

# **Dollar Financial Europe Limited**

## **Annual Report and Financial Statements**

for the year ended 30 June 2017

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## **Directors and company information**

### **Directors**

S Cohen  
K Kaye  
Z McMillan-Ward

### **Company Secretary**

L Biondi

### **Auditor**

Deloitte LLP  
Statutory Auditor  
Four Brindley Place  
Birmingham  
United Kingdom  
B1 2HZ

### **Bankers**

The Royal Bank of Scotland  
Corporate Banking  
East Midlands  
PO Box 7895  
6th Floor  
Cumberland Place  
Nottingham  
United Kingdom  
NG1 7ZS

### **Solicitors**

Eversheds  
1 Royal Standard Place  
Nottingham  
United Kingdom  
NG1 6FZ

### **Registered Office**

Cardinal House, Abbeyfield Court  
Abbeyfield Road  
Nottingham  
United Kingdom  
NG7 2SZ

## Strategic Report for the year ended 30 June 2017

The directors present their Strategic Report for Dollar Financial Europe Limited (the "Company") for the year ended 30 June 2017.

### Principal activities

The principal activity of the Company is that of a holding and administration company for its trading subsidiaries.

### Business review

The results for the year are set out on page 11. The loss for the year after tax amounted to £48,848,000 (2016: loss of £15,267,000). The loss includes a charge for the impairment of the carrying value of fixed asset investments of £42,480,000 (2016: £nil).

On 30 June 2017, the Company issued at a premium of £30,300,000, 1 fully paid ordinary 1p share in the capital of the Company to its parent company, Dollar Financial UK Limited ("DFUK"), to acquire DFUK's investments in Optima, Dollar Financial Romania Holdings Limited, OK Money Poland, Cash Centres Corporation Limited, and DFC Nordic.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its parent company, DFUK. The subscription price payable on the allotment of the share was satisfied by the release of a £1,208,000 intercompany payable by the Company to DFUK.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its parent company, DFUK. The subscription price payable on the allotment of the share, was satisfied by a loan transfer agreement from DFUK to the Company of a £6,668,000 receivable from OK Money Poland and £8,421,000 receivable from Cash Centres Corporation Limited.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its parent company, DFUK. The subscription price payable on the allotment of the share, was satisfied by the assignment to DFUK of a debt due from the Company to Instant Cash Loans Limited of £21,028,000.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its parent company, DFUK. The subscription price payable on the allotment of the share was satisfied by the release of a £20,000,000 intercompany payable by the Company to DFUK.

On 30 June 2017, the Company converted the existing preference shares into 3,672,351,101 fully paid ordinary 1p shares in the capital of the Company to its parent company, DFUK, which changes the classification of the shares to equity instead of a liability under FRS102.

On 30 June 2017, the Company converted the existing 30,340,049 ordinary £1 shares into 3,034,004,900 fully paid ordinary 1p shares in the capital of the Company to its parent company, DFUK.

### Key performance indicators (KPIs)

As the Company is not a trading company, there are no KPIs used by management to review its performance.

## **Strategic Report for the year ended 30 June 2017 (continued)**

### **Principal risks and uncertainties**

The main risks arising from the Company's activities are liquidity risk, credit risk, cash flow risk and regulatory risk.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not have sufficient resources to meet its financial obligations as they fall due. 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.

Further, the Company mitigates this risk by ensuring that its ultimate parent undertaking, Lone Star Fund VIII (Bermuda) L.P., has agreed to provide financial support to the Company for at least one year following the signature date of these financial statements.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company due to a counterparty's failure to honour its financial obligations and arises as the Company provides loans to other group companies. The Company mitigates the risk by assessing the likelihood of the borrower defaulting, taking in to account a variety of factors such as the financial position of the potential borrower, and refusing to lend if the risk of default is too high.

#### ***Cash flow risk***

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows and mitigate the risk.

#### ***Regulatory risk***

The subsidiaries of the Company operate in a number of geographies and are regulated in the respective country by the following governing bodies and laws:

- Finland – The Finnish Competition and Consumer Authority
- Sweden – Swedish Financial Supervisory Authority
- Poland – Financial Supervisory Commission
- Spain – Consumer Credit Contracts Law
- UK – Financial Conduct Authority

The risk is that the subsidiaries fail to comply with the regulatory requirements, and suffers detrimental consequences of those failures.

The Company is able to manage the risk by:

- having an experienced local management in regulated businesses;
- a dedicated Internal Audit and Compliance functions; and
- well-developed procedures, training, systems and operational controls.

### **Future developments**

The directors expect the general level of activity to remain consistent as present in the forthcoming year. This is as a result of there being no expected changes to the level of finance provided.

## **Strategic Report for the year ended 30 June 2017 (continued)**

### **Subsequent events**

Details of events that have occurred after the balance sheet date can be found in note 17 to the accounts, subsequent events, and form part of this report by cross-reference.

This report was approved by the board of directors and signed on its behalf by:



K Kaye  
Director

Date: 31 January 2018

Address of registered office:  
Cardinal House, Abbeyfield Court  
Abbeyfield Road  
Nottingham  
United Kingdom  
NG7 2SZ

## Directors' Report

The directors present their Annual Report and the audited financial statements of Dollar Financial Europe Limited (the "Company") for the year ended 30 June 2017.

### Directors and directors' interests

The directors who served the Company during the year and up to the date of this report are as follows:

E Erickson (resigned 8 July 2016)  
K Kaye  
S Cohen  
Z McMillan-Ward

The directors have no declarable interest in the shares of the Company or of any other group company.

### Disclosure of information to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

### Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force at the date of approval of the directors' report and financial statements.

### Financial risk management objectives and policies

Details of financial risk management policies can be found under the heading 'Principal risks and uncertainties' in the Strategic Report, which is presented on page 2 and form part of this report by cross-reference.

### Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

### Future developments and events since the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report which is presented on page 2 and form part of this report by cross-reference.

## Directors' Report (continued)

### Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5% or more of the total allocated shares in the Company. They should be served no later than 30 June 2018.

### Going concern

The Company is in a net current assets position of £34,404,000 (2016: net current liabilities of £17,397,000) as at the year end despite the losses incurred. Accordingly, the directors continue to adopt a going concern basis in preparing the financial statements.

On behalf of the Board



K Kaye  
Director

Date: 31 January 2018

Address of registered office:  
Cardinal House, Abbeyfield Court  
Abbeyfield Road  
Nottingham  
United Kingdom  
NG7 2SZ

## 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), 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 year. 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.



## **Independent auditor's report**

to the members of Dollar Financial Europe Limited

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss 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 of Dollar Financial Europe Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the significant accounting policies; and
- the related notes 1 to 17.

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 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.

## **Independent auditor's report (continued)**

to the members of Dollar Financial Europe Limited

### **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.

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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditor's report (continued)**

to the members of Dollar Financial Europe Limited

### **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.

### **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 has 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.

#### **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.



Stewart Cumberbatch, FCA (senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

31 January 2018

## Statement of comprehensive income

for the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Fair value movement of intercompany debtor		(1,102)	(4,586)
Administrative expenses		<u>(42,259)</u>	<u>(5,762)</u>
<b>Operating loss</b>		<b>(43,361)</b>	<b>(10,348)</b>
Net interest payable on preference shares	10	(4,023)	(4,615)
Interest payable		<u>(1,464)</u>	<u>(304)</u>
<b>Loss on ordinary activities before tax</b>		<b>(48,848)</b>	<b>(15,267)</b>
Tax on ordinary activities	4	<u>-</u>	<u>-</u>
<b>Loss and total comprehensive income for the financial year, attributable to the equity shareholders of the Company</b>		<b><u>(48,848)</u></b>	<b><u>(15,267)</u></b>

The loss shown above is derived from continuing operations.

The accompanying notes on pages 13 to 22 are an integral part of these financial statements.

**Balance sheet**

as at 30 June 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	5	<u>42,467</u>	<u>54,647</u>
<b>Non-current assets</b>			
Amounts due from group undertakings after one year	6	<u>11,655</u>	<u>9,003</u>
<b>Current assets</b>			
Debtors	6	35,893	2,733
Cash at bank		<u>3</u>	<u>-</u>
		<b>35,896</b>	<b>2,733</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	7	<u>(1,492)</u>	<u>(20,130)</u>
<b>Net current assets/(liabilities)</b>		<u><b>34,404</b></u>	<u><b>(17,397)</b></u>
<b>Total assets less current liabilities</b>		<b>88,526</b>	<b>46,253</b>
Creditors: amounts falling due after more than one year	8	<u>-</u>	<u>(43,183)</u>
<b>Net assets</b>		<u><b>88,526</b></u>	<u><b>3,070</b></u>
<b>Called up share capital and reserves</b>			
Called up share capital	12	67,064	30,340
Share premium	12	87,626	-
Capital contribution	12	21,925	11,971
Profit and loss account		<u>(88,089)</u>	<u>(39,241)</u>
<b>Total Shareholders' funds</b>		<u><b>88,526</b></u>	<u><b>3,070</b></u>

The 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:

  
K Kaye  
Director

Date: 31 January 2018

The accompanying notes on pages 13 to 22 are an integral part of these financial statements.

**Statement of changes in equity**

as at 30 June 2017

	Called up share capital £'000	Share premium £'000	Capital Contribution £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 July 2015	30,340	-	-	(12,003)	<b>18,337</b>
Total Comprehensive loss for the year	-	-	-	(15,267)	<b>(15,267)</b>
Recognition of equity component on preference share liability	-	-	11,971	(11,971)	-
	<u>30,340</u>	<u>-</u>	<u>11,971</u>	<u>(39,241)</u>	<u><b>3,070</b></u>
At 30 June 2016					
Issued share capital (1)(3)	36,724	87,626	-	-	<b>124,350</b>
Waiver of accumulated interest on preference shares (2)	-	-	21,925	-	<b>21,925</b>
Transfer of preference share liability to share capital (3)	-	-	(11,971)	-	<b>(11,971)</b>
Total Comprehensive loss for the year	-	-	-	(48,848)	<b>(48,848)</b>
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>At 30 June 2017</b>	<b><u>67,064</u></b>	<b><u>87,626</u></b>	<b><u>21,925</u></b>	<b><u>(88,089)</u></b>	<b><u>88,526</u></b>

**(1) Issued share capital**

On 30 June 2017, the Company issued at a premium of £30,300,000, 1 fully paid ordinary 1p share in the capital of the Company to its Parent Company, Dollar Financial UK Limited ("DFUK"), to acquire DFUK's investments in Optima, Dollar Financial Romania Holdings Limited, OK Money Poland, Cash Centres Corporation Limited, and DFC Nordic.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its Parent Company, DFUK. The subscription price payable on the allotment of the share was satisfied by the release of a £1,208,000 intercompany payable by the Company to DFUK.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its Parent Company, DFUK. The subscription price payable on the allotment of the share, was satisfied by a loan transfer agreement from DFUK to the Company of a £6,668,000 receivable from OK Money Poland and £8,421,000 receivable from Cash Centres Corporation Limited.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its Parent Company, DFUK. The subscription price payable on the allotment of the share, was satisfied by the assignment to DFUK of a debt due from the Company to Instant Cash Loans Limited of £21,029,000.

On 30 June 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its Parent Company, DFUK. The subscription price payable on the allotment of the share was satisfied by the release of a £20,000,000 intercompany payable by the Company to DFUK.

## **Statement of changes in equity (continued)**

**as at 30 June 2017**

(2) Interest liability waiver

On 30 June 2017, the Company entered into a deed of waiver with its immediate Parent Company, DFUK, whereby the Company was released from an obligation to pay an interest liability of CAD\$ 38,827,302 (equivalent to £ 21,925,000) due to the Parent Company related to the preference share liability. This was accounted for as a capital contribution in the year.

(3) Transfer of preference share liability to share capital

On 30 June 2017, the Company converted the existing preference shares into 3,672,351,101 fully paid ordinary 1p shares in the capital of the Company to its parent company, DFUK, which changes the classification of the shares to equity instead of a liability under FRS102. The portion of the preference share liability that was originally recognised in equity (the equity component) has been transferred to share capital which is included in the additional share capital issued amounting to £36,723,511.

## Notes to the financial statements

for the year ended 30 June 2017

### 1. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### Basis of preparation

Dollar Financial Europe Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report which is presented on page 2.

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 prior year financial statements were reviewed for material adjustments on adoption of FRS 102 in the current year. For more information see note 17.

#### Functional currency

The financial statements are presented in pounds sterling which is considered to be the Company's functional currency because that is the currency of the primary economic environment in which the Company operates. The amounts presented in the financial statements are rounded to the nearest thousand.

#### Group financial statements

The Company has taken advantage of the exemption to not 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 Sterling Mid-Holdings Limited drawn up to the 30 June 2017; and
- that the group financial statements of Sterling Mid-Holdings Limited are drawn up in a manner equivalent to group financial statements drawn up in accordance with the provisions of the Seventh Directive.

Consequently, the financial statements only contain information about Dollar Financial Europe Limited as an individual company and do not contain group financial information as the parent of a group. These financial statements are available on request from the Company Secretary at 74 E Swedesford Road, Malvern, PA 19355.

#### Cash flow statement

The Company is exempt from the requirements of section 7 of FRS 102 and therefore has not prepared a cash flow statement. Its results are included within the group financial statements of its parent undertaking, Sterling Mid-Holdings Limited, and these financial statements are available on request from the Company Secretary at 74 E Swedesford Road, Malvern, PA 19355.

#### 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency using the spot exchange rate on the date of the transaction.



## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Significant accounting policies (continued)

#### Tax

The charge for tax 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 tax and accounting purposes.

#### Deferred tax

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 right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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 years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Investments

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

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

#### Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Significant accounting policies (continued)

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the criteria, as laid out in FRS 102 section 11.9, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the criteria, as laid out in FRS 102 section 11.9, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of any impairment.

Debt instruments which do not meet the criteria, as laid out in FRS 102 section 11.9, are measured at fair value through profit and loss.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### *Impairment of financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### *Classification of shares as debt or equity*

When shares are issued, any component which creates a financial liability is presented as a liability in the balance sheet. The corresponding dividends are charged to the profit and loss account as interest.

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 2. Critical judgement in applying the accounting policies

#### *Key source of estimation uncertainty – fair value of intercompany debtor*

The intercompany debtor qualifies as a non-basic financial instrument in accordance Section 11 of FRS 102. The debtor is therefore measured at fair value.

The Company engaged external experts to determine the fair value of the intercompany debt, who considered the net asset position of the debtors as at 30 June 2017 along with the growth in revenue and profitability forecast of the debtor. The assumptions used in the valuation method included an adjusted risk free rate of 3.9% and additional premium overlay for risk adjustment of 4.4% to arrive at a market rate of 8.3%. Further, the intercompany loan given to the subsidiary entity (debtor) has interest rate term of 9.25%, however this is payable only if the debtor pre-tax profits are at least equal to €1,700,000. The term of the loan is 9 years and assumption used in determining fair value is that the debtor will not able to achieve pre-tax profits in any of the years that the loan agreement is in place.

The result was a reduction in value of £1,102,000 recognised through the Statement of Comprehensive Income. This was a debt that arose during the financial year ended 30 June 2017,

The accuracy of the judgement may be affected by future changes in the economic environment which differ to management's current expectations. This could result in an inability to recover the entire intercompany loan amount along with the accrued interest.

#### *Key source of estimation uncertainty – impairment of investments*

Determining whether investments are impaired requires a comparison between the current book value of the investment and the estimated recoverable amount.

The recoverable amounts are determined as the Market Value as referenced in note 16. An impairment of £42,480,000 based on the valuation is required by management as at 30 June 2017 (2016: £nil).

### 3. Operating loss

This is stated after charging:

	2017 £'000	2016 £'000
Impairment of investment (note 5)	42,480	-
Staff costs (note 9)	1,620	676
Foreign exchange loss/(gain)	83	4,942

The Company's audit fee of £10,506 for the current year (2016: £5,150) payable to Deloitte LLP was paid by DFC Global Corp. Non-audit services provided to the Company are £nil for the current year as well as for the previous year.

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 4. Tax

#### (a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2017 £'000	2016 £'000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	-
Total current tax (note 4(b))	-	-
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>-</b>

#### (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 19.75% (2016: 20.0%). The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	<b>(48,848)</b>	(15,267)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20.0%).	<b>(9,647)</b>	(3,053)
Effects of:		
Permanent disallowable items	<b>1,325</b>	2,828
Impairment of investments	<b>8,390</b>	-
Group relief surrendered for no payment	<b>(51)</b>	225
Transfer pricing adjustments	<b>(17)</b>	-
<b>Total tax expenses for the year (note 4(a))</b>	<b>-</b>	<b>-</b>

#### (c) There is no provided or un-provided deferred tax as at 30 June 2017 or 30 June 2016.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rates enacted at the balance sheet date now standing at 19% from 1 April 2017 and 17% from 1 April 2020.

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 5. Investments

	Shares in subsidiary undertaking £000
Cost:	
At 1 July 2015	54,629
Foreign exchange movements on deferred consideration	18
At 30 June 2016	54,647
Increase in investments	30,300
Impairment	(42,480)
<b>At 30 June 2017</b>	<b>42,467</b>

The recoverable amounts are determined as the Market Value as referenced in note 16. An impairment of £42,480,000 based on the valuation is required by management as at 30 June 2017 (2016: £nil).

Details of the subsidiary undertakings are set out below, followed by a separate table of the registered office addresses:

Name of company	Nature of business	Share Holding	Country of Incorporation	Registered office address
*Sefina Svensk Pantbelaning AB	Pawnbroker	100%	Sweden	St:Göransgatan 66, Stockholm
*Risicum Capital Sweded AB	Online lender	100%	Sweden	St:Göransgatan 66, Stockholm
*Helsingin Pantti Osakeyhtio	Pawnbroker	100%	Finland	Helsinginkatu 1, 00500 Helsinki
DFC Nordic Group OY	Non trading parent undertaking	100%	Finland	Helsinginkatu 1, 00500 Helsinki
DFC Nordic Oyi	Online lender	100%	Finland	Yliopistonkatu 29 b A, 20100 Turku
Super Efectivo SL	Retail	100%	Spain	Calle Hernani 45, 28020 Madrid
*Suttons & Robertsons Spain SL	Pawnbroker	100%	Spain	Calle Hernani 45, 28020 Madrid
*Crirama S.A.	Pawnbroker	100%	Spain	Calle Orense 34 Edificio Iberia Mart 6ª Planta 28020 Madrid
*OK Money Spain SL	Pawnbroker	100%	Spain	Calle Orense 34 Edificio Iberia Mart 6ª Planta 28020 Madrid
Cash Centres Corporation Ltd	Dormant	100%	UK	Cardinal House, Abbeyfield Road Nottingham NG7 2SZ
*Cash Centres Ltd	Dormant	100%	UK	Cardinal House, Abbeyfield Road Nottingham NG7 2SZ
DF Romania Holdings Ltd	Non trading parent undertaking	100%	UK	Cardinal House, Abbeyfield Road Nottingham NG7 2SZ
Optima Sp z o.o	Consumer loans	100%	Poland	Grunwaldzka 82, 80-244 Gdarisk
OK Money Poland Sp. Z o.o	Dormant	100%	Poland	Grunwaldzka 82, 80-244 Gdarisk
*DF Acquisition Sub Ltd S.R.I	Non trading parent undertaking	100%	Romania	133 Calea Șerban Voda, Central Business Park, Building A, Section A.2.16, 2nd floor, District 4, Bucharest, Romania
*Express Credit Amanet S.R.L	Pawnbroker	100%	Romania	IAȘI, str. Silvestru, nr. 21, bloc L1, ground floor and mezzanine floor, Iași County, Romania
*Express Exchange S.R.L	Express Union Money Transfers	100%	Romania	IAȘI, str. Silvestru, nr. 21, bloc L1, ground floor and mezzanine floor, Iași County, Romania

\*Signifies that shares are held indirectly by Dollar Financial Europe Limited, as the companies are owned by direct, wholly owned, subsidiaries of Dollar Financial Europe Limited.

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 6. Debtors

	2017 £'000	2016 £'000
Amounts due from group undertakings after more than one year	<u>11,655</u>	<u>9,003</u>
	<u>11,655</u>	<u>9,003</u>

	Rate %	2017 £'000	Rate %	2016 £'000
Super Efectivo	9.25%	11,655	9.25%	9,003

	2017 £'000	2016 £'000
Amounts due from group undertakings within one year	<u>35,893</u>	<u>2,733</u>
	<u>35,893</u>	<u>2,733</u>

Included within amounts due to group undertakings are the following balances which bear interest at the rates shown:

	Rate %	2017 £'000	Rate %	2016 £'000
OK Money Poland SP	9.0%	6,668		-
Super Efectivo		-	9.25	2,733

Furthermore, also within amounts due to group undertakings, there are the following trading balances, which are repayable on demand, and where no interest is being charged:

	2017 £'000	2016 £'000
Dollar Financial UK Limited	20,000	-
Cash Centres Corporation Limited	8,421	-
Optima SL	54	-
Helsinginpankki	21	-
DFC Nordic OY	33	-
Sefina Svensk	29	-
Risicum Capital Sweden	17	-
Super Efectivo	630	-
OK Money Spain	19	-

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 7. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts due to group undertakings	675	18,795
Other accruals	249	297
Deferred consideration	568	1,038
	<u>1,492</u>	<u>20,130</u>

Within amounts due to group undertakings there are the following trading balances where no interest is being charged, and balances are repayable on demand:

- Instant Cash Loans Limited      £nil      (2016: £17,450,000)
- Dollar Financial U.K. Limited      £nil      (2016: £1,027,000)
- DFC Global Corp      £325k      (2016: £318,000)
- Express Credit Amanet      £350k      (2016: £nil)

### 8. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Cumulative preference shares of CAD\$1 each – 62,243,239	-	43,183
	<u>-</u>	<u>43,183</u>

On 30 June 2017, the Company converted the existing preference shares into 3,672,351,101 fully paid ordinary 1p shares in the capital of the Company to its parent company, DFUK. Further details are included at note 12.

### 9. Staff costs

	2017 £'000	2016 £'000
Wages and salaries	1,371	531
Social security costs	216	124
Other pension costs	33	21
	<u>1,620</u>	<u>676</u>

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

	2017 No.	2016 No.
Administration	6	4
	<u>6</u>	<u>4</u>

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 10. Net interest payable on preference shares

	2017 £'000	2016 £'000
Interest payable on preference shares at market rate	4,800	5,301
Other effective interest rate adjustments	(777)	(686)
	<u>4,023</u>	<u>4,615</u>

### 11. Directors' remuneration

	2017 £'000	2016 £'000
Aggregate emoluments in respect of qualifying services	<u>771</u>	<u>116</u>

No payments were made to directors' as compensation for loss of office during the year ended 30 June 2017 (2016: £nil).

	2017 No.	2016 No.
Members of money purchase pension schemes	<u>1</u>	<u>1</u>

Throughout the year ended 30 June 2017 and 30 June 2016, there was one director who was a member of the money purchase scheme.

Highest paid director:

	2017 £'000	2016 £'000
Emoluments	<u>761</u>	<u>114</u>
Value of company pension contributions to money purchase schemes	<u>10</u>	<u>2</u>

For the directors of the Company remunerated by fellow group undertakings, the directors consider that the level of their qualifying services provided to the Company is inconsequential to their wider group role.



## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 12. Called up share capital and reserves

#### Ordinary shares

Authorised, allotted and fully paid:

	2017 £'000	2016 £'000
30,340,049 ordinary shares of £1 each	-	30,340
6,706,356,006 ordinary shares of 1p each	67,064	-
	<u>67,064</u>	<u>30,340</u>

On 30 June 2017, the Company converted the existing 30,340,049 ordinary £1 shares into 3,034,004,900 fully paid ordinary 1p shares in the capital of the Company to its Parent Company, DFUK.

The Company's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.  
The capital contribution relates to the reclassification of a portion of the preference share liability to equity.
- The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments relating to the equity component of preference shares.

### 13. Financial instruments

The Company manages its capital to ensure that the Company has sufficient capital resources to continue as a going concern. The capital structure of the Company consists of debt, which are the borrowings from the parent, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Statement of changes in equity on page 23.

The Company's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, market risk, interest rate risk, business risk, operational risk and regulatory risk. For detailed information on each of these risks refer to the Strategic Report on page 2.

Carrying values by categories of financial instrument as at 30 June are as follows:

	2017 £'000	2016 £'000
<b>Financial assets held at amortised cost</b>		
Cash	3	-
Investments	42,467	54,647
<b>Total</b>	<u>42,470</u>	<u>54,647</u>
<b>Financial assets – loans and receivables</b>		
Amounts due from group undertakings	47,638	11,736
<b>Total</b>	<u>47,638</u>	<u>11,736</u>

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 13. Financial instruments (continued)

	2017 £'000	2016 £'000
<b>Financial liabilities held at amortised cost</b>		
Amounts owed to group undertakings	675	18,795
Trade and other payables	249	297
Deferred consideration	568	1,038
Cumulative preference shares	-	43,183
<b>Total</b>	<b>1,492</b>	<b>63,313</b>

Maximum credit exposure for each of the above is same as the amounts disclosed.

The Company's maturity analysis of its liabilities as at the year end are summarised as follows:

	Not more than 3 months	More than 3 months but not more than one year	More than one year but not more than 5 years	Total
<b>At 30 June 2017:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to group	675	-	-	675
Trade and other payables	249	-	-	249
Deferred consideration	-	568	-	568
<b>Total</b>	<b>924</b>	<b>568</b>	<b>-</b>	<b>1,492</b>

	Not more than 3 months	More than 3 months but not more than one year	More than one year but not more than 5 years	Total
<b>At 30 June 2016:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to group	18,795	-	-	18,795
Trade and other payables	297	-	-	297
Deferred consideration	-	1,038	-	1,038
Cumulative preference shares	-	-	43,183	43,183
<b>Total</b>	<b>19,092</b>	<b>1,038</b>	<b>43,183</b>	<b>63,313</b>

	2017 £'000	2016 £'000
<b>Interest income and expense</b>		
Interest payable on preference shares	4,023	4,615
Interest payable	1,464	304

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 14. Related party transactions

The Company is a wholly owned subsidiary of Sterling Mid-Holdings Limited, the group financial statements of which are publicly available.

Accordingly, the Company has taken advantage of the exemption in Section 33 of FRS 102 from disclosing transactions with 100% members or investees of the Sterling Mid-Holdings Limited group.

### 15. 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. At the balance sheet date US\$123.2 million converted at the year end exchange rate to £95.0 million (2016: US\$120.8 million, £91.2 million) was outstanding under such guarantees. The total facility available is US\$125 million converted at the year end exchange rate to £96.4 million (2016: US\$125 million, £94.4 million).

Further, the Company is a guarantor in respect of the senior secured 10.5% notes due 2020 of \$800 million ("Existing Notes") (£617 million) (2015: £604 million) issued by a group subsidiary, DFC Finance Corp, alongside the senior secured 10.5%/12.0% PIK toggle notes due 2020 of \$759 million ("New Notes") also issued by DFC Finance Corp. The New Notes were issued to those holders of the Existing Notes who tendered their Existing Notes in an offer made by DFC Finance Corp to certain holders of the Existing Notes in exchange for the New Notes.

### 16. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Dollar Financial U.K. Limited, a company incorporated in England and Wales.

The smallest group for which financial statements are drawn up which incorporate the results of Dollar Financial Europe Limited is that headed by Sterling Mid-Holdings Limited, a company incorporated in the Bailiwick of Jersey. Copies of the group financial statements, which include the results of the Company, are available from 74 E Swedesford Road, Malvern, PA 19355.

The Company's ultimate parent undertaking and controlling party is Lone Star Fund VIII (Bermuda), L.P. a Bermuda limited partnership which is controlled by its general partner, Lone Star Partners VIII, L.P., a Bermuda limited partnership, which is controlled by its general partner Lone Star Management Co, VIII Ltd, a Bermuda exempted limited company.

### 17. Subsequent events

On August 31, 2017, Dollar Financial U.K. Limited (DFUK), entered into a Share Purchase Agreement (the "Purchase Agreement") with a company incorporated in England and Wales (the "Buyer"), pursuant to which DFUK will dispose of its European businesses through the sale of 100% of the equity in the Company, DMWSL 488 Limited, and Dollar Financial Europe Limited, and their respective subsidiaries (the "Transaction").

Completion of the Transaction is subject to customary closing conditions, including, but not limited to, regulatory approvals and notices in the UK and Sweden, and any applicable antitrust approvals. The Purchase Agreement contains termination rights for Seller and Buyer in certain circumstances, including if the closing conditions are not satisfied within 180 calendar days after the signing of the Purchase Agreement, or such other date as the parties may agree in writing. As of the date of approval of these Financial Statements, the regulatory approvals remain pending.

On 4 August 2017, the Company issued at a premium 1 fully paid ordinary 1p share in the capital of the Company to its parent company, DFUK. The subscription price payable on the allotment of the share, was 50,662,000.