Registered Number 02685515

Instant Cash Loans Limited – Trading as The Money Shop

Report and Financial Statements

30 June 2013

Directors
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E G Erickson
J Hutter
N Miller
M L Prior
R Underwood
J A Weiss

Secretary
M L Prior

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Registered No 02685515

Directors' report

The directors present their report and financial statements for the year ended 30 June 2013

Results and dividends

The profit for the year after taxation amounted to £23,590,000 (2012 – profit of £32,793,000) The directors do not recommend a final dividend (2012 – £nil)

Principal activities and review of the business

The principal activity of the company continues to be that of unsecured and secured lending, including pawnbroking, together with the buying of gold, cheque encashment, money transfers and foreign exchange services

The company has continued to expand and is at the forefront of the UK diversified financial services market primarily serving unbanked and under-banked consumers It operates 562 retail stores across the UK and Northern Ireland (2012 – 506 stores), representing an increase of 11% As such, the directors believe the company has retained its position as the leading provider of these services in the UK

Key performance indicators

	2013	*2012*	*Change*
	£000	*£000*	*%*
Turnover	186,563	172,315	8 3%
Operating profit	25,108	34,379	(21 6%)
Profit before tax	23,478	34,608	(26 8%)
Current assets as a % of current liabilities ('quick ratio')	164 6%	153 9%	
Average number of employees	2,556	2,339	

Nature, objectives and strategies

Instant Cash Loans Limited provides principally unsecured short term lending, together with pawnbroking, buying of precious and semi-precious metals in the form of jewellery, third party cheque cashing services, foreign currency services and money transfers

The strategic objectives of the company are to continue to build on its strong core business through

- A customer driven retail philosophy
- Disciplined network expansions
- Enhancing network and system capabilities
- Improving the brand proposition for the customer
- Diversification and management of credit risk
- Risk management through governance and audit function

Directors' report (continued)

Nature, objectives and strategies (continued)

Specific objectives are to expand the store network through the company's disciplined network expansion programme The company's expansion will be across the UK, both through acquisition and the development of new retail store sites

Furthermore, the business will continue to develop its existing product range whilst reviewing opportunities to provide new products or serve new territories in response to the needs of the consumer During 2012/13, the company has continued to enhance its consumer lending products by increasing the scope and availability of the products to its customers, including different ways of transacting the product, either through its extensive network of stores, over the telephone or via the internet

Instant Cash Loans Limited aims to maximise returns on investments for its shareholders and stakeholders Primarily this will be achieved by continuing to have a customer driven retail philosophy, by delivering consistently the best service to customers, by securing and retaining good quality staff and by removing operational inefficiency through the continued review of processes

Instant Cash Loans Limited is a wholly owned, material subsidiary of a US listed parent undertaking and must, therefore, comply with the requirements of the Sarbanes Oxley Act As part of the compliance process the company has undertaken a comprehensive review of its internal controls and procedures These have been subjected to audits from both internal and external agencies Those audits recognised that the company had successfully complied with the control responsibilities of the Sarbanes Oxley Act, as relevant to the DFC Global Corp group

Principal risks and uncertainties

Area	*Description of risk*	*Mitigating activities*
Financial		
Unsecured lending	Significant worsening of bad debt	Lending decisions reviewed regularly and eligibility criteria modified as required
Pawnbroking and retail jewellery sales	Fall in gold prices affecting recoverability of loan/jewellery stock	Regular review of commodity markets and gold prices Gold bullion collars are utilised
Operational		
Business interruption	IT failure	Disaster recovery plan in place and tested
Employees	Loss of key members of staff	Succession planning Competitive pay, rewards and benefits Investment in training
Regulation	Non-adherence to regulations and suffering operational or financial consequences	Regular review of regulations by separate compliance department Advisor retained as a regulation consultant Internal audit checking

Directors' report (continued)

Principal risks and uncertainties (continued)

Area	*Description of risk*	*Mitigating activities*
Commercial		
Unsecured lending, pawnbroking and retail jewellery sales	Increase in competition on the product range of the company	Continued monitoring of competition Offer personalised customer service in more locations Regular customer surveys to address customer concerns
Reputation		
The Money Shop brand	Brand suffers due to bad publicity or poor customer service	Regularly review customer service and operation of Mystery Shopper activities Documented complaints procedure Procurement of a PR strategy

Risk management objectives and policies

The main risks arising from the company's activities are currency risk, liquidity risk, credit risk, legislative risk and precious metal price risk

Currency risk

Instant Cash Loans Limited deals in the buying and selling of foreign currency, which is sold to customers via its store network There is a foreign currency risk to the company from fluctuations in foreign currency rates between purchase and sale to the customer

The risk from foreign currency exposure through buying and selling foreign currency is mitigated through only holding small amounts of foreign currency at each store, only buying enough foreign currency to service the company's known requirements/expectations and only dealing with stable currencies

Liquidity risk

The company aims to mitigate liquidity risk by managing the cash generation of its operations through the utilisation of the Treasury department to ensure that cash holdings are invested effectively so that short-term deposits are used to generate the best interest rate for the company

In order to generate more cash return for the company, stretch collection targets are set for the company's debt recovery department, which then converts more of the returned items from a bad debt into cash

Credit risk

The risk of financial loss due to counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides consumer lending facilities and its instalment lending products

The company's policies are aimed at minimising such losses and require that customers wishing to purchase these loan products demonstrate the ability to pay and satisfy the company's credit scoring requirements

The bad debt position of the consumer lending and instalment loan products are monitored on a daily basis, targets of returns and collections are set and performance of the retail stores and the debt recovery department are monitored against these targets

Following the situation regarding a smelter used by Instant Cash Loans Limited, as discussed below under 'Events since the balance sheet date', the company has reviewed all significant contracts to identify areas of potential risk of loss and put steps in place to mitigate the risks The group has strengthened its procedures with smelters including decreasing the time that a smelter will be able to control Company assets and implementing enhanced reporting and audit procedures with all smelters

Directors' report (continued)

Regulatory risk

In the United Kingdom, our business is primarily regulated by the Office of Fair Trading, or OFT, which is responsible for licensing and regulating companies that offer consumer credit Effective April 1, 2014, the OFT will transfer regulatory authority over the consumer credit industry to the new Financial Conduct Authority, or FCA Upon that change, the FCA will be the regulator for, among others, credit card issuers, payday loan companies, pawn brokers, rent-to-own companies, debt management and collection firms and providers of debt advice In October 2013, the FCA issued a consultation paper addressing how it proposes to regulate the consumer credit industry with proposals covering, among other things, its proposed definition of "high cost credit", strengthened scrutiny of firms entering the consumer credit market, enhanced advertising and disclosure requirements, affordability assessments and limitations on the use of continuous payment authority and the number of times a loan may be rolled over The public comment period for the proposals extends until December 2013, and comments submitted to the FCA may result in modifications to the proposals of varying degrees and significance We are reviewing these proposals and working with our industry association to provide appropriate comments As a result of the procedural steps that are taken in such a consultation, we cannot yet determine what impact, if any, this change in regulatory oversight will have on our business

In general in the United Kingdom, consumer lending is governed by the Consumer Credit Act of 1974, and related rules and regulations The FCA has indicated that it expects that the requirements of those rules will be kept in place once the FCA assumes regulatory authority

In February 2012, the OFT began an extensive review of the short-term lending sector in the United Kingdom to assess its compliance with the Consumer Credit Act and Irresponsible Lending Guidance The review included approximately 50 of the largest companies offering unsecured short-term consumer loans, including us, for which the OFT conducted on-site inspections that could be used to assess fitness to hold a consumer credit license and could result in formal enforcement action where appropriate Our U K operations were reviewed in late fiscal 2012 In November 2012, the OFT issued revised Debt Collection Guidance Under the updated Debt Collection Guidance, we are required to more specifically disclose to customers the use of continuous payment authority, including the amount(s) that may be deducted, the frequency of use, and the basis for taking partial payments, and we are required to suspend the use of continuous payment authority to collect defaulted debts from a customer whom we believe to be experiencing financial hardship, based in part on our reasonable attempts to discuss the defaulted debt with the customer The OFT issued its final report on the outcome of its sector review in March 2013, in which it indicated that the reviewed lenders would receive letters from the OFT that would include specific findings for each lender While each of these letters had different requirements specific to the particular business, overall, the letters both specifically and generally advised on required actions in the following categories advertising and marketing, pre-contract information and explanations, affordability assessments, rollovers (including deferred refinance and extended loans), forbearance and debt collection, and regulatory and other compliance issues Our The Money Shop business received its letter and submitted a required response prepared by an independent consulting firm confirming The Money Shop's compliance with the requirements set forth in its letter from the OFT in July 2013

In June 2013, the OFT referred the payday lending sector in the United Kingdom to the Competition Commission for review In its inquiry, the Competition Commission is required to decide whether any feature or combination of features, of each relevant market prevents, restricts or distorts competition in the market on a number of grounds so as to negatively impact consumer outcomes The Competition Commission's review of the sector may continue until June 2015, and we are cooperating by responding to requests for documents and other information regarding our business and sector

As we continue to evaluate all of these regulatory developments in the United Kingdom, we may consider or be required to make additional changes, to our lending and collection practices, but it is too soon to estimate the impact of any such changes

Directors' report (continued)

Precious metal price risk

One of Instant Cash Loans Limited's income streams is from the buying and selling of gold and other precious metal items The directors do not feel that the company's balance sheet is exposed to price risk on these activities as the items are recorded in the balance sheet at the lower of cost and net realisable value, and re-valued on a monthly basis using the spot rate at the month end date The cost of purchasing gold items for resale is based at a level on the current gold price which gives sufficient margin should the open market price of these items fall

However the company could be exposed financially if the price of these precious metal items should fall below the balance sheet carrying amount The company believes these risks are mitigated by reducing the amount of money lent on items immediately the price of gold falls, by encouraging customers to redeem their items and managing stock through retail windows, in order to maximise the return achieved on these items

The risk is further mitigated as stocks of purchased gold are frequently sold directly to smelters so keeping stock levels to a minimum The market price of gold and precious metals is closely monitored by the directors and should the market price drop significantly immediate action would be taken to reduce the buying and lending rates on these items

Following the situation regarding a smelter used by Instant Cash Loans Limited, as discussed below under 'Events since the balance sheet date', the company has strengthened its procedures with smelters including decreasing the time that a smelter will be able to control company assets and implementing enhanced reporting and audit procedures with all smelters

The company entered into gold bullion collars in the year The purpose of these transactions is to manage the gold price risk arising from operations It is, and has been throughout the year under review, the company's policy that no trading in financial instruments is undertaken The gold bullion collars referred to above are for hedging purposes only

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly the directors continue to adopt a going concern basis in preparing the financial statements

Events since the balance sheet date

On 31 July 2013 the directors were advised that the smelter used to smelt the company's bought gold and unredeemed Pawnbroking items was facing insolvency In September 2013 the court granted an application for windup proceedings against the smelter and appointed a Liquidator to recover assets on behalf of the smelter's creditors The directors have made a provision against the smelted gold receivable of £2,600,000 The directors feel that this is their best estimate of the loss foreseeable based on the information available

On October 25, 2013, the group replaced our existing bank facility and entered into a new senior secured credit facility (the "Revolving Facility") with a syndicate of lenders, with Deutsche Bank AG, New York Branch, serving as the administrative agent (the "Agent") The Revolving Facility provides for a five-year $180 0 million global revolving credit facility, with potential to further increase the credit facility to up to $230 0 million Availability under the Revolving Facility is based on a borrowing base comprised of cash and consumer receivables of the borrowers and guarantors, as described below

Borrowings under the Revolving Facility may be denominated in United States Dollars, British Pounds Sterling, Euros or Canadian Dollars (and other currencies as may be approved by the lenders) Interest on borrowings under the Revolving Facility will be derived from a pricing grid based on our total secured leverage ratio

Directors' report (continued)

Events since the balance sheet date (continued)

The revolving facility allows for borrowings by Dollar Financial UK Limited, Dollar Financial Group, Inc ("DFG", a wholly-owned subsidiary of DFC Global Corp ("DFC")), National Money Mart Company ("NMM", an indirect Canadian subsidiary of DFC) and DF Eurozone (UK) Limited ("DF Eurozone", an indirect UK subsidiary of DFC) Borrowings by DFG under the Revolving Facility are guaranteed by DFC and certain direct and indirect U S subsidiaries of DFC Borrowings by non-U S borrowers under the Revolving Facility are guaranteed by DFC and DFG and substantially all of their U S subsidiaries, by NMM and substantially all of its direct and indirect Canadian subsidiaries, and by Dollar Financial UK Limited, DF Eurozone and Instant Cash Loans Limited The obligations of the respective borrowers and guarantors under the Revolving Facility are secured by substantially all of the assets of such borrowers and guarantors

The Revolving Facility will mature on October 25, 2018, subject to earlier maturity on the occurrence of certain events The credit agreement executed in connection with the entry into the Revolving Facility contains customary covenants, representations and warranties and events of default

Directors

The directors who served the company during the year and up to the date of this report were as follows

R A Bryan	(resigned 24 April 2013)
E G Erickson	(appointed 15 January 2013)
N Green	(appointed 3 January 2013, resigned 30 May 2013)
J Hutter	(appointed 29 July 2013)
K Lockton	(resigned 1 November 2013)
S McCree	(appointed 20 August 2012, resigned 1 June 2013)
N Miller	(appointed 24 July 2013)
S Corepal	(appointed 30 May 2013)
P Fileccia	(resigned 19 July 2013)
R Hibberd	(resigned 24 April 2013)
M L Prior	(appointed 25 April 2013)
R Underwood	
C D Walton	(resigned 19 July 2012)
J A Weiss	(Chairman)

Political and charitable donations

The company made £nil political donations during the year, (2012 – £nil) The company made charitable donations of £113,000 in the year, (2012 – £4,000) to Support of Financial Literacy, Help for Heroes and community and hospice projects

The company is committed to strengthening the communities in which it operates The company has taken a "Think Local, Act Local" approach towards its corporate giving policy The company's employees have taken part in many fund raising activities and have been involved in mentoring young adults in schools in the UK

Over the years the company has raised over £200,000 in cash and over £30,000 in donations from employees and customers supporting a number of UK charities including

Child Line – Provides in-depth counselling to over 2 million children a year

Catch Up Numeracy – Supports youth with numeracy literacy issues

Starlight Children's Foundation – Brightening the lives of seriously ill and terminally ill children

Young Enterprise – Supporter of "Learn to Earn" business programme

Directors' report (continued)

Disabled employees

The company gives full consideration to applications for employment by disabled persons, bearing in mind the aptitudes and abilities of the applicant concerned In the event that existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

Employment involvement

The company takes its responsibilities seriously regarding employee involvement Efforts are made to ensure employees are provided with information on matters of concern to them, consulted regularly so that their views are taken into account in making decisions which may affect their interests, and made aware of the economic factors affecting the performance of the company

Insurance

The company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of their appointment

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution, in accordance with section 487(2) of the Companies Act 2006 to dispense with the obligation to appoint an auditor annually is in force and accordingly Ernst & Young LLP shall be deemed re appointed as auditors

On behalf of the Board

S Corepal
Director

10 December 2013

Statement of 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 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

Independent auditors' report

to the members of Instant Cash Loans Limited – Trading as The Money Shop

We have audited the financial statements of Instant Cash Loans Limited – Trading as The Money Shop for the year ended 30 June 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24 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 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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 and express an opinion on 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 Ethical Standards for Auditors

Scope of the 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 material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances, 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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of 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 Instant Cash Loans Limited – Trading as The Money Shop

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, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Peter Wallace (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

10 DECEMBER 2013

Profit and loss account

for the year ended 30 June 2013

	Notes	*2013* *£000*	*2012* *£000*
Turnover	2	186,563	172,315
Cost of goods sold		(21,094)	(24,874)
Gross Profit		165,469	147,441
Exceptional item	4	(2,600)	–
Administrative expenses		(137,761)	(113,062)
Operating Profit	3	25,108	34,379
Interest receivable and similar income	7	23	229
Interest payable and similar charges	8	(1,653)	–
Profit on ordinary activities before taxation		23,478	34,608
Tax	9	112	(1,815)
Profit for the financial year	19	23,590	32,793

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 30 June 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £23,590,000 for the year ended 30 June 2013 (2012 – profit of £32,793,000)

Registered No 02685515

Balance sheet

at 30 June 2013

	Notes	*2013* *£000*	*2012* *£000* *Restated Note 1*
Fixed assets			
Intangible assets	10	12,043	12,121
Tangible assets	11	37,016	34,568
Investments	12	29,960	21,389
		79,019	68,078
Current assets			
Stocks	13	4,487	3,061
Debtors	14	98,946	91,483
Cash at bank and in hand		41,362	32,161
		144,795	126,705
Creditors amounts falling due within one year	15	(87,858)	(82,344)
Net current assets		56,937	44,361
Total assets less current liabilities		135,956	112,439
Creditors amounts falling due after more than one year	16	(1,412)	(1,671)
Provisions for liabilities	9(c)	(853)	(667)
Net assets		133,691	110,101
Capital and reserves			
Called up share capital	18	287	287
Share premium account	19	138	138
Profit and loss account	19	133,266	109,676
Shareholders' funds	19	133,691	110,101

These financial statements were approved and authorised for issue by the Board of Directors on the date shown below and were signed on its behalf by

S Corepal
Director

10 December 2013

Notes to the financial statements

at 30 June 2013

1. Accounting policies

Basis of preparation

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

In prior years, the directors classified the loan value of assets held as security under pawnbroking agreements as stocks held as security and the related accrued interest as trade debtors The directors have reviewed this treatment and have restated the balance sheet to classify assets held as security under pawnbroking agreements and the related accrued interest to secured loan advances to customers within debtors There is no impact on the profit and loss account The directors believe that this restatement more accurately reflects the substance of the assets held

The impact of the adjustment is to reduce stock at 30 June 2012 by £30,326,000 and to increase secured loan advances to customers by the same amount The impact on 2013 is a reclassification of £31,506,000

In addition, trade debtors at 30 June 2012 have decreased by £8,539,000 and secured loan advances to customers have increased by the same amount The impact on 2013 is a reclassification of £8,441,000

Along with the review of secured lending, the directors have also reviewed the classification of unsecured loans In prior years the loan value of unsecured loans had been classified as a trade debtor The directors have restated the balance sheet to reclassify these unsecured loans as unsecured loan advances to customers, within debtors

The impact of the adjustment is to reduce trade debtors at 30 June 2012 by £33,081,000 and to increase unsecured loan advances to customers by the same amount The impact on 2013 is a reclassification of £37,667,000

Group financial statements

The financial statements contain information about Instant Cash Loans Limited as an individual company and do not contain group financial information as the parent of a group The company is exempt from the requirement to prepare group financial statements for its group under section 401 of the Companies Act 2006, where its parent entity is not established under the law of an EEA state, on the grounds that

- the company and all of its subsidiaries are included in the group financial statements of DFC Global Corp drawn up to 30 June 2013, and
- that the group financial statements of DFC Global Corp are drawn up in a manner equivalent to group financial statements drawn up in accordance with the provisions of the Seventh Directive

Statement of cash flows

The company is exempt from the requirements of FRS1 (revised) and therefore has not prepared a statement of cash flows Its results are included within the group financial statements of its ultimate parent undertaking, DFC Global Corp , and these financial statements are publicly available

Turnover

Commission receivable on cheque cashing and related services is recognised at the time of performing the transaction

Interest receivable on secured and unsecured loans is recognised on an accruals basis over the life of the loan

Revenue from retail jewellery sales, both of purchased stock and from the sale of pledge security from unredeemed pawnbroking loans and buy back sales is recognised at the time of the sale

Interest receivable

Interest receivable on bank deposits and intercompany balances is recorded in the profit and loss account on an accruals basis

Notes to the financial statements

at 30 June 2013

1. Accounting policies (continued)

Intangible assets – goodwill

Goodwill is calculated as the difference between the cost of an acquisition of trade and assets and the aggregate of the fair value of its identifiable assets and liabilities

Positive goodwill is capitalised, classed as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a maximum of 20 years, in line with guidance given in FRS 10 'Goodwill and Intangible Assets'

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Derivative instruments

DFC Global Corp group uses forward gold contracts, cap and collar, to reduce exposure to the fluctuation in the commodity market gold price

The group considers its derivative instruments to qualify for hedge accounting when certain criteria are met

Gold bullion collar

The criteria for forward gold contracts, cap and collar are

- The instrument must be related to a firm gold commodity commitment
- It must reduce the risk of gold commodity movements on the company's operations

The gold bullion collars are not revalued to fair value or shown on the company balance sheet at the year end However, liabilities payable under the gold contracts are recorded as soon as they are foreseen and expected to be payable Receivable amounts due under the gold contracts are only recorded once the transfer of asset is irreversible

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation

Depreciation of fixed assets, except freehold land and work in progress (WIP), is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows

Freehold property	4% per annum straight line basis
Leasehold property improvements	10% to 20% per annum straight line basis
Furniture and equipment	20% per annum straight line basis
Computer equipment	33% per annum straight line basis
Purchased software (major)	20% per annum straight line basis
Purchased software (minor)	33% per annum straight line basis
Fixtures and fittings	20% per annum straight line basis
Motor vehicles	25% per annum straight line basis

Items within work in progress are assets not brought into use in the business, when these items are ready for use depreciation is calculated as per the asset category the item relates to The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Investments

Investments held as fixed assets are stated at cost, less any provision for permanent diminutions in value

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 30 June 2013

1. Accounting policies (continued)

Stock – goods for resale

Goods for resale are items which have been purchased under normal terms of business and are held for resale

Goods for resale are stated within the balance sheet at cost unless there is indication that the future sale price of the item will not recover the full carrying cost held in the balance sheet Where there is an indication that this event may occur, a net realisable value provision is created against the value of the item for resale

Taxation

The charge for taxation is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes

Deferred 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Pensions

The company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

2 Turnover

Turnover is attributable to the principal activity of the company and arises solely within the United Kingdom

Notes to the financial statements

at 30 June 2013

3. Operating profit

This is stated after charging/(crediting)

	2013	*2012*
	£000	*£000*
Depreciation of owned fixed assets	8,499	6,424
Amortisation of goodwill	935	939
Loss on disposal of fixed assets	310	144
Operating lease rentals – land and buildings	15,220	12,172
Foreign exchange movements	(61)	632

Audit fees have been borne by the company's ultimate parent undertaking in 2012 and 2013

4. Exceptional item

On the 31 July 2013 the directors were advised that the smelter used to smelt the companies bought gold and unredeemed Pawnbroking items was facing insolvency In September 2013 the court granted an application for windup proceedings against the smelter and appointed a Liquidator to recover assets on behalf of the smelter's creditors

The directors have made a provision against the smelted gold receivable of £2,600,000 The directors feel that this is their best estimate of the loss foreseeable based on the information available

5. Directors' remuneration

	2013	*2012*
	£000	*£000*
Aggregate emoluments in respect of qualifying services	989	1,076
Aggregate amounts receivable under long term incentive plans	107	113
Value of company pension contributions to money purchase schemes	29	21

During 2013, a total of £248,000 was paid to two directors as compensation for loss of office

	2013	*2012*
	No	*No*
Members of money purchase pension schemes	6	3

Notes to the financial statements

at 30 June 2013

5. Directors' remuneration (continued)

Long term incentive plans	*2013*	*2012*
	No	*No*
Members of long term incentive schemes	7	5
Directors who exercised share options in the year	5	4

Highest paid director

	2013	*2012*
	£000	*£000*
Emoluments	348	410
Value of company pension contributions to money purchase schemes	8	1

The highest paid director received share options under the senior management long-term incentive scheme of the DFC Global Corp group

The directors of the company are also directors of a number of other companies in the DFC Global Corp group The directors received total remuneration for the year of £989,000 (2012 - £1,076,000) from Instant Cash Loans Limited of which they estimate £265,000 (2012 - £435,000) relates to qualifying services to other group companies for which no recharge has been made

6. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	45,097	40,416
Social security costs	4,636	3,866
Other pension costs	189	140
	49,922	44,422

The monthly average number of employees during the year, including directors, was as follows

	2013	*2012*
	No	*No*
Administration	532	424
Sales	2,024	1,915
	2,556	2,339

Notes to the financial statements

at 30 June 2013

7. Interest receivable and similar income

	2013	*2012*
	£000	*£000*
Bank interest receivable	23	–
Intercompany interest receivable	–	229
	23	229

8. Interest payable and similar charges

	2013	*2012*
	£000	*£000*
Other interest payable	1	–
Intercompany interest payable	1,652	–
	1,653	–

9. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows

	2013	*2012*
	£000	*£000*
Current tax		
UK corporation tax	–	1,605
Adjustment in respect of previous years	(298)	(106)
Total current tax (note 9(b))	(298)	1,499
Deferred tax:		
Origination and reversal of timing differences	(382)	246
Adjustment in respect of previous years	609	120
Impact of changes in tax rates	(41)	(50)
Total deferred tax (note 9(c))	186	316
Tax on profit on ordinary activities	(112)	1,815

Notes to the financial statements

at 30 June 2013

9. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23 75% (2012 – 25 5%) The differences are explained below

	2013	*2012*
	£000	*£000*
Profit on ordinary activities before tax	23,478	34,608
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23 75% (2012 – 25 5%)	5,576	8,825
Effects of		
Expenses not deductible for tax	353	882
Capital allowances in excess of depreciation	319	(287)
Short term timing differences	63	40
Group relief not paid for	(6,311)	(7,855)
Adjustments in respect of previous years	(298)	(106)
Total current tax (note 9(a))	(298)	1,499

(c) Deferred tax

The deferred taxation liability is as follows

	2013	*2012*
	£000	*£000*
Fixed asset timing differences	454	781
Short term timing differences	399	(114)
Total deferred tax	853	667

Movements on the deferred taxation liability are as follows

	£000
At 1 July 2012	667
Charge to the profit and loss account (note 9(a))	186
At 30 June 2013	853

Notes to the financial statements

at 30 June 2013

9. Tax (continued)

(d) Factors affecting future tax charges

Deferred tax liabilities have been stated at the corporation tax rate of 23% (2012 24%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2013 and which was substantially enacted on 3 July 2012

In the Budget of 20 March 2013, the Government announced that the UK rate of corporation tax will reduce by 2% to 21% effective from 1 April 2014 and reduced further by 1% to 20% effective from 1 April 2015 These reductions in the corporation tax rate were substantively enacted on 2 July 2013 and as they were not substantively enacted as at 30 June 2013, will only be reflected in the accounts in future periods The aggregate impact of the proposed reduction in corporation tax rate from 23% to 20% on the closing deferred tax liability is a reduction of £111,000

10. Intangible fixed assets

	Goodwill *£000*
Cost	
At 1 July 2012	15,739
Additions	857
At 30 June 2013	16,596
Amortisation	
At 1 July 2012	3,618
Provided during the year	935
At 30 June 2013	4,553
Net book value	
At 30 June 2013	12,043
At 1 July 2012	12,121

During the year to 30 June 2013 the company acquired the trade and certain assets of 15 individual stores for a total consideration of £1,388,000 plus £175,000 of professional fees The net assets purchased have a fair value of £706,000 resulting in goodwill arising on acquisition of £857,000

A fair value table has been presented below

	Book value *£000*	*Fair value adjustment* *£000*	*Fair value* *£000*
Debtors	504	–	504
Cash at bank and in hand	197	–	197
Other assets	5	–	5
Net assets	706	–	706
Consideration and professional fees			1,563
Goodwill			857

Notes to the financial statements

at 30 June 2013

11. Tangible fixed assets

	Freehold property	*Land and buildings Leasehold*	*Computer equipment*	*Fixtures and fittings*	*Motor vehicles*	*WIP*	*Total*
Cost							
At 1 July 2012	95	22,083	8,608	25,906	5	2,287	58,984
Additions	–	4,486	2,250	4,161	–	197	11,094
Transferred in at cost	–	–	–	440	–	–	440
Disposals	–	(71)	(325)	(518)	(5)	–	(919)
At 30 June 2013	95	26,498	10,533	29,989	–	2,484	69,599
Depreciation							
At 1 July 2012	–	3,825	5,624	14,963	4	–	24,416
Provided during the year		2,465	2,327	3,706	1	–	8,499
Transferred in depreciation	–	–	–	277	–	–	277
Disposals	–	(25)	(184)	(395)	(5)	–	(609)
At 30 June 2013	–	6,265	7,767	18,551	–	–	32,583
Net book value							
At 30 June 2013	95	20,233	2,766	11,438	–	2,484	37,016
At 1 July 2012	95	18,258	2,984	10,943	1	2,287	34,568

The carrying value of freehold land not depreciated is £95,000 (2012 – £95,000)

Notes to the financial statements

at 30 June 2013

12. Investments

	Shares in subsidiary undertakings £000
Cost 1 July 2012	21,389
Additions	8,571
At 30 June 2013	29,960

On 24 August 2012 Instant Cash Loans Limited acquired 100% of the ordinary share capital in Old English Pawnbroking Company Limited for a cash consideration and directly attributable costs of £4,264,000 On acquisition the trade and assets of Old English Pawnbroking Company Limited were immediately transferred to Instant Cash Loans Limited

On 21 November 2012 Instant Cash Loans Limited acquired 100% of the ordinary share capital in Cashier UK Limited for a cash consideration and directly attributable costs of £4,307,000 On acquisition the trade and assets of Cashier UK Limited were immediately transferred to Instant Cash Loans Limited

Details of the subsidiary undertakings are set out below All holdings are of ordinary shares and are 100% holdings, including 100% voting rights, unless otherwise stated All companies are incorporated in England and Wales

Name of company	*Nature of business*
*Cashier UK Limited	Cheque encashment and secured and unsecured loans
*Express Finance (Bromley) Limited	Online lender
*Old English Pawnbroking Company Limited	Pawnbroker
*Fastcash Limited	Non trading company
*Payday Express Limited	Non trading company
*Cash Centres Retail Limited	Non trading company
*Rexchanges Limited	Non trading company
Cheque Changers Limited	Non trading company
*Cash A Cheque Holdings Great Britain Limited	Intermediate parent undertaking
The Pawnbroking Company Limited	Non trading company
Cash A Cheque Great Britain Limited	Non trading company
AE Osborne and Sons Limited	Non trading company
Rex Johnson Online Limited	Non trading company
Cash A Cheque (South) Limited	Non trading company

* Signifies that shares are held directly by Instant Cash Loans Limited

Notes to the financial statements

at 30 June 2013

13. Stocks

	2013 £000	2012 £000 Restated Note 1
Goods for resale	4,487	3,061

14. Debtors

	2013 £000	2012 £000 Restated Note 1
Unsecured loan advances to customers	37,667	33,081
Secured loan advances to customers	39,947	38,865
Trade debtors	481	835
Amounts due from group undertakings	12,683	7,513
Other debtors	1,549	6,237
Prepayments and accrued income	5,218	4,415
Corporation tax	1,401	537
	98,946	91,483

Within amounts due from group undertakings there are the following loan balances attracting interest at a rate of 9%, (2012 – 9%) There is no fixed repayment date for any of the loans
Merchant Cash Express Limited £585,000, (2012 – £1,350,000)
T M Sutton Limited £3,168,000, (2012 – £ nil)

15. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	4,694	5,354
Amounts due to group undertakings	70,372	62,483
Other taxes and social security costs	1,996	1,900
Other creditors	440	399
Accruals and deferred income	10,356	12,208
	87,858	82,344

Within amounts due to group undertakings there are the following loan balances attracting interest at a rate of 9%, (2012 – 9%) There is no fixed repayment date for any of the loans
T M Sutton Limited £nil, (2012 – £1,925,000)
MEM Consumer Finance Limited £22,806,000, (2012 – £11,950,000)
Express Finance (Bromley) Limited £10,639,000, (2012 – £nil)

Notes to the financial statements

at 30 June 2013

16 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Deferred rent	827	780
Deferred income	585	891
	1,412	1,671

17. Derivatives

The company has gold contracts in place The contracts hedge gold price exposure on pawnbroking and purchased gold assets and expire in November 2013 The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows

	2013 £000	2012 £000
Gold bullion collars	70	27

Post year end the gold contracts closed out and the directors consider there to be no material gain or loss to the company

18. Issued share capital

Allotted, called up and fully paid	*No*	*2013 £000*	*No*	*2012 £000*
Ordinary shares of £1 each	287,382	287	287,382	287

19. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 July 2011	287	138	76,883	77,308
Profit for the year	–	–	32,793	32,793
At 1 July 2012	287	138	109,676	110,101
Profit for the year	–	–	23,590	23,590
At 30 June 2013	287	138	133,266	133,691

20. Pensions

The company operates a defined contribution pension scheme for its directors and senior employees

The assets of the scheme are held separately from those of the company in an independently administered fund At 30 June 2013 pension contributions totalling £42,000 (2012 – £34,000) were included within creditors

Notes to the financial statements

at 30 June 2013

21. Other financial commitments

At 30 June 2013 the company had annual commitments under non-cancellable operating leases as set out below

		2013		*2012*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
Within one year	439	132	318	82
In two to five years	3,830	428	3,431	603
Over five years	10,930	–	9,566	–
	15,199	560	13,315	685

22. Contingent liabilities

The company is party to a cross guarantee arrangement and has given a guarantee in the ordinary course of business in respect of banking facilities granted to other group companies based in the UK, US and Canada Security for the company's own banking facilities is also provided through this arrangement At the balance sheet date US$50 million converted at the year end exchange rate to £32 9 million (2012 - $22 million, £13 million) was outstanding under such guarantees The total facility available is US$235 million converted at the year end exchange rate to £154 5 million (2012 - $235 million, £145 million) The directors do not consider it likely that these guarantees will be called upon during the twelve months following the signature date of these financial statements

On October 25, 2013, the group replaced the existing bank facility noted above and entered into a new senior secured credit facility Please refer to the Directors report, Events since the balance sheet date for more details

23. Related party transactions

The company is a wholly owned subsidiary of DFC Global Corp , the group financial statements of which are publicly available

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the DFC Global Corp group

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Dollar Financial UK Limited, a company incorporated in England and Wales

The largest and smallest group for which financial statements are drawn up which incorporate the results of Instant Cash Loans Limited is that headed by DFC Global Corp , a company incorporated in the United States of America

The company's ultimate parent undertaking and controlling party is DFC Global Corp , a company incorporated in the United States of America Copies of the group financial statements, which include the results of Instant Cash Loans Limited, are available from 1436 Lancaster Avenue, Berwyn, Pennsylvania 19312