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Sterling Mid-Holdings Limited
Annual Financial Report
For the fiscal year ended June 30, 2018

Registration Number: 115653

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sterling Mid-Holdings Limited

We have audited the accompanying consolidated financial statements of Sterling Mid-Holdings Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, stockholder's equity, and cash flows for each of the three years in the period ended June 30, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sterling Mid-Holdings Limited and its subsidiaries as of June 30, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 21, 2018

STERLING MID-HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEETS

(in millions, except for share data)

	As of June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents (Includes $13.2 in variable interest entities - see Note 7)	$ 119.0	$ 132.2
Restricted cash (Includes $4.5 and $3.0 in variable interest entities - see Note 7)	7.5	6.5
Cash, cash equivalents and restricted cash	126.5	138.7
Consumer loans	388.2	290.7
Less: Allowance for consumer loan losses	(21.3)	(15.3)
Consumer loans, net (Includes $363.6 and $275.4 in variable interest entities - see Note 7)	366.9	275.4
Pawn loans	1.4	2.7
Loans in default, net of an allowance of $42.2 and $41.1 (Includes $7.0 and $7.2 in variable interest entities - see Note 7)	7.0	7.2
Other receivables	13.5	19.2
Prepaid expenses and inventory	9.4	8.7
Property and equipment, net of accumulated depreciation of $95.0 and $81.9 (Note 6)	47.3	56.2
Goodwill ($619.0 and $626.2) and other intangibles, net - See Note 4	634.0	642.3
Deferred tax asset, net	—	9.3
Other	21.2	12.2
Assets held for sale	—	318.2
Total Assets	**1,227.2**	**1,490.1**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Accounts payable	24.0	9.4
Income taxes payable	20.0	10.9
Accrued expenses (Includes $3.2 and $1.4 in securitized variable interest entities - see Note 7)	87.1	82.1
Deferred tax liability	55.0	71.7
Reserve for uncertain tax positions	23.7	30.7
Debt, net (includes $287.5 and $188.5 in variable interest entities - See Note 7)	1,373.7	1,213.8
Other liabilities	27.5	44.3
Liabilities held for sale	—	103.5
Total Liabilities	**1,611.0**	**1,566.4**
Contingencies (Note 11)		
Stockholder's equity:		
Common stock, £1.00 par value: 10,000 shares authorized; 1,402 shares issued and outstanding as of June 30, 2018 and June 30, 2017	—	—
Additional paid-in capital	1,083.2	1,083.2
Accumulated deficit	(1,346.3)	(1,058.4)
Accumulated other comprehensive loss	(120.7)	(101.1)
Total Stockholder's Equity	**(383.8)**	**(76.3)**
Total Liabilities and Stockholder's Equity	**$ 1,227.2**	**$ 1,490.1**

See accompanying notes to consolidated financial statements

These consolidated financial statements together with the accompanying notes to the consolidated financial statements were approved and authorized for issuance by the Board of Directors.

Signed:

Name: Rafael Colorado

Title: Director

Date:

STERLING MID-HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions)

	Years-Ended June 30,		
	2018	**2017**	**2016**
REVENUES			
Consumer lending	$ 372.1	$ 339.6	$ 279.2
Check cashing	84.9	82.9	85.1
Money transfer fees	20.5	20.7	18.8
Pawn, gold and other	29.0	33.4	38.0
Total revenues	506.5	476.6	421.1
OPERATING EXPENSES			
Salaries and benefits	113.2	109.5	104.6
Provision for loan losses	129.1	121.0	72.6
Occupancy	33.7	32.6	32.4
Advertising	17.1	12.6	8.0
Depreciation	11.2	12.8	8.8
Other operating (Note 6)	62.5	57.5	58.2
Total operating expenses	366.8	346.0	284.6
Operating margin	139.7	130.6	136.5
CORPORATE AND OTHER EXPENSES			
Corporate expense	68.6	87.5	78.2
Interest expense	161.8	139.8	105.8
Unrealized foreign exchange (gain) loss	(45.6)	31.2	92.7
Debt reorganization expense	3.6	13.7	—
Provision for litigation settlements	(3.8)	1.6	3.9
Other depreciation and amortization	7.5	6.1	8.4
Other expenses, net	29.6	28.1	30.5
Loss from continuing operations before income taxes	(82.0)	(177.4)	(183.0)
Income tax (benefit) expense	(16.3)	87.5	8.9
Loss from continuing operations, net of tax	(65.7)	(264.9)	(191.9)
Loss from discontinued operations, net of tax (Note 3)	(222.2)	(167.6)	(59.3)
NET LOSS	$ (287.9)	$ (432.5)	$ (251.2)

See accompanying notes to consolidated financial statements.

STERLING MID-HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Years-Ended June 30,		
	2018	2017	2016
Net loss	$ (287.9)	$ (432.5)	$ (251.2)
Other comprehensive loss:			
Foreign currency translation adjustment [1]	12.5	5.8	31.0
Fair value adjustments for derivatives, net [2]	—	0.8	(0.6)
Amount reclassified from accumulated other comprehensive loss [3]	(32.1)	—	—
Other comprehensive income (loss)	(19.6)	6.6	30.4
Comprehensive loss	$ (307.5)	$ (425.9)	$ (220.8)

(1) The ending balance of the foreign currency translation adjustments included in accumulated other comprehensive income on the balance sheet were losses of $135.8, $101.1 and $107.1 million for the years-ended June 30, 2018, 2017 and 2016, respectively.

(2) Net of $0.4 million and $0.3 million of tax for the years-ended June 30, 2017 and 2016, respectively.

(3) The European Businesses were classified as held-for-sale on August 31, 2017 and the sale closed on February 27, 2018 at which time all currency translation adjustments of the European Businesses were reclassified into earnings. See Note 2 - Business Disposition and Acquisition.

See accompanying notes to consolidated financial statements.

STERLING MID-HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(in millions, except for share data)

	Years-Ended June 30,		
	2018	2017	2016
Common Stock	$ —	$ —	$ —
Additional paid-in capital - beginning of period	1,083.2	951.8	781.8
Capital contribution	—	131.4	170.0
Additional paid-in capital - end of period	1,083.2	1,083.2	951.8
Accumulated deficit - beginning of period	(1,058.4)	(625.9)	(374.8)
Net loss	(287.9)	(432.5)	(251.1)
Accumulated deficit - end of period	(1,346.3)	(1,058.4)	(625.9)
Accumulated other comprehensive loss, net of tax - beginning of period	(101.1)	(107.7)	(138.1)
Other comprehensive income (loss)	(19.6)	6.6	30.4
Accumulated other comprehensive loss, net of tax - end of period	(120.7)	(101.1)	(107.7)
TOTAL STOCKHOLDER'S EQUITY	$ (383.8)	$ (76.3)	$ 218.2
Common shares outstanding - beginning of period	1,402	801	201
Issuance of common stock	—	601	600
Common shares outstanding - end of period	1,402	1,402	801

See accompanying notes to consolidated financial statements.

STERLING MID-HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years-Ended June 30, 2018	2017	2016
OPERATING ACTIVITIES			
Net loss	$ (287.9)	$ (432.5)	$ (251.2)
Less: net loss from discontinued operations	222.2	167.6	59.3
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	29.5	29.3	25.6
Provision for loan losses	129.1	121 0	72.6
Loss on disposal of property and equipment	2.2	1.8	2.2
Issuance of 2016 notes (paid in kind "PIK" interest)	93.7	84.0	—
Unrealized foreign exchange (gain) loss	(45.6)	31.2	92.7
(Gain) loss on sale of loans held for investment	(2.1)	—	1.7
Change in deferred tax expense	(7.5)	64.6	4.9
Other	2.0	3.5	—
Change in assets and liabilities:			
Decrease in finance and service charges receivable	(4.4)	6.7	(6.1)
(Decrease) increase in other receivables	5.5	(1.5)	(2.3)
(Increase) decrease in prepaid expenses, inventory and other	(10.2)	2.6	9.0
Decrease (increase) in accounts payable, accrued expenses and other liabilities	(14.8)	40.2	(13.6)
Net cash provided by operating activities - continuing operations	111.7	118.5	(5.2)
Net cash (used in) provided by operating activities - discontinued operations	(126.2)	40.3	(20.3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(14.5)	158.8	(25.5)
INVESTING ACTIVITIES			
Net increase in consumer loans	(221 7)	(239.5)	(156.5)
Net decrease (increase) in pawn loans	1.4	(0.2)	(0.1)
Additions to property and equipment	(11.0)	(18.4)	(27.4)
Acquisitions, net of cash acquired	—	—	(0.4)
Proceeds from sale of loans held for investment	2.1	—	(2.1)
Net cash used in investing activities - continuing operations	(229.2)	(258.1)	(186.5)
Net cash provided by (used in)investing activities - discontinued operations	99.9	(57.6)	(91.2)
NET CASH USED IN INVESTING ACTIVITIES	(129.3)	(315.7)	(277.7)
FINANCING ACTIVITIES			
Proceeds from demand note from Lone Star affiliates	8.4	—	37.0
Repayments of demand note from Lone Star affiliates	—	—	(11.0)
Capital contribution from Lone Star Funds	—	103.0	170.0
Proceeds from securitization facility	287.5	88.5	100.0
Repayment of securitization facility	(188.5)	—	—
Proceeds from revolving line of credit	5.0	79.4	396.1
Repayment of revolving line of credit	(15.0)	(77.0)	(358.3)
(Repayment) proceeds of bridge loan	(35 0)	34.0	—
Payment of debt issuance and other costs	(9.2)	(1.7)	(5.9)
Net cash provided by financing activities - continuing operations	53.2	226.2	327.9
Net cash used in financing activities - discontinued operations	(0.5)	(11.4)	(1.6)
NET CASH PROVIDED BY FINANCING ACTIVITIES	52.7	214.8	326.3
Effect of exchange rate changes on cash, cash equivalents and restricted cash	38.4	(34.4)	(9.9)
Net (decrease) increase in cash, cash equivalents and restricted cash	(52 7)	23.5	13.2
Cash, cash equivalents and restricted cash - beginning of year	179.2	155.7	142.5
Cash, cash equivalents and restricted cash - end of year	126.5	179.2	155.7
Less: cash and cash equivalents of discontinued operations - end of year	—	40.5	42.9
Cash, cash equivalents and restricted cash of continuing operations - end of year	$ 126.5	$ 138.7	$ 112.8
Supplemental disclosure of cash flow information:			
Interest paid	53.4	43.6	97.1
Income taxes paid, net of refunds	21.2	6.5	3.8

See accompanying notes to consolidated financial statements.

STERLING MID-HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Sterling Mid-Holdings Limited. ("SMHL", the "Company", "we", "our" or "Successor"), a Jersey Channel Islands company, is a direct wholly owned subsidiary of Sterling Holdings Ltd., which is a wholly owned subsidiary of LSF8 Sterling Partners, L.P. ("LSF8") a Bermuda partnership and an affiliate of Lone Star Funds ("Lone Star"), which was formed on May 2, 2014. LSF8 and Lone Star are referred to herein as "Parent" or "parent companies".

On February 5, 2018, the Company acquired the know-how and proprietary lending algorithms from First Federal Credit LLC ("FFC"). The acquisition provides the Company with the tools to enhance its online lending channels and direct-to-consumer ("DTC") targeted marketing strategies in the United States ("US") during the initial launch phase. The acquisition is accounted for in accordance with ASC 805, Business Combinations. Refer to Note 3 - "Business Disposition and Acquisition", for further discussion on the transaction.

On February 27, 2018, the Company closed on the previously announced sale of 100% of our investment in Instant Cash Loans Ltd. ("ICL"), DMWSL 488 Ltd., and Dollar Financial Europe Ltd., ("DFE") and the respective subsidiaries, collectively referred to as the "European Businesses" (See "Note 3 - Business disposition and acquisition" for details). The European Businesses are primarily composed of operations in regions including the UK, Sweden, Finland, Spain, Poland and Romania and was formerly grouped within the UK and Rest of World ("ROW") reporting units.

The Company's continuing operations in the U.S and Canada (collectively, "North America"), provide retail financial services to the general public through a network of 819 locations (of which 812 are company owned) which are operating principally as Money Mart®, InstaCheques®and The Check Cashing Store® in Canada, and the United States ("US"). This network of stores offers a variety of financial services including unsecured short-term consumer loans, secured pawn services, gold buying, check cashing, money transfer services and various other related services. In addition to our retail stores, we offer unsecured consumer loans online in the US and Canada, primarily under the brand names Money Mart®, paydayloan.ca℠, and Aspen®. The Company discontinued offering secured pawn and gold buying services effective February 1, 2018.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP" or "US GAAP"). In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included.

The consolidated financial statements include the accounts of the Company and its subsidiaries which are considered variable interest entities (VIEs). The Company consolidates VIEs for which it was deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Voting Interest Entities

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity's operations. For these entities, the Company's determination of whether it has a controlling interest is primarily based on the amount of voting equity interests held. Entities, in which the Company has a controlling financial interest through ownership of the majority of the entities' voting equity interests, are consolidated by the Company.

Investments in companies in which the Company has significant influence over operating and financial decisions (but does not own a majority of the voting equity interests) are accounted for in accordance with the equity method of accounting. Such investments are not significant to the Company's consolidated results of operations, financial position or cash flows.

Variable Interest Entities

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. The most common type of VIE is a special purpose entity ("SPE"). SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute cash flows from those assets to investors. As part of the Company's two year receivable securitization facility (the "Facility") the Company's subsidiaries in North America agreed to sell participations and/or beneficial interest in all of their eligible outstanding consumer loan receivables to secure the Borrower's obligation to the Lenders of the Facility (the Borrower is a wholly-owned, bankruptcy remote SPE). See "Note 7 - Debt" for details of the receivables securitization facility.

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (2) through its interest in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes first identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has the power over those activities. In general, the parties that make the most significant decisions affecting the VIE are deemed to have the power to direct the activities of a VIE. To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers all of its economic interests, including subordinated loans, intercompany notes, deferred purchase price, capital contributions, servicing fees and other arrangements deemed to be variable interests in the VIE. This assessment requires that the Company apply judgment to determine whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include the design of the VIE, including its capitalization structure; subordination of interests, payment priority; relative share of interests held and the reasons why the interests are held by the Company.

In the case of a consolidated VIE used to secure a debt facility, the accounting is consistent with a secured financing, (i.e., the Company continues to carry the loans and records the related securitized debt on its balance sheet).

Discontinued Operations

The results of operations of a component of the Company are reported in discontinued operations when certain criteria are met as of the date of disposal, or earlier if classified as held-for-sale. When a component is identified for discontinued operations reporting, amounts for prior periods are retrospectively reclassified as discontinued operations. For transactions occurring January 1, 2015 or later, under current guidance issued by the Financial Accounting Standards Board ("FASB"), components are identified as discontinued operations if they are a major part of an entity's operations and financial results such as a separate major line of business or a separate major geographical area of operations regardless of whether the Company has significant continuing involvement in the operations of the component after the disposal transaction. For information on discontinued operations, see Note 3 - "Business Disposition and Acquisition".

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, loan loss reserves, valuation allowance for deferred income taxes, uncertain tax positions, litigation and contingency reserves, valuation of acquired tangible and intangible assets and liabilities and impairment assessment of goodwill and other intangible assets. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.

Risks & Uncertainties

We are subject to regulatory oversight by various local, state, provincial and federal regulatory bodies. In the US, we are regulated by various states and by the Consumer Financial Protection Bureau ("CFPB"). In Canada, we are regulated by regulators and legislation at both the provincial and federal levels. We believe our relationships with our regulators in our key markets are good.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted, which, among other things, created the CFPB. In the United States, the CFPB has regulatory, supervisory and enforcement powers over certain non-bank providers of consumer financial products and services, such as us. Under the CFPB's short-term lending supervision program, which aims to ensure that short-term lenders are following federal consumer financial laws in their US operations, the CFPB gathers information from short-term lenders to evaluate their policies and procedures to assess whether lenders are in compliance with federal consumer financial laws, and to identify risks to consumers throughout the lending process. Any restrictive action by the CFPB with respect to short-term consumer loans could have an adverse impact on our business or results of operations and financial condition.

The Company continues to work with Lone Star in respect of possible liquidity options, including, but not limited to, exploring alternative financing arrangements. In addition, the Company is now offering new longer term installment and direct to consumer online loan products in North America and continues to explore alternatives for reducing operating costs.

Presentation of Previous Periods

As a result of the disposition of the UK and ROW reporting units, amounts related to the disposed reporting units previously reported in the prior year's Consolidated Balance Sheet and Consolidated Statements of Operation have been reclassified to conform to current year presentation. In addition, corresponding, adjustments have also been made to the Consolidated Statements of Cash Flows for all periods presented. These reclassifications have no effect on previously reported results of operation.

Revenue Recognition

Revenue from consumer loan fees includes interest income, finance charges, fees for services provided through our Company operated stores, service charges, minimum fees, late fees, nonsufficient funds fees and any other fees or charges permitted by applicable laws and pursuant to the agreement with the borrower and the type of loan. For unsecured short-term consumer loans, which generally have terms ranging from 1 to 60 days, and for multiple payment loans up to 5 years, revenues are recognized using the interest method. Loan origination fees are recognized as an adjustment to the yield on the related loan. Our reserve policy regarding these loans is summarized below under "Allowance for Consumer Loan Losses." Revenues from our check cashing, money order sales, money transfer and other ancillary services reported in other revenues are all recognized when the transactions are completed at the point-of-sale in the store.

Secured pawn loans were offered at certain of our Canadian and US retail stores. Pawn loans are short-term in nature and are secured by the customer's personal property, which we refer to as a pledge. At the time of pledge, the loan is recorded and interest and fees, net of costs are accrued for over the life of the loan. If the loan is not repaid, the collateral is deemed forfeited and the pawned item will, in most markets, either go up for auction, or in the case of gold, be smelted by a contractor to recover the value of the gold. If the item is sold or gold smelted, proceeds are used to recover the loan value, interest accrued and fees. As with our unsecured short-term consumer loans, revenues are recognized using the interest method and loan origination fees, net, are recognized as an adjustment to the yield on the related loan.

The Company discontinued offering secured pawn loans and gold buy back services effective February 1, 2018.

Cash and Cash Equivalents

Cash includes cash in stores and demand deposits with financial institutions. Cash equivalents are defined as short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value because of changes in interest rates.

Restricted Cash

Restricted cash represents amounts not available for general operations in accordance with contractual agreements. The Company has early adopted ASU No. 2016-18, "*Statement of Cash Flows (Topic 230), Restricted Cash* for the fiscal year-ended June 30, 2017.

Consumer Loans, Net

Unsecured short-term and longer-term installment loans that the Company originates are reflected on the consolidated balance sheets in consumer loans, net and are stated at the principal amount less deferred fees. Consumer loans, net are reported net of a reserve as described below under "Loan Loss Allowance".

Loans in Default

Loans in default consist of unsecured short-term and longer term installment consumer loans originated by the Company which are in default status. An allowance for the defaulted loans receivable is established and is included in the loan loss provision in the period that the loan is placed in default status. The reserve is reviewed monthly and any change to the loan loss allowance as a result of historical loan performance, current and expected collection patterns and current economic trends is included with the Company's loan loss provision. If the loans remain in a defaulted status for an extended period of time, typically 180 days, the amount of receivable is charged off against the allowance for the entire amount of the loan previously recorded.

Allowance for Consumer Loan Losses

The Company maintains a loan loss allowance for estimated losses for unsecured consumer loans. To estimate the appropriate level of loan loss allowance, the Company considers known relevant internal and external factors that affect loan collectability, including the amount of outstanding unsecured loans owed to the Company, historical loans charged off, current collection patterns and current economic trends. The Company's current loan loss allowance is based on its net charge-offs, typically expressed as a percentage of loan amounts originated for the last twelve months applied against the principal balance of outstanding loans. Management also considers internal and external factors such as the regulatory environment, credit quality trends, underwriting and collection practices and other risks as necessary to estimate credit losses in the portfolio. Such qualitative factors are used to reflect changes in the loan portfolios collectability characteristics not captured by historical loss data. As these conditions change, the Company may need to record additional allowances in future periods.

Short-term Loans

Generally, when a short-term loan is originated, the customer receives the cash proceeds in exchange for a post-dated check or a written authorization to initiate a charge to the customer's bank account on the stated maturity date of the loan. If the check or the debit to the customer's account is returned from the bank unpaid, the loan is placed in default status and an allowance for this defaulted loan receivable is established and is included in loan loss provision expense in the period that the loan is placed in default status. This reserve is reviewed monthly and any additional provision to the loan loss reserve as a result of historical loan performance, current collection patterns and current economic trends is included in loan loss provision expense. If a loan remains in defaulted status for an extended period of time, typically 180 days, the amount of receivable is charged off against the allowance for the entire amount of the loan previously recorded. Recoveries on loans that were previously completely charged off are credited to the allowance when collected.

Longer-term Installment Loans

The allowance is generally computed by applying loss factors to outstanding loans principal balances over an estimated loss emergence period. The loss emergence period represents the time period between the date at which the loss is estimated to have been incurred and the ultimate realization of that loss (through a charge-off). Installment payment and term loans not in "debt management" are categorized based on the default or aging bucket with loss percentages considering the probability of loans rolling to charge-off. For recognition of the allowance for loan losses, US GAAP requires an impairment to be recognized when it is probable a loss has been incurred. Estimated loss emergence periods may vary by product and may change over time; management applies judgment in estimating loss emergence periods, using available credit information and trends. Loss factors are statistically derived and sensitive to changes in delinquency status, and other risk factors. The Company uses a number of different forecasting models to estimate both the probability of default and loss severity, including delinquency roll rate models and credit loss severity models. In developing the probability of default and loss severity assumptions, the Company also considers known and anticipated changes in the economic environment, unemployment rates and other risk indicators.

This reserve is reviewed monthly and any additional provision to the loan loss reserve as a result of historical loan performance, current collection patterns and current economic trends is included in the loan loss provision expense. If a loan remains in defaulted status for an extended period of time, typically 90 days, the loan is placed in non-accrual status. The entire amount of the loan is charged off after 180 days. Loan sales on occasion occur prior to reaching 180 days depending on the region. Recoveries on loans that were completely charged-off are credited to the allowance when collected.

Management also considers internal and external factors such as the regulatory environment, credit quality trends, underwriting and collection practices and other risks as necessary to estimate credit losses in the portfolio. Such qualitative factors are used to reflect changes in the loan portfolios collectability characteristics not captured by historical loss data. As these conditions change, the Company may need to record additional allowances in future periods.

The Company's allowance for loan losses for each of the reporting periods has been calculated to reflect management's best estimate and judgment of the likely impact of these changes on probable loan losses. However, these estimates are inherently uncertain, especially given the brief history of loan loss experience available because longer term installment loans have only been implemented by the Company within the last two years. As the ultimate impact of actual loan losses and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Unsecured Direct to Consumer Online Loans

During the fourth quarter, we rolled out a direct to consumer online installment loan product in the US that is tailored to conform to regulations in Alabama, California, Delaware, Missouri, Mississippi, New Mexico and Utah.

Pawn Loans

Pawn loans are secured by the customer's pledged item, which is generally 50% to 80% of the estimated fair value of the pledged item, thus reducing, although not eliminating, the Company's exposure to losses on defaulted pawn loans. The Company's historical redemption rate on pawn loans is in excess of 80%, which means that for more than 80% of its pawn loans, the customer repays the amount borrowed, plus interest and fees, and the Company returns the pledged item to the customer. In the instance where the customer defaults on a pawn loan (fails to redeem), the pledged item is either sold at auction or sold to a gold smelter or sold to a third party in the Company's retail stores within several weeks of the customer default. Generally, excess amounts received over and above the Company's recorded asset and auction-related administrative fees are returned to the customer.

Determination of the allowance for consumer loan and pawn loan losses requires management to exercise significant judgment about the timing, frequency, the estimated fair market value of the pawn assets held as collateral, and severity of credit losses inherent in the portfolio at the balance sheet date. The Company's allowance for loan losses for each of the reporting periods has been calculated to reflect management's best estimate and judgment of the likely impact of the factors discussed above on probable loan losses. The Company's continuing operations in North America discontinued offering secured pawn loans and gold buy back services effective February 1, 2018. However, these estimates are inherently uncertain, especially given the impact of discontinuing offering the product by the Company. As the ultimate impact of such effects, if any, cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from the Company's actual experience will be reflected in the financial statements in future periods.

Other receivables

Other receivables consist primarily of third-party receivables for money transfer services and income taxes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term (including renewal options that are reasonably assured) or the estimated useful life of the related asset. We capitalize certain costs incurred in connection with developing or obtaining software for internal use and amortize the costs on a straight-line basis over the estimated useful lives of each system, typically five years.

Goodwill and Other Intangible Assets

Goodwill is the excess of cost over the fair value of the net assets of the business acquired. In accordance with FASB ASC Topic 350, *Intangibles-Goodwill and Other* ("ASC 350") goodwill is assigned to reporting units, which the Company has determined to have only one reporting unit. No goodwill or intangibles has been assigned to corporate because of the limited activities and because it does not generate revenues. Goodwill is assigned to the reporting unit that benefits from the synergies arising from each particular business combination. The Company determines reporting units based on a review of operating segments, and to the extent present, the underlying components. Where two or more components within the same operating segment have similar economic characteristics, their results are aggregated into one reporting unit. Goodwill and intangibles are evaluated for impairment annually, or between annual impairment tests, if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. To accomplish this, the Company is required to determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

The Company performs its annual goodwill impairment test as of April 1. The Company may be required to evaluate the recoverability of goodwill prior to the required annual assessment if the Company experiences a significant disruption to its business, unexpected significant declines in its operating results or forecasted operating results, divestiture or exit of a significant component of its business, or a significant change to the regulatory environment in which the Company operates. In April 2017, the Company adopted Accounting Standards Update (ASU) 2017-04 - *"Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"*, because it is more cost effective and it simplifies the accounting for goodwill impairments by eliminating Step 2 of the goodwill impairment test. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair values of its reporting units are less than their carrying amounts as a basis for determining whether or not to perform the quantitative goodwill impairment test. If it is more likely than not that the fair value is lower than the carrying value, the Company is then required to quantitatively assess the fair value of the reporting units. ASU 2017-04 provides for a one-step quantitative test. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the amount of goodwill impairment is the excess of the reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

The Company considers the goodwill impairment testing process to be one of the critical accounting estimates used in the preparation of its consolidated financial statements. The Company normally estimates the fair value of its reporting units by using a discounted cash flow analysis or a market-based approach, or a combination thereof. The discounted cash flow analysis requires the Company to make various assumptions about revenues, operating margins, growth rates, and discount rates. These assumptions are based on the Company's budgets, business plans, economic projections, anticipated future cash flows and marketplace data. Assumptions are also made for perpetual growth rates for periods beyond the period covered by the Company's long term business plan. Since we estimate the fair value of our reporting units by using an income approach, the fair value estimates are sensitive to the selection of the following inputs: the weighted-average cost of capital rate used to discount the projected cash flows, and the market comparables are taken into consideration, but are especially sensitive to the projected future cash flows of the respective reporting unit.

Presentation of Debt Issuance Costs

Debt issuance costs are amortized over the remaining term of the related debt. In April 2015, the FASB issued ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which requires reporting entities to record costs paid to third parties that are directly related to issuing debt, and that otherwise would not be incurred, as a deduction to the corresponding debt for presentation purposes. The Company adopted FASB ASU 2015-03 during the year-ended June 30, 2017 on a retrospective basis.

Operating Expenses

The direct costs incurred in operating the Company's business have been classified as operating expenses. Operating expenses include salaries and benefits of store and regional employees, provisions for loan losses, rent and other occupancy costs, purchased gold costs, depreciation of property and equipment used to operate the Company's business, bank charges, armored carrier services, returned checks, net and cash shortages, advertising, maintenance and repairs and other costs incurred by the stores. Excluded from operating expenses are the corporate expenses of the Company, which include salaries and benefits of corporate employees, professional fees and travel costs. Also excluded from operating expenses are acquisition-related costs, which are recorded in Other expense, net in the consolidated statements of operations.

Check Cashing Returned Item Policy

The Company charges operating expense for losses on returned checks during the period in which such checks are returned. Recoveries on returned checks are credited to operating expense in the period during which recovery is made. This direct method for recording returned check losses and recoveries eliminates the need for an allowance for returned checks.

Income Taxes

The Company provides for income taxes and the related accounts under the asset and liability method pursuant to guidance provided by FASB ASC Topic 740, Income Taxes ("ASC 740"). Under this method, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets, liabilities, and expected benefits of utilizing net operating losses ("NOL") and tax credit carry-forwards. The impact on deferred taxes of changes in tax rates and laws, if any, are reflected in the consolidated financial statements in the period of enactment. Deferred taxes are recorded at the enacted tax rate for the year the deferred items are expected to reverse. Tax expense includes both current and deferred tax expense for US and international income taxes plus any applicable withholding taxes.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. Significant weight is given to evidence that can be objectively verified, and significant management judgment is required in determining any valuation allowances recorded against net deferred tax assets. The Company evaluates deferred income taxes on a quarterly basis to determine if valuation allowances are required by considering all available evidence. Deferred tax assets are recognized when expected future taxable income is sufficient to allow the related tax benefits to reduce taxes that would otherwise be payable. The sources of taxable income that may be available to realize the benefit of deferred tax assets are future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and credit carry-forwards, taxable income in carry-back years, and tax planning strategies which are both prudent and feasible. During the year ended June 30, 2018, management concluded, after reviewing all the positive and negative evidence, that a valuation allowance was necessary for the Canadian entity. Management also concluded that the valuation allowance against the US deferred tax assets should remain. The Company believes that its estimate of future taxable income is inherently uncertain, and if its current or future operations generate losses, further adjustments to the valuation allowance are possible. There is currently no assurance of such future income before income taxes.

On November 20, 2015, the FASB issued *ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes"* ("ASU 2015-17"), to simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as non-current in a classified statement of financial position. Under prior guidance, an entity was required to separate deferred income tax assets and liabilities into current and non-current amounts. The current requirement that deferred tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is not affected. For non-public entities, the new guidance is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, with early adoption permitted. We adopted the new guidance on a prospective basis beginning with the fiscal year ended June 30, 2016.

An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward. The exception to this treatment is as follows: to the extent an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date or if the entity is not required to use and does not intend to use the deferred tax asset, then the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

The accounting for uncertainty in income taxes requires a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the (i) benefit recognized and measured for financial statement purposes and (ii) the tax position taken or expected to be taken on the Company's tax return. To the extent that the Company's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The Company has elected to record any interest or penalties associated with uncertain tax positions as income tax expense.

Derivative Instruments and Hedging Activities

FASB ASC Topic 815, *Derivative and Hedging* ("ASC 815") requires companies to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, or cash flows. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of the Company's risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 9 - "Derivative Instruments and Hedging Activities" for further information regarding the Company's derivatives, including the required disclosures noted above.

Foreign Currency Translation and Transactions

The Company's functional currency is the US dollar ("USD"). The functional currency of the Company's subsidiaries are the currencies in effect in each respective country. With the sale of the Company's UK and European operations, the Company's foreign currency exposure is now limited to operations in Canada. Further, the functional currency of the Canadian operations is the Canadian dollar ("CAD"). The financial statements of the Canadian operations are translated into US dollars in accordance with FASB ASC Topic 830, *Foreign Currency Matters* ("ASC 830"). All balance sheet accounts are translated at the current exchange rate at each period end and income statement items are translated at the average exchange rate for the period; resulting translation adjustments are made directly to a separate component of stockholder's equity. Realized gains or losses resulting from foreign currency transactions excluding the revaluation of non-functional currency denominated debt are included in other expense (income), net. Gains or losses resulting from the revaluation of non-functional currency denominated debt are included in unrealized foreign exchange gain (loss), due to the fact that currency of the contractual arrangement is different than the functional currency of the operating entity.

Stockholder's Equity

In conjunction with the Merger on June 13, 2014, DFC Global Corp ("Predecessor") shareholders received from an affiliate of Lone Star $9.50 in cash for each share of DFC Global Corp.'s common stock they owned. In addition to the $800.0 million 10.50% Senior Secured Notes due 2020 that was issued to retire Predecessor debt, Lone Star contributed $700.0 million as a capital contribution (See also Note 7 - "Debt"). During the fiscal year-ended June 30, 2016 and 2017, Lone Star contributed an additional $170.0 million and $131.4 million, respectively in capital, primarily to fund loan book growth. There were no capital contributions by Lone Star during the fiscal year ended June 30, 2018.

Equity Method Investment

The Company uses the equity method of accounting for its investments in entities in which it has significant influence; generally, this represents an ownership interest of between 20% and 50%. The carrying value of the Company's equity method investment at June 30, 2018 and 2017 was $8.3 million and $8.4 million, respectively, and is subject to fluctuations from year to year because of the Canadian dollar exchange rate and our annual impairment evaluation based on actual and projected cash flows from the joint venture. Following the adoption of ASU 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* the Company elected the cumulative earnings approach and consequently, distributions received from equity method investee are considered as returns on investment and recorded as operating cash inflows.

Troubled Debt Restructuring

When the terms of Consumer loan are modified, consideration must be given as to whether or not the modification results in a Troubled Debt Restructuring ("TDR"). A modification is considered to be a TDR when both a) the borrower is experiencing financial difficulty and b) we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For term loans, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrower's default status on any of its debts, bankruptcy and recent changes in financial circumstances (loss of job, etc.). A concession has been granted when as a result of the modification we do not expect to collect all amounts due, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include, but are not limited to, extensions of terms at a rate that does not constitute a market rate, a reduction, or forgiveness of principal or interest owed.

In addition to the modifications noted above, on occasion we may extend contractual terms of loans following a missed payment upon a series of consecutive payments. A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and the modification is not considered to be a TDR.

These modifications are generally not considered TDRs because the extension is not considered significant. Also, on occasion we may change the payment frequency at the borrowers request from bi-weekly to monthly or vice versa. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration.

Management's Assessment of Going Concern

ASC 205-40, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. Under ASC 2015-40, the Company's current activities in progress and future receipt of potential funding from refinancing, issuance of equity subscriptions to the Company's shareholder and other possible transactions have not been fully implemented as of June 30, 2018. Accordingly, the accounting guidance defines that substantial doubt is deemed to exist regarding the Company's ability to continue as a going concern within one year after the date these financial statements are issued. This update was effective for the Company's 2017 fiscal year. The Company's assessment of our ability to continue as a going concern is further discussed in the "Uses and Sources of Liquidity" paragraph below in Note 7 - Debt.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business and assuming that any deemed substantial doubt has been alleviated by management plans. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, to clarify certain aspects and definitions to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The ASU does not affect the accounting for the service element of a hosting arrangement that is a service contract. This ASU is applicable to the Company beginning with the 2021 fiscal year with early adoption permitted and may be applied either on a retrospective or prospective basis. The Company does not expect that this new guidance will have a material impact on the Company's consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, *Income taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, to formally codify the guidance provided by the Securities and Exchange Commission ("SEC") in Staff Accounting Bulletin ("SAB") 118. SAB 118 provides additional guidance allowing companies to use a one year measurement period, similar to that used in business combinations, to account for the impacts of the Tax Cuts and Jobs Act ("the Act" or "TCJA") in their financial statements. The Company has accounted for the impacts of the Act, including the use of reasonable estimates where necessary. The Company may continue to refine its estimates throughout the measurement period. Refer to Note 10 - "Income Taxes" for further discussions.

In February 2018, the FASB issued *ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive income* ("ASU 2018-02"). Current US GAAP requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the period the change is enacted, including items of other comprehensive income for which the related tax effects are presented in other comprehensive income ("stranded tax effects"). ASU 2018-02 allows, but does not require, companies to reclassify stranded tax effects caused by the 2017 Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. Additionally, ASU 2018-02 requires new disclosures by all companies, whether they opt to do the reclassification or not. The provisions of *ASU 2018-02* are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Companies should apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the TCJA is recognized. We are currently assessing the impact adoption of ASU 2018-02 will have on our Consolidated Financial Statements.

In August 2017, the FASB issued *ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). This new standard on the hedge accounting and recognition requirements is intended to improve the transparency of information presented in the financial statements along with simplifying hedge accounting requirements. The new standard is effective the Company in the 2020 fiscal year, with early adoption permitted. The Company has completed an evaluation of the new standard and does not expect the adoption to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-13 is effective for the Company for fiscal years beginning after December 15, 2020 with early adoption permitted beginning after December 15, 2018. The Company is currently assessing the potential impact of ASU 2016-13 on its consolidated financial statements.

In February 25, 2016, the FASB issued ASU 2016-02 - "*Leases*". This is a comprehensive new lease accounting standard that provides revised guidance on accounting for lease arrangements by both lessors and lessees. The central requirement of the new standard is that lessees must recognize lease related assets and liabilities for all leases with a term longer than 12 months. The Company plans to adopt these amendments on July 1, 2020 using the modified retrospective approach. The adoption of these amendments will cause a material change to the balance sheet from the recognition of right-of-use assets and lease liabilities related to the Company's portfolio of real estate leases. The new standard is effective for the Company in fiscal year 2020, with early adoption permitted.

In May 2014, the FASB issued ASU No. 2014-09 - "*Revenue from Contracts with Customers (Topic 606)*". The ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in US GAAP when it becomes effective. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In July 2015, the FASB affirmed its proposal to defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. Early application is not permitted. The standard permits the use of either the full retrospective or modified retrospective method. The Company is evaluating the potential effect of adopting the ASU and related disclosures and anticipates that it will not have a material impact on the Company's consolidated financial statements.

3. Business Disposition and Acquisition

On February 27, 2018, the Company closed on the sale of 100% of the equity in Instant Cash Loans Ltd. ("ICL"), DMWSL 488 Ltd., and Dollar Financial Europe Ltd., ("DFE") and the respective subsidiaries. The European Businesses formerly were reported as the UK and ROW reporting units. The UK and ROW reporting units comprised approximately 21%, 37% and 38% of total consolidated revenue for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

Concurrently with the closing of the European Businesses' sale, the Company entered into a transitional services agreement ("TSA") with the Buyer to provide administrative services for a period between six and up to eighteen months beginning on the close of the transaction. The TSA provides for monthly payments by the Buyer to the Company and is subject to adjustments as services are transitioned to the Buyer. As of February 27, 2018, the European Businesses are no longer subsidiaries of or related parties to SMHL and the Company will have no significant continuing operational involvement with the European Businesses.

In accordance with ASC 205-20 - "*Presentation of Financial Statements - Discontinued Operations*", and following the adoption of ASU 2014-08 - "*Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity*", our UK and ROW reporting units are reported as discontinued operations. Previously reported consolidated statement of operations for the comparative prior year periods have been recast to reflect the discontinued operations so it can be comparable to the current year's presentation. All assets and liabilities of the European Businesses have been presented as assets and liabilities classified as held-for-sale based on their historical presentation. In addition, the Company discontinued depreciation and amortization of all long-lived assets classified as held-for-sale as of August 31, 2017 in accordance with FASB ASC 360-10-35-43.

The sale resulted in pre-tax capital loss from the transaction of $144.7 million for the fiscal year-ended June 30, 2018. Additionally, $32.1 million loss from currency translation adjustment for the fiscal year ended June 30, 2018 was recorded in the Consolidated Statement of Operations in accordance with ASC 830, "*Foreign Currency*".

The following tables present the major classes of assets, liabilities, pretax profits and expenses of the discontinued operations as reported within the Consolidated Balance Sheets and the Consolidated Statements of Operations.

The following table presents the reconciliation of the major line items constituting "Loss from sale of subsidiaries, net of tax" of the UK and ROW reporting units that are presented in the Consolidated Statements of Operations:

STERLING MID-HOLDINGS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

Carrying Amounts of Major Classes of Assets and Liabilities of the Discontinued Operations And a Reconciliation to Amounts Reported in the Consolidated Balance Sheets

(in millions)	June 30, 2017
ASSETS	
Cash and cash equivalents	$ 40.4
Consumer loans	113.7
Pawn loans	89.6
Other assets	74.5
Total assets classified as held-for-sale	318.2
LIABILITIES	
Accounts payable and accrued expenses	60.1
Debt, net [1]	38.9
Other liabilities	4.5
Total liabilities classified as held-for-sale	$ 103.5

(1) Represents Scandinavian debt that was settled concurrently with the close of the sale of the European Businesses.

Major Components of Statement of Operations of the Discontinued Operations And a Reconciliation to Amounts Reported in the Consolidated Statements of Operations

	Years-Ended June 30,		
(in millions)	2018	2017	2016
Revenues	$ 136.1	$ 277.0	$ 262.5
Expenses:			
Salaries and benefits expenses	34.5	63.4	77.2
Provision for loan loss	27.8	95.0	48.9
Other operating expenses	76.0	127.4	138.8
Goodwill impairment	—	118.6	—
Corporate expenses	39.9	53.4	56.9
Pre-tax operating loss of the discontinued operations	**(42.1)**	**(180.8)**	**(59.3)**
Pre-tax loss from classification as held-for-sale	(176.8)	—	—
Total pre-tax loss of discontinued operations	(218.9)	(180.8)	(59.3)
Income tax expense (benefit)	3.3	(13.2)	—
Loss from discontinued operations	$ (222.2)	$ (167.6)	$ (59.3)

The significant operating and investing non-cash items of the European Businesses are as follows:

Major Operating and Investing Non-Cash Items of the Discontinued Operations

	Years-Ended June 30,		
(in millions)	2018	2017	2016
Loss from classification as held-for-sale	$ 176.8	$ —	$ —
Depreciation and amortization	1.8	17.9	19.6
Provision for loan losses	27.8	95.0	49.0
Unrealized foreign exchange loss	(1.5)	(1.2)	(1.5)

Contingent Liabilities

In 2017, ICL had reserved £5.1 million (approximately $6.6 million) to cover the costs of the customer redress plan relating to erroneous credit search issue. Concurrently with the close of the European Businesses' sale transaction, proceeds from sale of $10.6 million were put into an escrow account to cover any potential residual incremental liabilities. As of June 30, 2018, the Company may be liable for indemnified matters related to certain loans originated by operating subsidiaries in the UK prior to the closing of the sale of the UK operations.

Business Acquisition

On February 5, 2018, the Company acquired the know-how and proprietary lending algorithms from First Federal Credit LLC ("FFC"). The acquisition provides the Company with the tools to enhance its online lending channels and direct-to-consumer ("DTC") targeted marketing strategies in the United States ("US") during the initial launch phase.

The acquisition has been accounted for in accordance with ASC 805, "*Business Combinations*", and accordingly the purchase price has been allocated to the fair value of the assets acquired included in the property and equipment line of the consolidated balance sheet as of June 30, 2018. The Company does not consider this acquisition to be material to the Consolidated Balance Sheet as of June 30, 2018.

4. Goodwill and Other Intangibles

The following table reflects the roll-forward of intangible assets (in millions):

Goodwill:	June 30, 2018	June 30, 2017
Goodwill - beginning balance	$ 626.2	$ 723.6
Impairment charges (3)	—	(96.1)
Additional goodwill due to acquisition	—	—
Currency translation adjustment	(7.2)	(1.3)
Goodwill - ending balance	$ 619.0	$ 626.2

Amortizable intangible assets:	June 30, 2018		June 30, 2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Purchased technology	$ —	$ —	$ 25.8	$ 15.7
Trade names	18.8	3.8	35.1	5.9
Impairment charges (1) (3)	—	—	(41.9)	(18.7)
Total amortizable intangible assets (2)	$ 18.8	$ 3.8	$ 19.0	$ 2.9

(1) Impairment charges were taken on purchased technology and trade names.
(2) Amounts include the impact of foreign currency translation of $(0.3) million and $(0.3) million for the fiscal year-ended June 30, 2018 and June 30, 2017, respectively. The remaining useful life of trade names is 16 years.
(3) Cumulative impairment charges by the Successor was $115.0 million for goodwill and $32.3 million, net for amortizable intangible assets as of June 30, 2018.

Goodwill is the excess of purchase price over the fair value of the net assets of the business acquired and is evaluated for impairment on an annual basis or between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. To perform the impairment testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair values of its reporting units are less than their carrying amounts as a basis for determining whether or not to perform the quantitative goodwill impairment test. The Company then estimates the fair value of each reporting unit not meeting the qualitative criteria and compares their fair values to their carrying values. If the carrying value of a reporting unit exceeds its fair value, (under ASC 2017-04 - "*Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*", which the Company early adopted effective April 1, 2017) the Company determines the impairment of goodwill for that reporting unit by deducting the fair value of the reporting unit, from its overall carrying value, including goodwill, and the Company recognizes an impairment loss for the difference up to the amount of the recorded goodwill.

During the fiscal years-ended June 30, 2018, 2017 and 2016, the Company's reporting unit structure consisted of North America, UK, and Rest of World ("ROW"). Effective September 1, 2017, the UK and ROW reporting units was classified as "held for sale" as a result of the Sale and Purchase Agreement ("SPA") signed on August 31, 2017. We also have a corporate reporting unit which consists of corporate debt and costs related to corporate management, oversight and infrastructure, and other governance activities. No goodwill has been assigned to it because of the limited activities of the corporate reporting unit. The Company conducts its annual impairment test of its goodwill as of April 1 of each fiscal year in as required by the guidance under *ASC 350.*

During the quarter ended June 30, 2017, the Company had been exploring strategic alternatives for its operations in the UK and ROW and on April 10, 2017, the Company entered into a Letter of Intent agreement with a private equity group in Europe. Additionally, the Company took steps to restructure its intercompany debt structure in the UK and ROW reporting units as of June 30, 2017 to eliminate intercompany debt from the balance sheet of the operating UK and ROW legal entities.

As of June 30, 2017, based on the qualitative assessment outlined above as prescribed by ASC 350, new information available and preliminary pricing structure for the potential sale of the UK and ROW reporting units, the Company assessed the validity of certain assumptions used in its impairment testing results as of April 1, 2017, and concluded that it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the UK and ROW reporting units were less than its carrying amount, including goodwill as of June 30, 2017. In evaluating the results of the 2017 annual impairment test, the Market Approach was used to estimate the fair values of the UK and ROW reporting units because of indicators and evidence from the ongoing negotiations with the potential purchaser. Additionally, the carrying values of the UK and ROW reporting units were computed to reflect the actual external debt on the balance sheets of the UK and ROW as of June 30, 2017 because of the intercompany debt restructuring steps carried out on June 30, 2017. Based on the quantitative assessment resulting from considering the two key assumptions described above, the Company concluded that it was appropriate to impair all the goodwill and the net intangible balances in the UK and ROW reporting units in accordance with the updated guidance of ASC 350 as amended by ASU 2017-04, and consequently recorded an impairment charge of $96.1 million for the year-ended June 30, 2017 to reduce all of the goodwill balances in the UK and ROW reporting units. In quantifying the amount of the impairment for the UK and ROW reporting unit, the Company early adopted the guidance under *ASU 2017-4 - Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* On February 27, 2018, the Company closed on the previously announced sale of 100% of the equity in all the operating subsidiaries in the UK and ROW reporting units.

In addition, the Company concluded that it will likely not have an impairment because it has a negative carrying value, compared to a fair value of equity of $335.0 million. This assessment is consistent with the conclusions of the FASB as published in *ASU 2017-4 - Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*

During fiscal year 2018, the Company conducted its qualitative assessment of each of the North America reporting unit at the end of each quarter and concluded that no events had occurred or circumstances had changed that would more likely than not reduce the fair value of a reporting unit below its carrying amount, and consequently no impairment was recorded.

The Company conducted its annual impairment test of its goodwill as of April 1, 2018 of its North America reporting unit. The significant assumptions used in determining the fair values of the North America reporting unit was a discount rate of 24.5%, with long-term growth rate of 3%. Additionally, the assumptions also include high revenue growth rates in the near term to reflect projected growth based on planned launches of online/direct to consumer loan products and mobile check cashing services. The most significant assumptions used in the discounted cash flow fair value technique are the projections used to derive future cash flows and the weighted average cost of capital used to discount such projections. The discounted cash flow analysis requires us to make various assumptions about revenues, operating margins, growth rates, and discount rates. These assumptions were based on our budgets, business plans, economic projections, regulatory guidelines, anticipated future cash flows and marketplace data. Assumptions were also made for perpetual growth rates for periods beyond the period covered by our long term business plan.

While these assumptions are inherently uncertain, especially given the fluidity of the implemented and proposed regulatory environment, the Company believes that such assumptions are reasonable and appropriate when considering all available market information as of the date of the annual impairment test, as well as the Company's past experiences in dealing with and adapting to regulatory changes. Furthermore, the weighted average cost of capital that has been applied to the cash flows of the

North America reporting unit when calculating the fair value has been adjusted to reflect the inherent risks and uncertainties addressed herein.

The quantitative valuation as of April 1, 2018 reflected a positive fair value of equity, while the Company's balance sheet had a negative carrying value. The Company therefore concluded that it will likely not have an impairment because of its negative carrying value. This assessment is consistent with the guidance of the FASB as published in *ASU 2017-4 - Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*

Amortization of Intangible Assets

Amortization expense of intangible assets was $1.0 million, $6.8 million and $7.4 million for the fiscal years-ended June 30, 2018, June 30, 2017 and June 30, 2016, respectively.

Estimated amortization expense of intangible assets during the next five fiscal years is shown below (in millions):

Years ended June 30,	Amount	
2019	$	1.0
2020		1.0
2021		1.0
2022		1.0
2023		1.0
Total	$	5.0

5. Financing Receivables

The Company's continuing operations offer a variety of short-term and longer-term installment loan products and credit services to customers who typically cannot access other traditional sources of credit and have non-traditional loan histories. Accordingly, the Company has implemented proprietary predictive scoring models that are designed to limit the dollar amount of loans it offers to customers who statistically would likely be unable to repay their loan. The Company has instituted control mechanisms and a credit analytics function designed to manage risk in its unsecured consumer loan portfolio. Collection activities are also an important aspect of the Company's continuing operations, particularly with respect to its unsecured consumer loan products due to the relatively high incidence of unpaid balances beyond stated terms. The Company operates centralized collection centers to coordinate a consistent approach to customer service and collections in each of its markets. The Company's risk control mechanisms include, among others, the daily monitoring of initial return rates with respect to payments made on its consumer loan portfolio. The Company's exposure to loss from a single customer transaction is minimal because revenue from its unsecured consumer lending activities is generated through a high volume of small-dollar financial transactions.

Generally, loans are considered nonperforming when they are one day past due without a payment for short-term consumer loans and generally 90 days past due without a payment for longer-term installment loans.

The following tables present the credit quality of the Company's loans receivable as of June 30, 2018 and June 30, 2017:

Consumer Credit Exposure
Credit Risk Profile Based on Payment Activity

Balance at June 30, 2018	Performing		Nonperforming	
(in millions)	Gross Loans	Allowance	Gross Loans	Allowance
Consumer Loans:				
Short-Term	$ 66.1	$ (2.3)	$ 28.1	$ (23.4)
Longer-Term Installment Loans	322.1	(19.0)	21.1	(18.8)
Total Consumer Loans	$ 388.2	$ (21.3)	$ 49.2	$ (42.2)
Pawn Loans	$ 1.4	$ —	$ —	$ —

Balance at June 30, 2017	Performing		Nonperforming	
(in millions)	Gross Loans	Allowance	Gross Loans	Allowance
Consumer Loans:				
Short-Term	$ 66.3	$ (2.4)	$ 30.1	$ (26.7)
Longer-Term Installment Loans	224.4	(12.9)	18.2	(14.4)
Total Consumer Loans	$ 290.7	$ (15.3)	$ 48.3	$ (41.1)
Pawn Loans	$ 2.7	$ —	$ —	$ —

The following presents the aging of the Company's past due loans receivable as of June 30, 2018 and June 30, 2017:

Age Analysis of Past Due Loans Receivable

Balance at June 30, 2018

(in millions)	1-29 days Past Due	30-59 days Past Due	60-89 days Past Due	Greater Than 90 days Past Due	Total Past Due	Current	Total
Short-term loans	$ 6.5	$ 5.3	$ 4.0	$ 12.3	$ 28.1	$ 66.1	$ 94.2
Longer-term installment loans	17.1	8.3	7.3	20.7	53.4	289.8	343.2
Pawn loans	—	—	—	—	—	1.4	1.4
Total	$ 23.6	$ 13.6	$ 11.3	$ 33.0	$ 81.5	$ 357.3	$ 438.8

Balance at June 30, 2017

(in millions)	1-29 days Past Due	30-59 days Past Due	60-89 days Past Due	Greater Than 90 days Past Due	Total Past Due	Current	Total
Short-term loans	$ 6.7	$ 5.6	$ 4.3	$ 13.5	$ 30.1	$ 66.3	$ 96.4
Longer-term installment loans	11.7	5.9	6.5	18.1	$ 42.2	200.4	242.6
Pawn loans	—	—	—	—	—	2.7	2.7
Total	$ 18.4	$ 11.5	$ 10.8	$ 31.6	$ 72.3	$ 269.4	$ 341.7

The following details the Company's loans receivable that are on nonaccrual status:

Loans Receivable on Nonaccrual Status

(in millions)	June 30, 2018	June 30, 2017
Consumer loans	$ 49.3	$ 48.6
Pawn loans	—	—
Total loans on nonaccrual status	$ 49.3	$ 48.6

The following table presents changes in the allowance for consumer loans credit losses:

Changes in Allowance for Consumer Loan Loss

(in millions)	June 30, 2018	June 30, 2017
Allowance for consumer loan losses, beginning of period	$ 56.4	$ 39.5
Provision for loan losses	129.1	121.0
Charge-offs	(209.0)	(210.9)
Recoveries	87.9	106.8
Effect of foreign currency translation	(0.9)	—
Allowance for consumer loan losses, end of period	$ 63.5	$ 56.4

6. Supplemental Balance Sheet and Income Statement Information

Property and equipment at June 30, 2018 and 2017 consist of the following:

Property and Equipment

(in millions)	June 30, 2018	June 30, 2017
Leasehold improvements	$ 55.8	$ 54.6
Computer software and equipment	72.0	69.3
Equipment and furniture	14.5	14.2
	142.3	138.1
Less: accumulated depreciation	(95.0)	(81.9)
Property and equipment, net	$ 47.3	$ 56.2

Depreciation expense amounted to $17.7 million, $17.9 million and $16.3 million for the fiscal years-ended June 30, 2018, 2017 and 2016, respectively.

Accrued expenses and other liabilities consists of the following (in millions):

	June 30, 2018	June 30, 2017
Accrued payroll and incentives	$ 18.6	$ 37.5
Accrued restructuring	7.6	7.6
Accrued interest	7.9	5.9
Other accrued expenses and liabilities	53.0	31.1
Total accrued expenses and other liabilities	$ 87.1	$ 82.1

Other operating expenses consists of the following :

	Years-Ended June 30,		
(in millions)	2018	2017	2016
Maintenance	$ 12.9	$ 9.9	$ 9.1
Bank, carrier & other shipping	10.7	10.5	10.8
Professional fees	3.4	2.8	3.1
Communication expenses	5.9	6.4	5.6
Non-income Taxes	6.5	4.1	4.1
Miscellaneous cost of sales	3.1	4.4	5.5
Other	20.0	19.4	20.0
Total Other operating expense	$ 62.5	$ 57.5	$ 58.2

The components of other expense, net are as follows:

	Years-Ended June 30,		
(in millions)	2018	2017	2016
Restructuring [(a)]	$ 6.2	$ 6.2	$ 17.8
Consulting [(b)]	10.8	19.7	10.1
Management service fees	8.1	13.0	—
Regulatory redress and restitution [(c)]	3.5	0.8	1.3
Debt financing and related costs	7.5	3.0	0.6
Exchange (gains)/losses - realized [(d)]	(4.4)	(18.6)	0.5
Other, net	(2.1)	4.0	0.3
Total Other expense, net	$ 29.6	$ 28.1	$ 30.6

(a) Restructuring charges consist of facility and store closure costs and compensation related costs such as severance, signing bonuses and other miscellaneous costs.

(b) Consulting fees incurred for operations and process optimization, systems upgrade and ERP implementation, review of strategic alternatives for operations in Europe and executive recruiting.

(c) Expenses and penalties for redress issues related to CFPB findings including consulting and professional fees incurred to settle with the respective regulatory agencies.

(d) Exchange gains realized primarily resulted from the reorganization of intercompany debt to equity in our UK and ROW subsidiaries on June 30, 2017.

7. Debt

The Company had debt obligations as of June 30, 2018 and 2017 as follows:

(in millions)	June 30, 2018	June 30, 2017
Bridge Loan	$ —	$ 35.0
2016 Notes	922.8	829.1
2014 Notes	55.0	55.0
2015 Receivables Securitization Facility	—	188.5
2017 Receivables Securitization Facility	287.5	—
ABL credit facility	113.2	123.2
Temporary Loan - Lone Star Affiliate	8.4	—
Other	1.2	1.7
Debt issuance costs, net of accumulated amortization of $28.9 and $25.1	(14.4)	(18.7)
Total debt	$ 1,373.7	$ 1,213.8

Bridge Loan

On June 29, 2017 the Company's wholly owned subsidiary DFC Global Corp. ("DFC Global") entered into a Loan Agreement ("Bridge Loan") with BK8 Investments, LLC ("BK8") wherein BK8 agreed to lend $35.0 million to DFC Global for 180 days at an interest rate of 6% per year. The Bridge Loan was secured by a standby letter of credit provided by an affiliate of Lone Star and was repaid with net proceeds from the sale of the UK and ROW reporting units on February 27, 2018.

2016 Notes

On June 27, 2016 the Company's wholly owned subsidiary DFC Finance Corp. ("DFC Finance") commenced a private offer to Eligible Holders (as defined below) to exchange any and all of DFC Finance's $800.0 million outstanding principal amount of 10.50% Senior Secured Notes due 2020 (the "2014 Notes") and any interest accrued thereon from June 15, 2016 ("Accrued Interest") for up to $800.0 million principal amount of DFC Finance's newly issued 10.50% / 12.00% Senior Secured PIK Toggle Notes due 2020, (the "2016 Notes") and such offer to exchange, ("the "Exchange Offer") plus additional 2016 Notes to be issued in respect of Accrued Interest. An Eligible Holder is either a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or a person that is not a "US person" within the meaning of Regulation S under the Securities Act.

The 2016 Notes (as amended by 3 Supplements to the initial Exchange Offer) will pay interest at an annual rate of 12.00% per annum from the Issue Date to June 15, 2018 (the "PIK Interest Termination Date") and 10.50% per annum from the PIK Interest Termination Date to June 16, 2020 (the "Maturity Date"). For any Interest Period ending on or before the PIK Interest Termination Date, the Issuer (a) could, at its option, elect to pay up to 91.667% of the interest on the then outstanding principal amount of the 2016 Notes by increasing the principal amount of the outstanding 2016 Notes or by issuing PIK Notes in a principal amount equal to such interest (such increased principal amount of PIK Notes, "PIK Interest") and (b) could pay the remaining interest on the then outstanding principal amount of the 2016 Notes, but in any event, not less than 8.333% of the interest on the then outstanding principal amount of the 2016 Notes, entirely in cash ("Cash Interest"). If the Issuer pays any PIK Interest, it will increase the principal amount of the 2016 Notes or issue additional 2016 Notes in an amount equal to the interest payment for the applicable Interest Period (rounded down to the nearest $1) to Holders of 2016 Notes on the relevant record date. For the Interest Period (defined as interest payments due on December 15, 2016, June 15, 2017, December 15, 2017 and June 15, 2018), the Issuer elected to pay PIK Interest to the extent permissible by the 2016 Notes by increasing the principal amount for all Interest Period in the aggregate, by $163.8 million. The 2016 Note Indenture contains language entitling the 2016 Notes holders to the payment of an additional premium acceleration in the event of default or bankruptcy.

On August 19, 2016 (the "Settlement Date"), the Issuer accepted all Tendered Notes and settled its private exchange offer to holders of the Company's 2014 Notes and any interest accrued thereon from June 15, 2016 ("Accrued Interest") for $745.0 million (or 93.1% of the outstanding principal amount) of the 2014 Notes (the "Tendered Notes") principal amount of its newly issued 10.50% / 12.00% Senior Secured PIK Toggle Notes due 2020 (the "2016 Notes") plus additional $13.9 million in 2016 Notes issued in respect of Accrued Interest (the "Exchange Offer") to holders of 2014 Notes who participated in the Exchange Offer. The Company evaluated the guidance under ASC 470-50: Debt Modification and Extinguishment, and concluded that the transaction has been appropriately accounted for as a debt modification.

As of June 30, 2018, there were $922.8 million of 2016 Notes issued and outstanding. Following the Settlement Date, a total of $55.0 million of 2014 Notes that were not tendered in the Exchange Offer, remains outstanding. See also Note 12 - Related Party Transactions below.

2014 Notes

In 2014 DFC Finance Corp. (the "Issuer") issued $800.0 million of senior secured notes due June 15, 2020 (the "2014 Notes"). The 2014 Notes are guaranteed by the Company and its existing direct or indirect wholly-owned restricted subsidiaries organized in the US, Canada and the UK (other than the Issuer), other than immaterial subsidiaries and certain other subsidiaries. The 2014 Notes bear interest at a rate of 10.50% per year, payable on June 15 and December 15 of each year, commencing on December 15, 2014. As a result of the bond exchange transaction described above, a total of $55.0 million principal amount of 2014 Notes that was not tendered in the Exchange Offer remains outstanding.

2015 Receivables Securitization Facility

On December 29, 2015, the Company's consumer loan originating affiliates in the US, the UK, and Canada (collectively, the "Originators"), entered into a revolving, non-recourse, two-year receivables securitization facility (the "2015 Securitization Facility") pursuant to various agreements, with certain financial institutions as Lenders, and First Associates Loan Servicing, LLC, as collateral and paying agent on behalf of the Lenders and other secured parties. The 2015 Securitization Facility expired in December 28, 2017 and interest on borrowings were payable monthly at the rate of 15%. As of June 30, 2017 and September 27, 2017 we had drawn $188.5 million on the 2015 Securitization Facility. On September 28, 2017 all borrowings including accrued interest to date under the 2015 Securitization Facility were paid-in-full using proceeds from the 2017 Securitization Facility as described below.

2017 Receivables Securitization Facility

On September 28, 2017, the Company's consumer loan originating affiliates in the US and Canada entered into a revolving receivables securitization facility (the "2017 Securitization Facility") pursuant to various agreements with a new Lender to replace the 2015 Securitization Facility described above.

Among others, a Loan and Security Agreement among DFC Global Facility Borrower II LLC (the "Borrower"), a wholly owned, bankruptcy remote special purpose entity ("SPE") and an indirect subsidiary of the Company, certain financial institutions as Lenders, Ares Agent Services, L.P., as Administrative Agent, and First Associates Loan Servicing, LLC, as Verification Agent , and Backup Servicer, on behalf of the Lenders and other Secured Parties (as defined therein) (the "Receivables Securitization Loan Agreement");

The Borrower's obligations to the Lenders are secured by, inter alia, all the right, title, and interest of the Borrower in and to the loans made to the Purchasers (as defined below) and all of the rights and interests of the Purchasers to the participation and/or beneficial interests in the consumer loan receivables sold to them by each of the loan originators located in the US and Canada (the "Originators"). Each Originator will retain legal title to the receivables, and act as a servicer or sub-servicer on the receivables sold by them. Additionally, certain limited indemnities were provided by SMHL and another affiliate to secure the Loan and Security Agreement.

The 2017 Securitization Facility requires the Originators (i) to legally sell an undivided participation and/or beneficial interests in all of their outstanding unsecured consumer loan receivables as of September 28, 2017 to their respective wholly owned and consolidated bankruptcy remote special purpose entity ("the Purchasers"), and (ii) to legally sell on a daily basis an undivided participation and/or beneficial interests in all unsecured consumer loans originated by each Originator thereafter until the termination date of the 2017 Securitization Facility. The gross proceeds from the initial loan on September 28, 2017 totaled approximately $248.0 million. Such proceeds were used to repay the Company's outstanding borrowings under the 2015 Securitization Facility and transaction expenses. The interest rate on the funds from the 2017 Securitization Facility is equal to London Interbank Offered Rate ("LIBOR") in effect at such time, plus 10.75% per annum. The initial commitments of the Lenders are $400.0 million. Thereafter, the 2017 Securitization Facility may be increased up to $500.0 million upon satisfaction of certain conditions by the Borrower. As of June 30, 2018, the Company has drawn $287.5 million on the 2017 Securitization Facility

The Loan and Security Agreement, together with the purchase and servicing agreements, contain various affirmative and negative covenants, including borrowing base maintenance, limitations on indebtedness, limitations on sales and dispositions and provisions to ensure Lender control over deposit accounts, and also contain default, termination and trigger event provisions (and cure provisions for certain events), which provide for the trapping of cash or the acceleration of amounts owed upon the occurrence of specified events including a failure to pay interest and other amounts when due, certain defaults on certain other indebtedness, financial covenants including certain covenants tied to the Company and its consolidated subsidiaries, certain judgments, change of control, and insolvency events. These events include a failure to pay interest and other amounts when due, failure to cure certain borrowing base deficiencies (which may arise due to defaults or delinquencies in the consumer loan receivables), certain defaults on certain other indebtedness, certain judgments, change of control, and insolvency events. The servicing agreements also contain customary servicer termination events which allow the affiliates of the Originators to be replaced as servicer of the consumer loans owned by the Purchasers. First Associates Loan Servicing is the back-up servicer in the event such services are required.

In connection with the execution of the 2017 Receivables Securitization Facility, the Company obtained certain releases of liens and security interests, as applicable under their respective indentures, from the lenders of the 2014 and 2016 Notes, the ABL Credit Facility and the 2015 Receivables Securitization Facility.

Both the 2015 Securitization Facility and the 2017 Securitization Facility do not qualify for off-balance sheet accounting treatment and consequently any borrowings under each Securitization Facility are recorded as debt in the consolidated balance sheets as of June 30, 2018 and June 30, 2017. Similarly, the consumer loans transferred to the Purchasers are included in "Consumer Loans, net and Loans in default, net" on the consolidated balance sheet as of June 30, 2018 and June 30, 2017.

On-Balance Sheet Variable Interest Entities

The consolidated Variable Interest Entities ("VIEs"), including the Borrower and the Purchasers relating to the 2015 and 2017 Securitization Facilities included in the Consolidated Balance Sheets of the Company, represent separate entities with which the Company is involved. The investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to the Company, except for the customary representation and warranty provisions. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders.

The Originators are exposed to the inherent assumption of the risk of future credit losses to the extent of the beneficial interests in the Purchasers that are held by them, which represents a form of significant continuing economic interest. The underlying legal documents appoint the Originators as the servicer of the beneficial interests in unsecured consumer loans that are held by the Purchasers. Servicing functions include, but are not limited to, general collection activity on current and non-current accounts, and loss mitigation efforts including correspondence and contacting individual borrowers as legally permitted. The Company's servicing responsibilities are also considered as continued involvement in the transferred unsecured consumer loans.

Cash flows from the unsecured consumer loans transferred to the Purchasers represent the sole source for payment of distributions on the beneficial interests issued by the Purchasers and for payments to the Originators that perform services for the Purchasers, the collateral and paying agent, and for interest payments as they become due.

The assets of consolidated variable interest entities eligible for use in settling obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse are presented in the tables below.

ASSETS AND THIRD-PARTY LIABILITIES OF CONSOLIDATED VARIABLE INTEREST ENTITIES

(in millions)	June 30, 2018	June 30, 2017
Assets		
Cash	$ 17.7	$ 3.0
Consumer loans, Gross	384.8	290.7
Allowance for Consumer loans	(21.2)	(15.3)
Consumer loans, net	363.6	275.4
Loans in default, net	7.0	7.2
Total assets	$ 388.3	$ 285.6
Liabilities		
Accrued expenses and other liabilities	$ 3.2	$ 1.4
Securitized debt	287.5	188.5
Less: Debt Issuance cost, net	(5.4)	(2.3)
Total Liabilities	$ 285.3	$ 187.6

ABL Credit Facility

On June 13, 2014 (the "Merger Closing Date"), the Company entered into a senior secured asset-based revolving credit facility (as amended, the "ABL Credit Facility") with Jefferies Finance LLC, as administrative agent, and a syndicate of lenders. The ABL Credit Facility provides for a five-year $125.0 million revolving credit facility. There is a sub-limit of $80.0 million for the issuance of letters of credit under the ABL Credit Facility. Availability under the ABL Credit Facility is based on a borrowing base comprised of cash and eligible consumer receivables of the borrowers and guarantors. In conjunction with the execution of the 2017 Securitization Facility, the Company agreed with the lenders under the ABL Credit Facility to reduce the commitments amounts under the ABL Credit Facility from $125.0 million to $115.0 million effective October 2, 2017.

Borrowings under the ABL Credit Facility may be denominated in US dollars, British pounds, euros or Canadian dollars (and other currencies as may be approved by the lenders), as selected by the Company. Interest on borrowings under the ABL Credit Facility is payable at a rate equal to LIBOR (or in the case of Canadian dollar loans, Canadian Dollar Offered Rate ("CDOR")) for the relevant currency of borrowing, plus a specified margin depending on the Company's Total Net Leverage Ratio (as calculated under the ABL Credit Facility covenants for the most recent quarter end).

The ABL Credit Facility allows for borrowings by NMM and DFUK (and any additional borrowers added to the ABL Credit Facility, subject to the conditions thereto). Borrowings are guaranteed by the Company, Sterling Holdings Limited and by each existing direct or indirect wholly owned restricted subsidiary of the Company organized in the US and Canada, (other than the Issuer), other than immaterial subsidiaries and certain other subsidiaries. The obligations of the borrowers and guarantors under the ABL Credit Facility are secured by substantially all the assets of such borrowers and guarantors, with certain exceptions, with the collateral agent under the ABL Credit Facility, for the benefit of the lenders under the ABL Credit Facility and certain other secured parties having a first priority perfected lien on collateral consisting of current assets, including cash and consumer receivables, and the 2014 and 2016 Notes Trustee, for the benefit of the holders of the 2014 and 2016 Notes having a first priority perfected lien on the fixed assets and other collateral of the borrowers and guarantors.
The credit agreement governing the ABL Credit Facility contains customary covenants, representations and warranties and events of default, including covenants which limit our ability to engage in certain transactions or activities, representations and warranties which we must be able to make in order to obtain borrowings under the facility, and financial maintenance covenants and events of default which could result in the facility being terminated and any outstanding debt becoming due prior to its scheduled maturity. The financial maintenance covenants under the ABL Credit Facility are referenced to a defined fixed charge coverage ratio test and total net leverage ratio test. The Company was in compliance with all such covenants as of June 30, 2017 and June 30, 2018.

As of June 30, 2018, there was $113.2 million outstanding under the ABL Credit Facility which matures on December 13, 2018. The Company is currently negotiating with interested parties to refinance this facility. Associated with the ABL Credit Facility, we had $1.4 million of letters of credit outstanding as of June 30, 2018. See also Note 13 - Subsequent Events below in Notes to Consolidated Financial Statements.

Temporary Loan - Loan Star Affiliate

At June 30, 2018, an affiliate of Lone Star had made advances to the Company totaling $8.4 million for general corporate purposes. This loan is payable on demand. See also Note 13 - Subsequent Events below in Notes to Consolidated Financial Statements.

Other Debt

Included in Other debt are immaterial debt balances of $1.2 million and $1.7 million as of June 30, 2018 and June 30, 2017, respectively, related to equipment leases required to be capitalized under ASC 840 - "*Leases*".

Interest Expense

Interest expense for continuing operations was $161.8 million, $139.8 million and $105.8 million for the fiscal years-ended June 30, 2018, 2017 and 2016, respectively. Included in the interest expense for the fiscal year-ended June 30, 2018, June 30, 2017 and June 30, 2016 is approximately $10.8 million, $10.5 million and $8.4 million, respectively, of non-cash interest expense associated with the amortization of various deferred debt issuance costs. Also, included in interest expense for the fiscal year ended June 30, 2018, June 30, 2017 and June 30, 2016 is $93.7 million, $84.0 million and $0 million, respectively, of non-cash interest.

As of June 30, 2018, debt maturing in each of the years subsequent to June 30, 2018, is as follows (in millions):

Fiscal years ended June 30,	June 30, 2018
2019 (1)	121.6
2020	1,266.5
Total	$ 1,388.1

(1) Includes ABL Credit Facility which matures on December 13, 2018. See also Note 13 - Subsequent Events below in Notes to Consolidated Financial Statements.

Lease Commitments

The Company has various non-cancellable leases for office and retail space with terms primarily ranging from one to five years, most of which contain standard optional renewal clauses. The Company also has leases for certain office equipment used in our offices and stores. Total rent expense under the leases amounted to $29.3 million, $28.4 million and $26.3 million, for the fiscal years June 30, 2018, 2017 and 2016, respectively.

At June 30, 2018, future minimum lease payments for operating and capital leases are as follows (in millions):

Fiscal Year	Amount
2019	$ 26.2
2020	21.5
2021	16.6
2022	11.4
2023	6.4
Thereafter	5.9
Total	$ 88.0 (1)

(1) See Note 13 - Subsequent Events below in Notes to Consolidated Financial Statements for discussion on Berwyn Lease which is included in lease payments above.

Uses and Sources of Liquidity

Our primary need for liquidity is to fund consumer loan book growth, working capital requirements of our businesses, finance store expansion and the expansion of our products and services and for general corporate purposes, including servicing debt. Our principal sources of cash have been from operations, borrowings under our credit facilities and issuance of debt and equity securities to Lone Star in the past.

We believe that, based on current levels of operations and anticipated improvements in operating results, cash flows from operations, borrowings available under our credit facilities, refinancing credit facilities as they mature, and the issuance of promissory notes and equity subscriptions, as necessary, will allow us to fund our short-term liquidity and capital expenditure requirements for the foreseeable future, build de novo stores and effectuate various acquisitions and service our obligations. This belief is based upon our historical growth rate, the anticipated benefits we expect from operating efficiencies and our historical ability to secure prior equity subscriptions. We also expect operating expenses to increase, although the rate of increase is expected to be less than the rate of revenue growth for existing stores. Additionally, we also continue to work with Lone Star in respect of exploring strategic alternatives for our North American store footprint, other possible liquidity options including, but not limited to, exploring alternative financing arrangements.

During the fiscal year ended June 30, 2018 the following significant transactions were completed:

- On September 28, 2017 we completed the refinancing and replacement of the 2015 Securitization Facility with the 2017 Securitization Facility and increased the facility available from $225.0 million to $400.0 million with the ability to increase to $500.0 million upon satisfaction of certain conditions.

- On November 7, 2017, the Company announced that a related party of the Company's ultimate shareholder had acquired approximately 97.5% of the Company's total 2014 and 2016 Notes outstanding pursuant to an offer to purchase for cash any and all outstanding 2016 Notes and 2014 Notes launched on October 20, 2017.
- On February 27, 2018, the Company closed on the sale of 100% of the equity in the operating subsidiaries located in the UK and Europe, which yielded net proceeds of $93.8 million.

We acknowledge that we continue to face a challenging competitive and regulatory environment and while we continue to focus on our overall profitability, including managing expenses, we reported a loss in 2018 despite generating cash from operations. We believe that our restructuring actions taken in 2016 and 2017, our refinancing of the Securitization Facility and sale of our UK and ROW operations in 2017 and 2018 provided us with liquidity and financial flexibility for the near term. We presently expect to meet our long-term liquidity requirements, including our scheduled debt maturities, through cash from operations, borrowings under our credit facilities, refinancing our secured and unsecured indebtedness and from the issuance of equity subscriptions as necessary up to April 30, 2020. We expect to continue to right-size, redeploy and highlight the value of our assets in North America by transforming the Company into a leading financial services provider to an under-served segment of the population.

Under ASC 205-40, the Company's current activities in progress to refinance the ABL Credit Facility and future receipt of potential funding from other financing alternatives, issuance of equity subscriptions to the Company's shareholder and other possible transactions have not been fully implemented as of June 30, 2018. Accordingly, the accounting guidance defines that substantial doubt is deemed to exist regarding the Company's ability to continue as a going concern within one year after the date these financial statements are issued. However, we believe that the actions discussed above are probable of occurring and therefore alleviate the deemed substantial doubt raised by our historical operating results and satisfying our estimated liquidity needs twelve months from the issuance of the financial statements. We cannot predict, with certainty, the outcome of our actions to generate liquidity, including the availability of additional debt financing, or whether such actions would generate the expected liquidity as currently planned.

8. Fair Value Measurements

FASB ASC 820 - *Fair Value Measurement* establishes a fair value hierarchy that distinguishes between observable and unobservable market participant assumptions. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value in its entirety requires judgment and considers factors specific to the asset or liability.

Periodically, the Company uses foreign currency forwards and cross currency interest rate swaps to manage its interest rate and foreign currency risk. The valuation of these instruments is determined using third-party pricing services which primarily utilize widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity and uses observable market-based inputs, including interest rate curves, foreign exchange rates and implied volatilities. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counter party nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2018, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. As disclosed in Note 9, "Derivative Instruments and Hedging Activities" the Company terminated the cross-currency swaps which held by the Canadian subsidiary.

STERLING MID-HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The tables below presents the Company's assets and liabilities carried at fair value on a recurring basis as of June 30, 2018, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Carried at Fair Value on a Recurring Basis

(in millions)	June 30, 2018		June 30, 2017	
	Assets	Liabilities	Assets	Liabilities
Level 1	$ —	$ —	$ —	$ —
Level 2				
Derivative instrument	—	2.5	—	0.8
Level 3	—	—	—	—
Total assets and liabilities measured at fair value on a recurring basis	$ —	$ 2.5	$ —	$ 0.8

There were no changes to assets and liabilities carried at fair value on a non-recurring basis during the years ended June 30, 2018 and 2017.

The table below presents the Company's financial assets and liabilities that are not carried at fair value in the consolidated balance sheets as of June 30, 2018 and 2017:

Financial Assets and Liabilities Not Carried at Fair Value

	June 30, 2018			
	Level 1	Level 2	Level 3	
(in millions)	Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
ASSETS				
Cash and cash equivalents including restricted cash	$ 126.5	$ —	$ —	$ 126.5
Consumer loans, net	—	—	366.9	366.9
Pawn loans, net	—	—	1.4	1.4
Loans in default, net	—	—	7.0	7.0
Total financial assets	126.5	—	375.3	501.8
LIABILITIES				
2016 Notes [(1)]	—	826.8	—	826.8
2014 Notes [(1)]	—	40.2	—	40.2
2017 Securitization Facility	—	287.5	—	287.5
ABL Credit Facility	—	113.2	—	113.2
Other debt	—	1.2	—	1.2
Other liabilities	—	—	21.3	21.3
Total financial liabilities	$ —	$ 1,268.9	$ 21.3	$ 1,290.2

(1) Fair values as reported by Bloomberg services as of June 30, 2018.

	June 30, 2017			
	Level 1	Level 2	Level 3	
(in millions)	Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
ASSETS				
Cash and cash equivalents including restricted cash	$ 138.7	$ —	$ —	$ 138.7
Consumer loans, net			275.4	275.4
Pawn loans, net	—	—	2.7	2.7
Loans in default, net	—	—	7.2	7.2
Total financial assets	138.7	—	285.3	424.0
LIABILITIES				
Bridge loan	—	35.0	—	35.0
2016 Notes (1)	—	510.4	—	510.4
2014 Notes (1)	—	33.3	—	33.3
2015 Securitization Facility	—	188.5	—	188.5
ABL Credit Facility	—	123.2	—	123.2
Other debt	—	1.8	—	1.8
Total financial liabilities	$ —	$ 892.2	$ —	$ 892.2

(1) Fair values as reported by Bloomberg services as of June 30, 2017.

Cash equivalents are defined as short-term, highly liquid investments both readily convertible to known amount of cash and so near maturity that there is insignificant risk of changes in values because of changes in interest rates.

Short-term consumer loans generally have terms ranging from 1 to 45 days and terms up to 5 years for longer-term installment loans. Consumer loans are carried on the Consolidated Balance Sheets net of the allowance for estimated loan losses, which is calculated by applying historical loss rates combined with current collection patterns and current economic trends to the gross consumer loan balance. The unobservable inputs used to calculate the carrying value of consumer loans include historical loss rates and the current collection patterns and current economic trends.

Pawn loans are short-term in nature and are secured by the customer's personal property ("pledge"). Pawn lawns are secured by the customer's pledged item, which is generally 50% to 80% of the appraised fair value of the pledged item, thus reducing the Company's exposure to losses on defaulted pawn loans. The Company's historical redemption rate on pawn loans is in excess of 80%, which means that for more than 80% of its pawn loans, the customer pays back the dollars borrowed, plus interest and fees, and the Company returns the pledged item to the customer. In the instance where the customer defaults on a pawn loan (fails to redeem), the pledged item is either sold at auction or sold to a third party. The unobservable inputs used to calculate the carrying value of loans in default include historical redemption rates, current redemption patterns and current economic trends such as gold prices. The carrying value of pawn loans approximates the fair value.

Loans in default consist of short-term consumer loans originated by the Company which are in default status. An allowance for the defaulted loans receivable is established and is included in the loan loss provision in the period that the loan is placed in default status. The reserve is reviewed monthly and any change to the loan loss allowance as a result of historical loan performance, current and expected collection patterns and current economic trends is included with the Company's loan loss provision. If the loans remain in a defaulted status for an extended period of time, typically 90 days, an allowance for the entire amount of the loan is recorded and the receivable is ultimately charged off after 180 days in default. The unobservable inputs used to calculate the carrying value of loans in default include historical loss rates and the current collection patterns and current economic trends. The carrying value of loans in default approximates the fair value.

The outstanding borrowings under the Company's ABL credit facility and Securitization facilities are variable interest debt instruments and their carrying value approximates fair value.

The Company reviews trading activity and pricing for the corporate notes as of the measurement date and determines if pricing data of sufficient frequency and volume in an active market exists in order to support Level I classification of the fair value of the 2014 and 2016 Notes. When sufficient quoted pricing for the notes is not available, the Company obtains market pricing and other observable market inputs for instruments of similar characteristics from a number of industry standard data providers to determine the fair value of the 2014 and 2016 Notes at period end.

9. Derivative Instruments and Hedging Activities

The Company is exposed to risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company may manage certain economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and by the use of derivative financial instruments. The primary risks managed by using derivative instruments are interest rate risk and foreign currency exchange risk. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which is determined by interest rates or foreign exchange rates.

On September 16, 2015, the Company entered into two swap agreements with a Lone Star affiliate, LSF8 HedgeCo, Ltd., to hedge the US dollar exposure associated with interest obligation on a $570.0 million intercompany note between the Company's Canadian operating subsidiary, NMM, and a US subsidiary, DFC Finance. The US dollars received by DFC Finance was used to support US denominated interest obligations on the Company's external $800.0 million 10.50% senior secured notes due 2020. The swaps matured on June 15, 2018.

During fiscal 2017, the intercompany's cross-currency swaps described previously designated as a cash flow hedge of interest payments on its US dollar denominated debt due by its Canadian operating subsidiary that is subject to fluctuation in foreign exchange rates was not considered an effective hedge because the cash flow on the interest in US dollars was no longer required as a result of the bond exchange described in Note 7 - "Debt", and therefore the changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

As of June 30, 2018, the Company had the following outstanding derivative:

Foreign Currency Derivatives	Number of Instruments	Pay Notional		Receive Notional	
CAD-USD Forward Exchange Contract	1	CAD	370,000,000	USD	278,593,270

As of June 30, 2017, the Company had the following outstanding derivative:

Foreign Currency Derivatives	Number of Instruments	Pay Notional		Receive Notional	
CAD-USD Cross Currency Swaps	2	CAD	751,602,000	USD	570,000,000

On April 27, 2018, the Company entered into a CAD foreign currency forward contract with a Lone Star affiliate, LSF8 HedgeCo. Ltd., to hedge foreign currency exposure associated with Canadian operations funded and settled with USD and currency exposure of the collateral assets under the ABL and Securitization agreements. The gains or losses on the hedging instrument shall be recognized in earnings. The forward exchange contract is designed to settle at or near the end of each month concurrently with the execution of a replacement forward contract.

The tables below present the fair values of the Company's derivative financial instruments on the consolidated balance sheets as of June 30, 2018 and June 30, 2017.

Tabular Disclosure of Fair Values of Derivative Instruments

(in millions)	Derivatives As of June 30, 2018		Derivatives As of June 30, 2017	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Cross Currency Swaps/Forward Exchange Contract	Other liabilities	$ 2.5	Other	$ 0.8

The Company has agreements with each of its derivative counter parties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

During the year ended June 30, 2018, the Company recorded a gain of $9.8 million related to its cross-currency swaps and forward exchange contracts, which is included in gain on derivatives not designated as hedges in the consolidated statement of operations. During the year ended June 30, 2017, the Company recorded a gain of $0.8 million related to the fair value of its cross-currency swaps, which is included in Gain on derivatives not designated as hedges in the consolidated statement of operations under the "Other expenses, net" caption. During the year ended June 30, 2016, the Company did not have any realized gains or losses from derivatives.

10. Income Taxes

On December 22, 2017, H.R. 1, commonly referred to as the Tax Cuts and Jobs Act of 2017 ("the TCJA") was signed by the US President, which enacted various changes to the US corporate tax law. Some of the more significant provisions affecting the Company include:

- A reduced US corporate income tax rate from 35% to 21% effective in 2018.
- A one-time "deemed repatriation" tax on unremitted earnings accumulated in non-US jurisdictions.
- Limitation of the deductibility of interest expense.
- Recognition of net operating losses ("NOL") with an indefinite-lived carryforward.
- Immediate expensing of qualified depreciable property placed in service after September 27, 2017.

Pursuant to ASC 740, the Company is required to recognize the effects of changes in tax laws and rates on deferred tax assets and liabilities in the quarter the tax law change is enacted. Due to the complexities involved in accounting for the enactment of the TCJA, SEC Staff Accounting Bulletin ("SAB") 118 allows taxpayers to provide a provisional estimate of the impacts of the TCJA in the its Statement of Operations for the year ended June 30, 2018. Accordingly, based on the current information available, the Company recorded an estimated provisional income tax benefit of ($22.3) million. This benefit is comprised of ($26.1) million related to the re-measurement of the Company's net deferred tax liabilities arising from a lower US corporate tax rate, tax expense of $11.2 million from the limitation of interest expense deductions, and a tax benefit of ($7.4) million from the recognition of NOL with an indefinite life. The estimated deemed repatriation of unremitted earnings of foreign subsidiaries did not result in any tax expense or benefit; however, it did result in a decrease of the Company's current year net operating loss by $34.6 million. The ultimate impact may differ from these provisional amounts, possibly materially, due to among other things, additional analysis, changes in interpretations and assumptions we have made, additional regulatory guidance that may be issued, and actions we may take as a result of the TCJA. We intend to complete our accounting under the Tax Act within the measurement period by December 22, 2018 as provided for in SAB 118.

The Company's US and foreign income before income taxes for the fiscal years ended June 30, 2018, June 30, 2017 and June 30, 2016 are set forth below.

(in millions)	June 30, 2018	June 30, 2017	June 30, 2016
United States	$ (46.6)	$ (122.5)	$ (47.1)
Foreign	(35.4)	(54.9)	(135.9)
Total	$ (82.0)	$ (177.4)	$ (183.0)

The details of the Company's income tax provision or the fiscal years-ended June 30, 2018, June 30, 2017 and June 30, 2016 are set forth below:

	(in millions)	June 30, 2018	June 30, 2017	June 30, 2016
Current:	U.S. Federal	$ 0.9	$ 1.1	$ 0.3
	Foreign	(9.8)	21.8	5.6
	State	—	0.1	—
	Total	$ (8.9)	$ 23.0	$ 5.9
Deferred:	U.S. Federal and State	(21.6)	62.8	5.6
	Foreign	14.2	1.7	(2.6)
	Total	$ (7.4)	$ 64.5	$ 3.0
Total income tax provision		$ (16.3)	$ 87.5	$ 8.9

The income tax benefit recognized for the year ended June 30, 2018 was primarily due to the impact of US tax reform discussed above. Offsetting the income tax benefit are increases in the valuation allowance and uncertain tax positions. The income tax expense recognized in the June 30, 2017 year is primarily related to the increase in the valuation allowance and uncertain tax positions. For the year ended June 30 2016, the income tax expense resulted primarily from increases in the valuation allowance.

The Company is a multinational organization with operations in various foreign countries. As of June 30, 2018, the Company has not provided deferred taxes on the excess of the amount recorded for financial reporting purposes over the tax basis of investment in subsidiaries, including the undistributed earnings of certain subsidiaries, as these amounts are intended to be indefinitely reinvested. While management presently does not intend to do so upon repatriation of the undistributed earnings or a sale or liquidation of the subsidiary, the amount of such temporary difference may be subject to both income and withholding taxes payable to various taxing jurisdictions. Due to the enactment of the Tax Act in the US and the one-time transition tax on accumulated foreign subsidiary earnings, earnings of foreign subsidiaries owned by our US subsidiary are no longer expected to be subject to US federal income tax if repatriated but could be subject to state and foreign income and withholding taxes. Determination of the amount of unrecognized deferred income tax liability and withholding tax on this temporary difference is not practicable at this time because such liability is dependent upon circumstances existing if and when remittance occurs.

The details of the Company's deferred tax assets and liabilities as of June 30, 2018 and June 30, 2017 are set forth below:

(in millions)	June 30, 2018	June 30, 2017
Deferred tax assets		
Allowance for loan losses	$ 15.1	$ 17.0
Accrued compensation	2.1	10.6
Other accrued expenses	1.8	2.3
Net operating loss and capital loss carryforwards	102.2	105.9
Foreign tax credit carryforwards	12.3	20.8
Original issue discount	61.6	93.3
Other	2.7	3.7
Total deferred tax assets	197.8	253.6
Valuation allowance	(169.0)	(191.7)
Net deferred tax asset	$ 28.8	$ 61.9
Deferred tax liabilities		
Amortization and other temporary differences	(24.1)	(26.0)
Depreciation and amortization	(3.9)	(5.3)
Cancellation of debt income	(55.8)	(93.0)
Total deferred tax liabilities	(83.8)	(124.3)
Total net deferred tax asset (liability)	$ (55.0)	$ (62.4)

The Company provided a full valuation allowance against deferred tax assets including losses in certain jurisdictions in which it operates. Management will continue to evaluate the Company's ability to benefit from its net deferred tax assets and identify whether any significant changes in circumstances or assumptions occur that could materially affect its ability to benefit from its deferred tax assets. Management expects to release the valuation allowance when sufficient positive evidence exists, including, but not limited to, cumulative earnings in successive recent periods to overcome the negative evidence the Company has encountered from cumulative losses during the current and prior fiscal years.

As of June 30, 2018 and 2017, the Company provided a valuation allowance against a portion of its deferred tax assets where realization is not assured in the amount of $169.0 million and $191.6 million, respectively. Of the $22.6 million decrease, the amount recorded to tax benefit was $25.9 million with ($3.3) million charged to currency translation adjustment.

The federal, state and foreign NOL carry forwards available to offset future taxable income as of June 30, 2018 were $307.9 million, $581.5 million and $279.6 million, respectively, compared to $338.8 million, $569.1 million and $258.6 million respectively, as of June 30, 2017. Of the $307.9 million federal NOL, $295.4 million will expire starting in 2025. The remaining $12.5 million will never expire as they have an indefinite carryforward period. The state NOL carryforwards are comprised mostly of Pennsylvania and California and may be subject to utilization limitations. These NOLs begin to expire at various times if not utilized. The foreign NOL carry forwards will begin to expire in 2027 and in some countries are indefinite. The Company has foreign tax credit carryforwards of approximately $20.8 million as of June 30, 2017. During the year, $8.5 million of carryforward has expired unused, leaving approximately $12.3 million of foreign tax credits to carryforward as of June 30, 2018. These remaining credits will continue to expire in 2019 forward.

The Company has reported $121.9 million and $105.0 million of unrecognized tax benefits as a reduction to deferred tax assets for net operating loss and foreign tax credit carryforwards as of June 30, 2018 and June 30, 2017, respectively. A reconciliation of the gross unrecognized tax benefits for the fiscal years-ended June 30, 2018, 2017 and 2016 are as follows:

(in millions)	June 30, 2018	June 30, 2017	June 30, 2016
Beginning balance	$ 148.2	$ 144.9	$ 145.8
Currency translation	(0.6)	—	(1.2)
Increases — current year positions	3.6	2.9	2.2
Increases — prior year positions	—	0.4	—
Settlements	(0.4)	—	(0.9)
Statute expired	—	—	(1.0)
Ending balance	$ 150.8	$ 148.2	$ 144.9

At June 30, 2018 and 2017, the Company had $162.5 million and $158.8 million, respectively, of liabilities for uncertain tax positions, including interest and penalty, related to transfer pricing matters and certain restructuring transactions. If recognized in the future, $46.4 million of these currently unrecognized income tax benefits would impact the income tax provision.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2018, the Company had approximately $8.2 million and $3.5 million of accrued interest and penalties, respectively, related to uncertain tax position which represents a $1.2 million increase from the prior year amount of $10.5 million. Uncertain tax positions have been classified as income tax liabilities or as a reduction to deferred tax assets pursuant to ASU 2013-11. The Company does not anticipate significant increases or decreases in the amount of unrecognized tax benefits reported to occur in the next twelve months.

Tax years ending June 30, 2014 through 2018 remain open to examination by the Internal Revenue Service in the United States; tax years ending June 30, 2012 through 2018 in the UK by Her Majesty Revenue & Customs; and tax years ending June 30, 2006 through 2018 for Canada by the Canadian Revenue Authority ("CRA"). In some US federal, state and foreign jurisdictions, tax authorities have a period longer than the normal statutory period to conduct an examination in cases where net operating losses or credit carryforwards exist. The CRA has assessed tax for fiscal years ending June 30, 2006 through 2013, related to intercompany transfer pricing. We have not agreed with these proposed assessments and are contesting them through administrative processes available to us. To the extent we have transfer pricing adjustments sustained in Canada, it is our intent to seek corollary adjustments with the appropriate competent authority in the US and the UK.

11. Contingent Liabilities

The Company is subject to various asserted and unasserted claims during the course of business. Due to the uncertainty surrounding the litigation process, except for those matters for which an accrual is described below, the Company is unable to reasonably estimate the range of loss, if any, in connection with the asserted and unasserted legal actions against it. Although the outcome of many of these matters is currently not determinable, the Company believes that it has meritorious defenses and that the ultimate cost to resolve these matters will not have a material impact on the Company's consolidated financial position, results of operations or cash flows. In addition to the legal proceedings discussed below, the Company is involved in routine litigation and administrative proceedings arising in the ordinary course of business.

The Company assesses the materiality of litigation by reviewing a range of qualitative and quantitative factors. These factors include the size of the potential claims, the merits of the Company's defenses and the likelihood of plaintiffs' success on the merits, the regulatory environment that could impact such claims and the potential impact of the litigation on our business. The *Company evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in* accordance with ASC Topic 450, *Contingencies*. An accrual for a loss contingency is recorded if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. When the liability with respect to a matter is reasonably possible, the Company estimates the possible loss or range of loss or determines why such an estimate cannot be made. This assessment is subjective based on the status of the legal proceedings and is based on consultation with in-house and external legal counsel. The actual outcomes of these proceedings may differ from the Company's assessments.

Purported Canadian Class Actions

In 2003 and 2006, class actions were brought against NMM and Dollar Financial Group, Inc. in the Court of Queen's Bench of Alberta, Canada on behalf of a class of consumers who obtained short term loans from NMM in Alberta, alleging, among other things, that the charge to borrowers in connection with such loans was usurious under Canadian federal law (the "Alberta Litigation"). The actions sought restitution and damages, including punitive damages.

In 2004, an action was filed against NMM in Manitoba on behalf of a purported class of consumers who obtained short term loans from NMM. In early February 2012, a separate action was filed against NMM and Dollar Financial Group, Inc. in Manitoba on behalf of a purported class of consumers which substantially overlapped with the purported class in the 2004 action. In April 2016, the plaintiffs in both these actions filed a motion for class certification because the allegations in each of these actions are substantially similar to those in the Alberta Litigation.

By agreement dated July 20, 2017 the Alberta Litigation and the Manitoba Litigation were settled, in Alberta and Manitoba (the "Settlement Agreement"), and court approval was obtained in October 2017. Pursuant to the Settlement Agreement NMM will distribute Deferred Cash Payment and Services Vouchers in the amount of CAD $21.4 million to eligible class members in Alberta and Manitoba. A class member can redeem his/her Voucher in CAD $10 increments against NMM services for three years and the remaining value of the Voucher is redeemable for cash thereafter.

As of June 30, 2018, CAD $6.9 million (approximately $5.2 million) has been paid to be distributed pursuant to the Settlement Agreement. As of June 30, 2018, an aggregate of approximately CAD $13.6 million (approximately $10.3 million) was included in the Company's accrued liabilities relating to the Alberta Litigation and Manitoba Litigation described above. Moreover, previous settlements in our Canadian class action proceedings consisted of a cash component and vouchers to the class members for future services whereas there are only Vouchers under the Settlement Agreement.

Litigation Relating to the June 2014 Merger

Between June and October 2014, five purported beneficial owners of the common stock of DFC Global Corp. ("Predecessor"), Oasis Investment II Master Fund, Ltd., Muirfield Value Partners L.P., Candlewood Special Situation Master Fund, Ltd., CWD OC 522 Master Fund, Ltd., and Randoph Watkins Slifka, filed with the Court petitions for appraisal of 4,604,683 shares of the Predecessor. The appraisal petitions sought, among other things, a determination of the fair value of the appraisal petitioners' shares at the time of the Merger; an order that the Predecessor pay that value to the appraisal petitioners, together with interest at the statutory rate; and an award of costs, attorneys' fees, and other expenses. In May 2015, the Predecessor agreed to pay Petitioners a portion of the merger consideration in the amount of $7.50 per share, plus accrued interest, for a total of approximately $36.4 million.

On July 8, 2016 the Court ruled that the petitioners were entitled to the fair value on the Merger Closing Date of $10.21 per share. Upon appeal, in June 2017, the Delaware Supreme Court heard arguments from both parties and on August 1, 2017, the Delaware Supreme Court issued an opinion reversing the trial court's ruling and rejecting the petitioner's cross-appeal. The Supreme Court ordered the trial court to conduct further proceedings on remand to determine the fair value of the company by giving more weight to the purchase price of $9.50/share and giving the court discretion to consider discounted cash flow valuation and comparable companies analysis in a limited manner.

On or about October 17, 2017, the court released the bond previously provided to secure the appeal. In order to avoid the risk, uncertainty and expense associated with continuing to defend the matter on remand, the Company has agreed to resolve this matter with the petitioners. By settlement agreement dated on or about November 8, 2017, the Company will pay the agreed amount of $11.5 million (approximately a balance of $2.50 per share) to the petitioners in return for full releases and a dismissal of the case. The settlement agreement requires the Company to pay the $11.5 million in four quarterly installments during 2018. On November 13, 2017, the court entered an order dismissing the action with prejudice. As of June 30, 2018, $5.8 million remains accrued for this settlement.

Other Matters

Contingent consideration

In February 2018, the Company acquired the technology and intellectual property associated with the web-based portal (but not the web domain) intellectual property rights from First Federal Credit. The acquisition included $2.0 million cash consideration on closing, and $1.0 million of contingent consideration. See Note 3 - "Business Disposition and Acquisition" for further information.

On February 27, 2018, the Company closed on the previously announced sale of 100% of the equity in the European Businesses. In connection with this transaction, the Company may be liable for indemnified matters related to certain loans originated by operating subsidiaries in the UK prior to the closing.

Canada Transfer Pricing and Goods and Services Tax

In Canada, we are in disputes with the Canadian Revenue Agency ("CRA") regarding our proposed transfer pricing adjustments and are contesting the taxes assessed by the CRA through the administrative and judicial process. The CRA has assessed taxes for fiscal years ending June 30, 2006 through 2013 related to intercompany transfer pricing, and for fiscal years ending June 30, 2009 through 2013 related to goods and service tax ("GST"). During fiscal 2018, the Company reached a settlement with the CRA on GST for fiscal years 2009 through 2013. The settlement covered all issues included in the objection except for one. The Company intends to pursue litigation in order to resolve the sole outstanding issue on GST for years 2009 through to 2013 with a potential value of $3.1 million. As a result of the settlement reached in appeals, the Company is anticipating a refund of $1.3 million. We believe our existing reserves for these Canadian audits and assessments are adequate; however, we cannot be certain of the outcome of these tax matters. If any such matters were settled in a manner adverse to us, or we were compelled to pay amounts in excess of our existing reserves, our results of operations or financial condition could be adversely affected.

12. Related Party Transactions

Asset Advisory Agreement

In connection with the Merger, on May 7, 2014, LSF8 Sterling Merger Sub, LLC and Hudson Americas LLC ("Manager"), an affiliate of Lone Star, entered into an Asset Advisory Agreement (the "Asset Advisory Agreement"), which was joined by another affiliate of Lone Star. Pursuant to the Asset Advisory Agreement, the Manager provides certain asset management services with respect to us, our subsidiaries and their respective assets or acquired equity interests (collectively, the "Assets"), including: (i) communicating and coordinating with any personnel or other service providers hired by us or our subsidiaries with respect to the Assets; (ii) assisting and advising us in the pursuit of our long-term plan developed and adopted by us with respect to the Assets; (iii) subject to the availability of sufficient funds, implementing the long-term plan and managing the Assets in accordance with the long term plan; and (iv) taking any actions as it deems necessary or appropriate to protect our interests with respect to the Assets in response to certain emergency situations. Pursuant to the Asset Advisory Agreement, we will pay the Manager an amount equal to 110% of the hourly billing rates of the individuals performing management services, and all expenses incurred by Manager on behalf of us will be paid by us. The Asset Advisory Agreement is terminable by us, the Manager or Lone Star's affiliate party to the agreement upon 30 days notice from one party to the others. As of June 30, 2018 and June 30, 2017, the Company has received invoices and accrued for management services and payment of expenses paid on our behalf by the Manager of approximately $21.1 million and $13.0 million, respectively. See also discussion under "Promissory Notes - Lone Star Affiliate" below.

Lone Star Capital Contributions

In conjunction with the Merger on June 13, 2014, DFC Global Corp. stockholders received from an affiliate of Lone Star $9.50 in cash for each share of DFC Global Corp.'s common stock they owned. In addition to the 2014 Notes that were issued to retire Predecessor debt, Lone Star contributed $700.0 million as a capital contribution. Lone Star contributed $81.8 million in capital during the fiscal year-ended June 30, 2015, partially to finance the acquisition of certain assets of Cash Store in Canada, to fund loan growth and for general corporate purposes. During the fiscal year ended June 30, 2016 and June 30, 2017, Lone Star contributed $170.0 million and $131.4 million, respectively, primarily to fund loan book growth. The capital contribution during the fiscal year 2017 includes the capitalization of the promissory notes discussed below. There were no capital contributions made by Lone Star during the fiscal year ended June 30, 2018.

Promissory Notes - Lone Star Affiliate

Up until June 29, 2017, an affiliate of Lone Star had made three loans to the Company totaling $35.0 million to fund loan book growth and for general corporate purposes. These loans were payable on demand and bears interest at 5% per annum. The Company is prohibited under the covenants of the 2016 Notes to make payments of any indebtedness to Lone Star or any of its affiliates, other than payments pertaining to the 2016 Notes owned by Lone Star or any of its affiliates (excluding the Company or any of its consolidated subsidiaries), including these three loans. On June 30, 2017, the Lone Star affiliates holding these notes contributed the $35.0 million together accrued interest of $2.4 million in exchange for 100 shares issued by Sterling Mid-Holdings Limited.

At June 30, 2018, an affiliate of Lone Star had made a temporary loan to the Company totaling $8.4 million for general corporate purposes. This loan is payable on demand. See also discussion under "Note 13 - Subsequent Events" below.

Senior Secured 2014 and 2016 Notes

A related party of the Company's controlling shareholders, LSF8 Bond Holdings, Ltd. ("LS Related Holder"), that regularly invests in corporate bonds and other debt obligations as part of its ordinary course of business, purchased from third parties in the open market, through June 30, 2016, approximately $195.7 million of 2014 Notes issued by DFC Finance Corp. In addition, LS Related Holder purchased an additional $35.2 million of 2014 Notes in the open market on August 16 and 18, 2016 for a total of $230.9 million all of which was tendered under the terms of the amended Exchange Offer on August 19, 2016.

Under the terms of the amended Exchange Offer, LS Related Holder was required to use commercially reasonable best efforts to purchase at least $50.0 million in the aggregate of (1) additional 2014 Notes prior to the Settlement Date that would be exchanged for 2016 Notes in the amended Exchange Offer and (2) 2016 Notes after the Settlement Date, in each case by open market purchase or tender offers on or prior to November 8, 2016. As of November 8, 2016, LS Related Holder had purchased $50.0 million (the "Turnover Notes"), thereby completing its commitment under the Exchange Offer. As of June 30, 2017, the total amount of 2016 Notes held by LS Related Holder was $273.1 million, inclusive of PIK interest received to date.

In addition, the 2016 Notes Trustee and the LS Related Holder entered into the Turnover Agreement, whereby the LS Related Holder agreed to turnover certain payments made with respect to the Turnover Notes to the 2016 Notes Trustee to be applied first, in respect of any 2016 Notes, other than the Turnover Notes, that are then due and payable until paid in full in cash or cash equivalents and, second, to the LS Related Holder in respect of the Turnover Notes.

Pursuant to the amended Exchange Offer, on the Settlement Date, the Company, the 2016 Notes Trustee and the Lone Star affiliate entered into the Contribution Commitment Letter, pursuant to which Lone Star affiliate agreed to contribute to the Company an aggregate amount of equity capital of up to $75.0 million after July 29, 2016 from time to time upon the request of the Company. As of June 30, 2017, Lone Star affiliate has made capital contributions under this commitment in the amount of $110.4 million, thereby completing its commitment under the Exchange Offer.

On October 20, 2017, the Company announced an offer by LS Related Holder to purchase for cash any and all outstanding 2016 Notes and 2014 Notes (collectively "the Notes") of DFC Finance Corp., a wholly owned subsidiary of the Company. In conjunction with the Offer, the Offeror also solicited consents ("the Consent Solicitation") from the holders of the Notes to amend the indentures governing the Notes (collectively, "the Indentures") and certain related Notes Documents (as defined in the Indentures).

On November 7, 2017, the Company announced that 96.1% of the 2016 Notes and 99.7% of the 2014 Notes have been tendered in response to the Offer, as amended on November 2, 2017. As of June 30, 2018, LS Related Holder holds $953.3 million, inclusive of PIK interest received to date, or approximately 97.5% of the total 2014 and 2016 Notes outstanding.

Pursuant to the settlement of the tender offer and consent solicitation conducted by LS Related Holder described above, certain amendments to the 2014 and 2016 Notes indenture and other modifications to the covenants became effective on November 28, 2017.

Cross Currency Swap Agreements

On September 16, 2015, the Company entered into two swap agreements with a Lone Star affiliate, LSF8 HedgeCo, Ltd., to hedge the US dollar exposure associated with the interest obligation on a $570.0 million intercompany note between NMM and DFC Finance. The swaps matured on June 15, 2018.

On April 27, 2018, the Company entered into a CAD foreign currency forward contract with a Lone Star affiliate, LSF8 HedgeCo, Ltd., to hedge foreign currency exposure associated with Canadian operations funded and settled with USD and currency exposure of the collateral assets under the ABL and Securitization facilities. The gains or losses on the hedging instrument shall be recognized in earnings. The forward exchange contract is designed to settle at or near the end of each month concurrently with the execution of a replacement forward contract. See Note 9 - "Derivative Instruments and Hedging" above.

Bridge Loan

On June 29, 2017 the Company's wholly owned subsidiary DFC Global Corp. ("DFC Global") entered into a Loan Agreement ("Bridge Loan") with BK8 Investments, LLC ("BK8") wherein BK8 agreed to lend $35.0 million to DFC Global for 180 days at an interest rate of 6% per year. The Bridge Loan was secured by a standby letter of credit provided by an affiliate of Lone Star and was repaid with net proceeds from the sale of the UK and ROW reporting units on February 27, 2018.

13. Subsequent Events

On July 17, 2018, the Company paid $7.0 million to the ABL lenders to reduce the debt under the ABL Credit Facility.

On July 26, 2018, an affiliate of Lone Star established a two year revolving credit facility to DFC Finance Corp. a subsidiary of the Company of $20.0 million to fund loan book growth and for general corporate purposes. This credit facility bears interest at 12% per annum and is payable annually. On September 18, 2018, the Directors of the Company approved in principle, the conversion of the of $20.0 million loan together with accrued interest to-date into equity, subject to the execution of the required legal documents to complete the conversion.

On August 29, 2018 the Company entered into an agreement with the landlord of the building, which previously housed the Company's corporate administrative headquarters ("Berwyn Lease"), to an early termination of the lease. In consideration, the Company issued a promissory note ("Landlord Note") for $6.0 million payable over 39 monthly payments. The Landlord Note bears interest of 7.75% per annum.

On September 12, 2018, the Company announced that it will discontinue offering the EasyTax services product effective September 15, 2018. This product accounted for $2.8 million, $3.9 million and $4.6 million of the Company's revenues for the fiscal years ended June 30, 2018, June 30, 2017 and June 30, 2016, respectively. Additionally, the Company announced that it will also restructure their contact centers and consolidate them into its Malvern, PA location, and outsource its information technology technical support and help desk functions to an external third party.

The Company has evaluated subsequent events from the balance sheet date through September 21, 2018, the date the financial statements were available to be issued and determined there were no additional items requiring disclosure.