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**CASHEURONET UK, LLC  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED**

**30 NOVEMBER 2017**



**COMPANY REGISTRATION NUMBER:**

**FC032279**

**CASHEURONET UK, LLC**  
**BALANCE SHEETS**  
*(Unaudited, GBP in thousands)*

	<u>30 November 2017</u>	<u>30 November 2016</u>
<b>Assets</b>		
Cash and cash equivalents	£ 12,391	£ 8,167
<b>Restricted cash and cash equivalents</b>	<b>5,016</b>	<b>5,014</b>
Consumer loans, net	47,757	36,052
<b>Other receivables and prepaid expenses</b>	<b>119</b>	<b>190</b>
Property and equipment, net	96	114
<b>Other assets</b>	<b>105</b>	<b>105</b>
Total assets	<u>£ 65,484</u>	<u>£ 49,642</u>
<b>Liabilities and Members' Equity</b>		
Accounts payable and accrued expenses	£ 3,775	£ 2,507
<b>Intercompany payable</b>	<b>29,632</b>	<b>27,355</b>
Total liabilities	<u>33,407</u>	<u>29,862</u>
<b>Members' equity</b>	<b>32,077</b>	<b>19,780</b>
Total liabilities and members' equity	<u>£ 65,484</u>	<u>£ 49,642</u>

On behalf of the Board

John Thirlwell  
Director

Nick Drew  
Director

The Notes to Financial Statements on pages 5 to 10 form an integral part of the financial statements.

**CASHEURONET UK, LLC**  
**STATEMENT OF INCOME**  
*(Unaudited, GBP in thousands)*

	Year Ended 30 November 2017	Year Ended 30 November 2016
<b>Revenue</b>	£ 83,348	£ 71,942
<b>Cost of Revenue</b>	30,346	14,779
<b>Gross Profit</b>	<u>53,002</u>	<u>57,163</u>
<b>Expenses</b>		
Marketing	7,162	4,311
Operations and technology	18,119	15,486
General and administrative	1,336	1,717
<b>Total Expenses</b>	<u>26,635</u>	<u>21,514</u>
<b>Income from Operations</b>	26,367	35,649
Interest expense, net	(14,073)	(24,449)
Foreign currency transaction loss	3	(32)
<b>Net Income</b>	<u>£ 12,297</u>	<u>£ 11,168</u>

The Notes to Financial Statements on pages 5 to 10 form an integral part of the financial statements.

**CASHEURONET UK, LLC**  
**STATEMENT OF MEMBERS' EQUITY**  
*(Unaudited, GBP in thousands)*

	Capital Contribution	Retained Earnings	Total Members' Equity
<b>Balance at 30 November 2015</b>	<b>£ 10,000</b>	<b>£ 16,612</b>	<b>£ 26,612</b>
Net income	—	11,168	11,168
Dividends	—	(18,000)	(18,000)
<b>Balance at 30 November 2016</b>	<b>£ 10,000</b>	<b>£ 9,780</b>	<b>£ 19,780</b>
Net income	—	12,297	12,297
<b>Balance at 30 November 2017</b>	<b>£ 10,000</b>	<b>£ 22,077</b>	<b>£ 32,077</b>

The Notes to Financial Statements on pages 5 to 10 form an integral part of the financial statements.

**CASHEURONET UK, LLC**  
**STATEMENT OF CASH FLOWS**  
*(Unaudited, GBP in thousands)*

	Year Ended 30 November 2017	Year Ended 30 November 2016
<b>Cash Flows from Operating Activities</b>		
Net Income	£ 12,297	£ 11,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Cost of revenue	30,346	14,779
Changes in operating assets and liabilities:		
Interest on consumer loans	(239)	(1,142)
Prepaid expenses and other assets	71	232
Accounts payable and accrued expenses	1,268	(461)
<b>Net cash provided by operating activities</b>	<u>43,743</u>	<u>24,576</u>
<b>Cash Flows from Investing Activities</b>		
Consumer loans originated	(174,255)	(148,974)
Consumer loans repaid	132,443	130,169
Restricted cash deposit	(2)	(6)
Purchases of property and equipment	—	(114)
Other	18	—
<b>Net cash used in investing activities</b>	<u>(41,796)</u>	<u>(18,925)</u>
<b>Cash Flows from Financing Activities</b>		
Net intercompany borrowings (payments)	2,277	(9,145)
<b>Net cash provided by (used in) financing activities</b>	<u>2,277</u>	<u>(9,145)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	4,224	(3,494)
<b>Cash and cash equivalents at beginning of year</b>	8,167	11,661
<b>Cash and cash equivalents at end of period</b>	<u>£ 12,391</u>	<u>£ 8,167</u>
<b>Supplemental Disclosure:</b>		
Noncash dividend	£ —	£ 18,000

The Notes to Financial Statements on pages 5 to 10 form an integral part of the financial statements.

**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**

**1. Nature of the Company**

CashEuroNet UK, LLC, a Delaware limited liability company (the 'Company') with its UK head office located at Fergusson House, 124-128 City Rd, London, EC1V 2NJ, is a wholly owned subsidiary of CNU Online Holdings LLC ('CNU Online Holdings'). The Company operates an internet-based lending platform to serve customers in need of cash to fulfill their financial responsibilities. Through a network of direct and indirect marketing channels, the Company offers funds to its customers through its loan products. The business is operated solely through the internet to provide convenient financial solutions to its customers. As of 30 November 2017, the Company offered loans to consumers under the names 'QuickQuid' and 'Pounds to Pocket' in the United Kingdom.

The Company originates consumer loans. Consumer loans provide customers with cash in their bank account, typically in exchange for an obligation to repay the amount advanced plus fees and/or interest. Consumer loans include short-term loans, which are unsecured and generally have terms of 7 to 90 days, line of credit accounts, which allow customers to draw on their unsecured line of credit in increments of their choosing up to their credit limits, and instalment loans, which are longer-term multi-payment loans that generally require the outstanding principal balance to be paid down in multiple instalments with terms of up to 12 months. As a result of regulatory changes in 2014, the Company discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective 1 January 2015, the Company discontinued draws on those existing accounts.

**2. Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited financial statements of the Company have been prepared in accordance with accounting standards generally accepted in the United States of America and reflect the historical results of operations of the Company during the years ended 30 November 2017 and 2016. The financial information included herein may not be indicative of the financial position, operating results, changes in stockholder's equity and cash flows of the Company in the future, or as if the Company had been a separate company during the period presented.

***Use of Estimates***

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for losses on consumer loans, contingencies and litigation, if any. Management bases its estimates on historical experience, empirical data and on 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.

***Cash and Cash Equivalents***

The Company considers deposits in banks and short-term investments with original maturities of 90 days or less as cash and cash equivalents.

***Revenue Recognition***

The Company recognises revenue based on the financing products it offers. 'Revenue' in the statement of income includes: interest income, finance charges, and late fees as permitted by applicable regulations and pursuant to the agreement with the borrower. For short-term loans that the Company offers, finance charges are recognised on an effective yield basis over the term of the loan. For line of credit accounts, interest is recognised over the reporting period based upon the balance outstanding and the contractual interest rate. For instalment loans, interest is recognised on an effective yield basis over the term of the loan. Late fees are recognised when assessed to the customer. Direct costs associated with originating loans, such as third-party customer acquisition costs, are deferred and amortised against revenue on an effective yield basis over the term of the loan. Instalment loans, unpaid and accrued interest and deferred origination costs are included in 'Consumer loans, net' in the balance sheet.

**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

***Current and Delinquent Consumer Loans***

The Company classifies its consumer loans as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. If a line of credit account or instalment loan customer misses one payment, that payment is considered delinquent and the balance of the loan is considered current. If a line of credit account or instalment loan customer does not make two consecutive payments, the entire account or loan is classified as delinquent and placed on a non-accrual status. The Company allows for normal payment processing time before considering a loan delinquent but does not provide for any additional grace period.

Delinquent loans generally may not be renewed, and if, during its attempt to collect on a delinquent loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

***Allowance Estimated Losses on Consumer Loans***

The Company monitors the performance of its consumer loan portfolios and maintains an allowance for estimated losses on consumer loans (including fees and/or interest) at a level estimated to be adequate to absorb losses inherent in the portfolio. The allowance for losses on the Company's consumer loans reduces the outstanding consumer loan balance in the balance sheet.

In determining the allowance for estimated losses on consumer loans, the Company applies a documented systematic methodology. In calculating the allowance for receivable losses, outstanding consumer loans are divided into discrete groups of short-term loans, line of credit accounts and instalment loans and are analysed as current or delinquent. Increases in the allowance, net of charge-offs and recoveries, are recorded as a 'cost of revenue' in the statement of income.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six-month rolling average of loss rates by stage of collection. For line of credit account and instalment loan portfolios, the Company uses a migration analysis to estimate losses inherent in the portfolio. The allowance calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event and the charge-off of a loan. The factors the Company considers to assess the adequacy of the allowance include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

The Company fully reserves for loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days and generally charges off loans between 60 – 65 days delinquent. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Loans classified as delinquent generally have an age of 1 to 64 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.

***Marketing Expenses***

Marketing expenses consist of lead purchase costs paid to marketers in exchange for providing information or applications from potential customers interested in using the Company's services. Marketing costs directly related to loan originations are deferred and amortised against revenue.

***Operations and Technology Expenses***

Operations and technology expenses include all expenses related to the direct operations and technology infrastructure related to loan underwriting and processing. This includes call center and operations personnel costs, software maintenance expense, underwriting data from third-party vendors, and telephony costs.

***General and Administrative Expenses***

General and Administrative expenses primarily include the Company's corporate personnel costs, as well as legal, occupancy, and other related costs.

**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. Consumer Loans, Credit Quality Information and Allowances for Estimated Losses on Consumer Loans**

The components of consumer loans at 30 November 2017 and 2016 were as follows (GBP in thousands):

Year Ended 30 November 2017				
	Short-term Loans	Line of Credit Accounts	Instalment Loans	Total
Current receivables	£ 20,971	£ —	£ 27,412	£ 48,383
Delinquent receivables				
Delinquent payment amounts <sup>(1)</sup>	—	—	411	411
Receivables on non-accrual status	5,515	—	1,639	7,154
Total delinquent receivables	5,515	—	2,050	7,565
Total consumer loans, gross	26,486	—	29,462	55,948
Less: Allowance for losses	(4,576)	—	(3,615)	(8,191)
Consumer loans, net	£ 21,910	£ —	£ 25,847	£ 47,757

  

Year Ended 30 November 2016				
	Short-term Loans	Line of Credit Accounts	Instalment Loans	Total
Current receivables	£ 16,661	£ 30	£ 18,196	£ 34,887
Delinquent receivables				
Delinquent payment amounts <sup>(1)</sup>	—	—	217	217
Receivables on non-accrual status	4,463	2	2,586	7,051
Total delinquent receivables	4,463	2	2,803	7,268
Total consumer loans, gross	21,124	32	20,999	42,155
Less: Allowance for losses	(4,176)	—	(1,927)	(6,103)
Consumer loans, net	£ 16,948	£ 32	£ 19,072	£ 36,052

(1) Represents the delinquent portion of consumer loans for customers that have only missed one payment. See Note 2 'Significant Accounting Policies-Current and Delinquent Consumer Loans' for additional information.

(2) As of 30 November 2017 and 2016, there were no gross consumer loans that fell due after more than one year.

Changes in the allowance for losses for consumer loans for the years ended 30 November 2017 and 2016 were as follows (GBP in thousands):

Year Ended 30 November 2017				
	Short-term Loans	Line of Credit Accounts	Instalment Loans	Total
<b>Allowance for losses for consumer loans:</b>				
Balance at beginning of period	£ 4,176	£ —	£ 1,927	£ 6,103
Cost of revenue	18,465	(1,444)	13,325	30,346
Charge-offs	(25,230)	(291)	(17,668)	(43,189)
Recoveries	7,165	1,735	6,031	14,931
Balance at end of period	£ 4,576	£ —	£ 3,615	£ 8,191



**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

	Year Ended 30 November 2016			
	Short-term Loans	Line of Credit Accounts	Instalment Loans	Total
<b>Allowance for losses for consumer loans:</b>				
Balance at beginning of period	£ 2,927	£ —	£ 1,179	£ 4,106
Cost of revenue	13,629	(4,086)	5,236	14,779
Charge-offs	(18,623)	(326)	(11,242)	(30,191)
Recoveries	6,243	4,412	6,754	17,409
Balance at end of period	£ 4,176	£ —	£ 1,927	£ 6,103

**4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at 30 November 2017 and 2016 were as follows (GBP in thousands):

	As of 30 November	
	2017	2016
Trade accounts payable	£ 941	£ 303
Accrued advertising expenses	689	369
Accrued operations and technology expenses	945	935
Accrued general and administrative expenses	816	486
Accrued payroll and fringe benefits	384	414
Total	£ 3,775	£ 2,507

As of 30 November 2017, no amounts fell due after more than one year.

**5. Intercompany Debt**

The Company's principal source of funding is a revolving credit facility ('Facility') provided to it by CNU Online Holdings. The Facility provides the Company with the funds that are required for the Company to carry out its operations and lend to customers. The Company uses the payment of interest and repayment of principal amounts by customers to meet its own repayment obligations to CNU Online Holdings under the Facility. A monthly assessment is made regarding the Company's financing needs for the following month. Funding requirements, and the associated variable at arm's length interest rates, are recalibrated each month to ensure that the Company achieves its targeted profit margin based on applicable transfer pricing guidelines. At 30 November 2017, the Company had outstanding intercompany notes payable of £29.6 million. During the year ended 30 November 2017, CNU Online Holdings charged the Company interest calculated monthly on outstanding intercompany balance at a 39% weighted average annual interest rate.

**6. Income Taxes**

As a single member limited liability company, the Company is considered a disregarded entity under the United States Internal Revenue Code for federal tax purposes. State income tax treatment is consistent with federal tax treatment. The Company does not file an income tax return for federal or state purposes. All operations are included as part of US consolidated and unitary state tax returns with CNU Online Holdings.

Any uncertain tax positions are initially recognised in the combined and consolidated financial statements when they are more likely than not to be sustained upon examination by the respective tax authorities. Based on this analysis, there were no tax positions not deemed to meet a more likely than not threshold. Therefore, no tax expense, including any interest and penalties, was recorded in the current year. Further, the Company does not believe it is reasonably possible that any material tax positions will be recorded within the next twelve months. The Company recognizes interest and penalties, if any, related to unrecognised tax benefits as income tax expense in the statement of income.

**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

The US consolidated return for the tax years ended 31 December 2016 and 2015 are open to potential examinations by U.S. tax jurisdictions.

**7. Fair Value Measurements**

***Recurring Fair Value Measurements***

In accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 820, certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

During the years ended 30 November 2017 and 2016, there were no transfers of assets or liabilities in or out of Level 1, Level 2 or Level 3 fair value measurements. It is the Company's policy to value any transfers between levels of the fair value hierarchy based on end of period values.

At 30 November 2017 and 2016, there were no assets or liabilities recorded at fair value on a recurring basis.

***Fair Value Measurements on a Non-Recurring Basis***

The Company measures non-financial assets and liabilities such as property and equipment and intangible assets at fair value on a nonrecurring basis or when events or circumstances indicate that the carrying amount of the assets may be impaired. At 30 November 2017 and 2016, there were no assets or liabilities recorded at fair value on a nonrecurring basis.

***Financial Assets and Liabilities Not Measured at Fair Value***

The Company's financial assets and liabilities as of 30 November 2017 and 2016 that are not measured at fair value in the balance sheet are as follows (GBP in thousands):

	30 November 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents	£ 12,391	£ 12,391	£ —	£ —
Short-term loans, net <sup>(1)</sup>	21,910	—	—	21,910
Instalment loans, net <sup>(1)</sup>	25,847	—	—	25,847
Restricted cash	5,016	5,016	—	—
<b>Total</b>	<u>£ 65,164</u>	<u>£ 17,407</u>	<u>£ —</u>	<u>£ 47,757</u>
<b>Financial liabilities:</b>				
Intercompany payable	£ 29,632	£ —	£ —	£ 29,632
<b>Total</b>	<u>£ 29,632</u>	<u>£ —</u>	<u>£ —</u>	<u>£ 29,632</u>

**CASHEURONET UK, LLC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

	30 November 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents	£ 8,167	£ 8,167	£ —	£ —
Short-term loans and line of credit accounts, net <sup>(1)</sup>	16,980	—	—	16,980
Instalment loans, net <sup>(1)</sup>	19,072	—	—	19,072
Restricted cash	5,014	5,014	—	—
<b>Total</b>	<u>£ 49,233</u>	<u>£ 13,181</u>	<u>£ —</u>	<u>£ 36,052</u>
<b>Financial liabilities:</b>				
Intercompany payable	£ 27,355	£ —	£ —	£ 27,355
<b>Total</b>	<u>£ 27,355</u>	<u>£ —</u>	<u>£ —</u>	<u>£ 27,355</u>

<sup>(1)</sup> Short-term loans, line of credit accounts and instalment loans are included in 'Consumer loans, net' in the balance sheet.

Cash and cash equivalents bear interest at market rates and have maturities of less than 90 days.

Short-term loans, line of credit accounts and instalment loans are carried in the balance sheet net of the allowance for estimated losses, which is calculated by applying historical loss rates combined with recent default trends to the gross receivable balance. Short-term loans, line of credit accounts and instalment loans have relatively short maturity periods that are generally 12 months or less. The unobservable inputs used to calculate the fair value of these receivables include historical loss rates, recent default trends and estimated remaining loan term; therefore, the carrying value approximates the fair value.