in its first and second year, and the ongoing outlook for CCUK continues to be positive. Having significantly reduced its capital commitments and now conducting the far lower risk operation as a master franchisor, the company is looking forward to expanding its franchise network and providing key development support to its existing franchisees, along side increasing its online presences.

Cash Converters' business activities, together with the factors likely to affect its future development, performance and position are set out in this Strategic Report. The company has net current assets of

## **CASH CONVERTERS (UK) LIMITED**

### **STRATEGIC REPORT (continued)**

£8.0m at 30 June 2018 (2017: £6.4m), which is a 25% increase year on year. The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company.

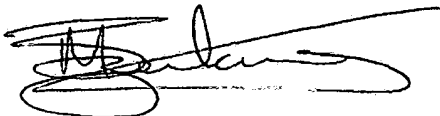
Having generated healthy profit growth year on year, it is believed the outlook for the company is positive. The focus will continue to be one of supporting the franchise network, developing new supplier relationships and seeking new revenue opportunities to drive profitability into the medium term.

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 company is well placed to manage its business risks successfully. Based on this review and the future business prospects of the company, the directors believe the company will be able to meet its liabilities as they fall due. The company is financed through long term intercompany debt (see note 14 for further details), and the directors have also received written guarantees from the ultimate parent company, Cash Converters International Limited. After making enquiries, the directors have a reasonable expectation that the company has 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.

#### **Financial risk management objectives and policies**

Trade receivables relate to the franchisee fees and repayments of loans made to franchisees for the purchase of the corporate stores. All amounts due under the loans have been paid to date, and the company has security against the assets of the stores in the event of default. The company has no significant concentration of credit risk, with exposure spread over a large number of customers with relatively low receivables per customer. The company has no liquidity risk.

Approved by Board of Directors and signed on behalf of the board;



Martyn Jenkins Director  
5<sup>th</sup> November 2018

## **CASH CONVERTERS (UK) LIMITED**

### **DIRECTORS' REPORT**

The directors present their report for year ended 30 June 2018.

#### **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 year and thereafter were as follows:

Peter Cumins (Australia Resident)  
Martyn Jenkins (Australia Resident)  
Martin Hawthorne (Resigned on 19/08/2018)  
Anthony Richardson (Appointed on 14/05/2018)

#### **Directors' responsibilities statement**

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 9. No dividend is payable for the year ended 30 June 2018 (2017: £nil).

## **CASH CONVERTERS (UK) LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Significant post year end event(s)**

There are currently no significant post year end events.

#### **Provision of Information to auditor**

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

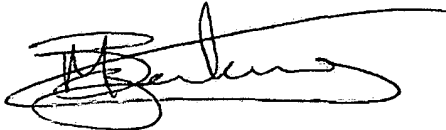
- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

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

#### **Auditor**

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

By Order of the board

A handwritten signature in black ink, appearing to read 'Martyn Jenkins', with a large, sweeping flourish underneath.

Martyn Jenkins  
Director  
5<sup>th</sup> November 2018

## **CASH CONVERTERS (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASH CONVERTERS (UK) LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Cash Converters (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

##### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## **CASH CONVERTERS (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASH CONVERTERS (UK) LIMITED (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **CASH CONVERTERS (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASH CONVERTERS (UK) LIMITED (continued)**

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditor's 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.



David Heaton (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
5<sup>th</sup> November 2018

# **CASH CONVERTERS (UK) LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Continuing Operations £'000	2018 Discontinued Operations £'000	2018 Total £'000	2017 Continuing Operations £'000	2017 Discontinued Operations £'000	2017 Total £'000
Turnover	3	6,622	118	6,740	6,619	1,185	7,804
Cost of sales		(365)	-	(365)	(531)	-	(531)
Gross profit		6,257	118	6,375	6,088	1,185	7,273
Administrative expenses		(4,662)	(117)	(4,779)	(5,063)	(1,181)	(6,244)
Operating profit		1,595	1	1,596	1,025	4	1,029
Interest payable and similar charges	7	(158)	-	(158)	(198)	-	(198)
Profit before taxation	4	1,437	1	1,438	827	4	831
Tax on profit	8	-	-	-	-	-	-
Profit for the financial year		1,437	1	1,438	827	4	831

There is no other comprehensive income and accordingly no separate statement of comprehensive income has been presented.

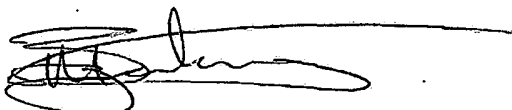
The notes 1 to 19 form part of the financial statements.

**CASH CONVERTERS (UK) LIMITED**  
**BALANCE SHEET AT 30 JUNE 2018**

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	9	717	416
Tangible assets	10	100	24
		<b>817</b>	<b>440</b>
<b>Current assets</b>			
Stock	11	-	54
Debtors	12	4,906	5,402
Deferred tax asset	18	1,549	1,549
Cash at bank and in hand		4,755	3,501
		<b>11,210</b>	<b>10,506</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(3,251)</b>	<b>(4,111)</b>
Provision for liability falling due within one year	19	-	(30)
<b>Net current assets</b>		<b>7,959</b>	<b>6,365</b>
<b>Total assets less current liabilities</b>		<b>8,776</b>	<b>6,805</b>
<b>Creditors: amounts falling due after one year</b>	14	<b>(6,113)</b>	<b>(5,499)</b>
Provision for liability	19	-	(80)
<b>Net assets</b>		<b>2,663</b>	<b>1,226</b>
<b>Capital and reserves</b>			
Called up share capital	15	789	789
Capital contribution		26,186	26,186
Profit and loss account		(24,312)	(25,749)
<b>Shareholders' funds</b>		<b>2,663</b>	<b>1,226</b>

**Registered Number: 03096334**

The financial statements of Cash Converters (UK) Limited were approved by the board of directors and authorised for issue on 5<sup>th</sup> November 2018 and were signed on its behalf by:



Martyn Jenkins  
Director

The notes 1 to 19 form part of these financial statements.

**CASH CONVERTERS (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Called up Share Capital</b>	<b>Profit and Loss account</b>	<b>Capital Contribution</b>	<b>Total Equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>As at June 2016</b>	<b>789</b>	<b>(26,580)</b>	<b>26,186</b>	<b>395</b>
Profit for Year ending June 2017	-	831	-	831
<b>As at June 2017</b>	<b>789</b>	<b>(25,749)</b>	<b>26,186</b>	<b>1,226</b>
Profit for Year ending June 2018	-	1,438	-	1,438
<b>As at June 2018</b>	<b>789</b>	<b>(24,312)</b>	<b>26,186</b>	<b>2,663</b>

## **CASH CONVERTERS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

#### **1 ACCOUNTING POLICIES**

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

##### **Basis of accounting**

Cash Converters (UK) Ltd is incorporated in the United Kingdom under the companies act. The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is Innovation House, Aston Lane South, Runcorn, WA7 3FY.

Principle activities is that of a franchisor of second hand goods and financial services stores.

The financial statements are presented in Sterling (£), being the Company's functional currency.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The entity has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

CCUK meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, related party transactions between wholly owned members of the Group, and remuneration of key management personnel.

##### **Fixed assets and depreciation**

Tangible fixed assets are stated at cost, net of depreciation and any impairment.

Plant and equipment	25% straight line
Computer equipment	25% straight line
Furniture and fittings	12.5% to 25% straight line
Leasehold improvements	12.5% straight line

##### **Intangible assets and amortisation**

Re-Acquired Rights – Relating to the re-acquired rights of territory licenses.

Computer Software – Relating to both webshop and cash advance systems that are being developed to support the franchise network.

Re-acquired rights	20% straight line
Computer software	20% to 33.33% straight line

##### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

## **CASH CONVERTERS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 Company 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.

Unrelieved tax losses and other deferred tax assets are 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### **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. Provision is made for obsolete, slow moving or defective items where appropriate.

##### **Trade debtors**

Trade debtors are amounts due from franchisees in the ordinary course of business. They are presented in the balance sheet net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. See below for the accounting policy around the revenue recognition on the loan book.

## **CASH CONVERTERS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

#### **Provisions**

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the entity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Revenue recognition**

##### **Continuing operations**

Initial franchise fees – fees in respect of the initial sale of a franchise and renewal of a franchise licence 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.

Advertising and training revenue – is charged monthly and is money that is ring-fenced for advertising or training spend only as this has already been agreed there is a provision in the accounts for the expenses. This results in the income stream breaking even every year.

##### **Discontinued operations**

Discontinued Operations – revenue arising from discontinued aged personal loans which is recognised when payments are received from customers.



## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the entity's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements, the only accounting policy relating to estimation is the deferred tax asset. This Deferred Tax Asset (DTA) has arose from previous years losses and will be offset against any future taxes on profit. The DTA covers the next five years forecast taxable profits.

#### 3 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.

	2018 £000's	2017 £000's
<b>Continuing Operations</b>		
Turnover from franchise activity	3,683	3,240
Turnover from financial services	976	1,016
Turnover from advertising revenue	1,681	2,026
Turnover from training revenue	282	337
<b>Discontinued Operations</b>		
Turnover from discontinued financial services	118	1,185
	<u>6,740</u>	<u>7,804</u>

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018 £'000	2017 £'000
Profit on ordinary activities is stated after charging:		
Fees payable to the company's auditor:		
For the audit of the company's annual financial statements	23	32
For the audit of the group annual financial statements	3	3
Tax services	6	7
Depreciation of fixed assets		
Owned assets	15	1
Amortisation of re-acquired rights	20	54
Amortisation of computer software	25	-
Operating lease rentals in respect of land and buildings	278	13

Amortisation of intangible assets is included in administrative expenses.

#### 5 DIRECTORS' REMUNERATION

The remuneration of the directors who served during the year was as follows, all of which relates to the directors who served in the UK:

	2018 £'000	2017 £'000
Emoluments	131	100
Pension	4	4
	135	104

Highest paid Director earned £119k (2017: £104k).

## **CASH CONVERTERS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

#### **6 EMPLOYEE INFORMATION**

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

	<b>2018 Number</b>	<b>2017 Number</b>
Administration	30	30
Staff costs (including directors' remuneration):		
	<b>2018 £'000</b>	<b>2017 £'000</b>
Wages and salaries	957	923
Social security costs	111	80
Other pension costs	31	22
	<b>1,099</b>	<b>1,025</b>

#### **7 INTEREST PAYABLE (AND SIMILAR CHARGES)**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Intercompany loan	158	198

Average interest rate 2018: 3.73% (2017: 3.69%)

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 8 TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES

	2018 £'000	2017 £'000
UK corporation tax charge on loss on the ordinary activities at 19% (2017: 19.75%)	(187)	202
Utilisation of DTA	187	(202)
	<hr/>	<hr/>
	-	-

The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	1,438	827
Tax at 19% (2017: 19.75%) thereon	273	163
Expenses deductible/non deductible for tax purposes	(86)	(365)
	<hr/>	<hr/>
	187	(202)

Tax charged at 20% to 31 March 2017 and 19% from 1<sup>st</sup> April 2017.

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 9 INTANGIBLE FIXED ASSETS

	Computer software £'000	Re- acquired rights £'000	Total £'000
<b>Cost</b>			
At 1 July 2017	326	552	878
Additions	346	-	346
At 30 June 2018	<u>672</u>	<u>552</u>	<u>1,224</u>
<b>Amortisation</b>			
At 1 July 2017	-	462	462
Charge for the year	25	20	45
At 30 June 2018	<u>25</u>	<u>482</u>	<u>507</u>
<b>Net book Value</b>			
At 30 June 2018	<u>647</u>	<u>70</u>	<u>717</u>
At 30 June 2017	<u>326</u>	<u>90</u>	<u>416</u>

There was reclassification of the intangible assets (computer software) from the tangible assets (computer equipment) in the year, this relates to the webshop development and cash advance system, of the amount £326k.

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 10 TANGIBLE FIXED ASSETS

	Computer equipment £'000	Furniture and fittings £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
At 1 July 2017	302	34	35	371
Additions	89	2	-	91
At 30 June 2018	391	36	35	462
<b>Depreciation</b>				
At 1 July 2017	278	34	35	347
Charge for the year	15	0	-	15
At 30 June 2018	293	34	35	362
<b>Net book Value</b>				
At 30 June 2018	98	2	-	100
At 30 June 2017	24	-	-	24

#### 11 STOCK

	2018 £'000	2017 £'000
Finished goods and goods for resale	-	54

Stock at prior year end consisted of consumable stock for re-sale to the Franchisees. No stock is currently held.

#### 12 DEBTORS

	2018 £'000	2017 £'000
Trade debtors	4,338	5,056
Other debtors	249	223
Prepayments and accrued income	319	123
	4,906	5,402

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 13 CREDITORS: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	387	412
Onerous lease provision	1,068	1,582
Other creditors and accruals	1,646	1,899
Other taxes and social security	150	218
	<u>3,251</u>	<u>4,111</u>

An onerous lease provision was made in the year ending 2016 due to closed stores continuing lease obligations. A provision for the remaining lease commitments and maintenance of the stores stands at £1,068k (2017 £1,582k).

Onerous lease provision	£'000
At 1 July 2017	1,582
Amount utilised against the provision	(426)
Unused amount reversed	(493)
Additions	405
At 30 June 2018	<u>1,068</u>

#### 14 CREDITORS: amounts falling due after more than one year

	2018 £'000	2017 £'000
Amounts owed to fellow group undertakings	6,113	5,499

The amounts owed to fellow group undertakings relate wholly to Cash Converters International Limited ("CCIL") who have confirmed repayment will not be required within the next year. Repayment is expected to start in the next 2-3 years.

#### 15 CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
<b>Authorised, allotted, called up and fully paid</b>		
788,190 ordinary shares of £1 each	788	788
1,000 ordinary shares of AUD1 each	1	1
	<u>789</u>	<u>789</u>

All shares rank pari passu.

## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 16 OPERATING LEASE COMMITMENTS

The total of future minimum payments under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Land and buildings: Operating leases which expire –		
within one year	-	-
between two and five years	402	408
over five years	13	16
	<hr/> 415	<hr/> 424

The annual rentals of operating leases that are related to discontinued operations have been provided for in the accounts, total provision of £1.1m remains (2017: £1.6m) in the accounts that relate to stores that have been closed down.

#### 17 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 financial statements of this group may be obtained from Companies House or from Cash Converters House, Innovation House, Aston Lane South, Preston Brook, WA7 3FY.

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, Citibank House, 37 St George's Terrace, Perth, WA 6000, Australia.

#### 18 DEFERRED TAX ASSET

##### Movement on deferred tax asset in the year

	£'000
At 1 July 2017	1,549
Utilisation of DTA	(187)
Additional DTA recognised	187
At 30 June 2018	<hr/> 1,549

At the balance sheet date there are unused tax losses of £9.8m (2017: £10.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of £8.8m (2017: £7.7m) of such losses. No deferred tax asset has been recognised in respect of the remaining £1.0m (2017: £3.1m) as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely.



## CASH CONVERTERS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

#### 19 PROVISION FOR LIABILITIES

A contract was in place with Ausgroup Limited to develop the personal finance products of Cash Converters (UK) Ltd until 2014. CCUK exercised the right to terminate the personal loan contract and to pay an exit commission for the Cash Advance product over a 5 year period.

The provision previously made of £110k has now been released as no further payments will be made to Ausgroup Limited.

	£'000
At 1 July 2017	110
Provision Release	(110)
At 30 June 2018	-