

REGISTERED NUMBER: 03752940 (England and Wales)

Annual Report and
Financial Statements for the Year Ended 31 December 2017
for
Intrum UK Limited
(formerly 1st Credit Limited)

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Intrum UK Limited
(formerly 1st Credit Limited)

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for the Year Ended 31 December 2017

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Intrum UK Limited
(formerly 1st Credit Limited)

Company Information
for the Year Ended 31 December 2017

DIRECTORS:

E Nott
B McLaren

COMPANY SECRETARY:

B McLaren

REGISTERED OFFICE:

The Omnibus Building
Lesbourne Road
Reigate
Surrey
RH2 7JP

REGISTERED NUMBER:

03752940 (England and Wales)

AUDITOR:

Ernst & Young LLP
Chartered Accountants & Statutory Auditor
25 Churchill Place
London
E14 5EY

BANKERS:

RBS Group
280 Bishopsgate
London
EC2M 4RB

SOLICITORS:

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Intrum UK Limited
(formerly 1st Credit Limited)

Strategic Report
for the Year Ended 31 December 2017

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the collection of non-performing loan portfolios ('NPL's') in the UK.

The Company provides collection and Business Process Outsourcing (BPO) services to Group companies and a select number of partners.

The Company's loss after tax for the year was £5k (2016: £1,669k). The Company has net liabilities of £484k (2016: £479k) at the year end.

Revenue decreased from £15.4m in 2016 to £14.9m due to reduced purchases of debt portfolios by Group companies.

GOING CONCERN

The Company's business activities are set out earlier in the Strategic Report. The Company at times relies on funding made available from the ultimate parent company, Intrum Justitia AB. The directors, including receiving confirmation from the parent company that it will continue to provide financial support, have satisfied themselves that there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability or willingness of the Parent to continue with the current financing arrangements. After making enquiries, the directors have a reasonable expectation that the Company and Intrum Justitia AB have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

The Directors recognise that the proper management of risk is crucial to the business. This process is managed through a risk register which is reviewed by a Board committee each quarter and by the full Board annually or more frequently if required.

Credit risk

The financial assets subjected to credit risk are purchased loan portfolios. The Company continually monitors forecast cash collections. The carrying values reflect the fair value of estimated future net collections. The on-going risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types. This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Economic uncertainty

The Directors recognise that changes in the economy may lead to differing market conditions. To mitigate this risk the business has developed a model which incorporates movements in key economic indicators to price and sensitise model projections.

In addition, the Group has developed a collection process which is predominantly based on securing affordable arrangement plans rather than focusing on settlement campaigns. The average monthly customer payment is below the sector average, which management considers provide a shelter against sudden changes in the economy.

Information technology

The business has developed its own proprietary operational CRM software, CreditSolve®. This platform is flexible and adaptive to change. The business employs an in house team to continuously upgrade and develop the software thereby mitigating the risk of obsolescence.

The data held by the system is personal and is kept secure under both regulatory and banking guidelines. The Group addresses this data security risk by implementing stringent security procedures and has obtained ISO 27001 in relation to information security.

In addition the Group has implemented an outsourced solution which provides greater expertise and resilience.

In order to protect against business interruption the Group has a Disaster Recovery plan which includes the use of an offsite facility. The Group carries out full testing every year to ensure that the operation can be run at the offsite centre.

Intrum UK Limited
(formerly 1st Credit Limited)

Strategic Report - continued
for the Year Ended 31 December 2017

FUTURE DEVELOPMENTS

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of a material third party collections contract agreed late 2017 and increased portfolio investments in group companies during the year.

Approved by the Board and signed on its behalf by:



.....
E Nott - Director

The Omnibus Building
Lesbourne Road
Reigate
Surrey
RH2 7JP

Date: 21/09/18.....

Intrum UK Limited
(formerly 1st Credit Limited)

Directors' Report
for the Year Ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £5k (2016: loss £1,669k).

The directors do not recommend paying a dividend (2016: £Nil).

CHANGE OF NAME

The Company passed a special resolution on 1 March 2018 changing its name from 1st Credit Limited to Intrum UK Limited.

CHANGE OF OWNERSHIP

During the year, Intrum Justitia AB, a Stockholm Nasdaq listed entity, acquired 100% of the intermediate parent company, Intrum UK Funding Limited (formerly 1st Credit (Funding) Limited), via a subsidiary undertaking Intrum UK Group Limited (formerly Collector Services Limited). The transaction completed on 14 February 2017 following approval from the Financial Conduct Authority (FCA). For details of the parent companies and ultimate controlling party, see note 27.

DIRECTORS

The directors who served during the year and to the date of this report were:

E Nott

B McLaren

None of the Directors had any interest in the shares of the Company. There are no directors' interests requiring disclosure under the Companies Act 2006.

MATTERS COVERED IN THE STRATEGIC REPORT

See the Strategic Report for details of the principal activity, going concern, financial risk management and future developments which form part of this report by cross-reference.

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

EVENTS AFTER THE BALANCE SHEET DATE

The Directors confirm that there were no significant events occurring after the balance sheet date, up to the date of this report, that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Intrum UK Limited
(formerly 1st Credit Limited)

Directors' Report - continued
for the Year Ended 31 December 2017

DIRECTORS' RESPONSIBILITIES STATEMENT - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

AUDITORS

During the year Grant Thornton UK LLP resigned as auditors and Ernst & Young LLP were appointed. The auditor Ernst & Young LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



.....
E Nott - Director

The Omnibus Building
Lesbourne Road
Reigate
Surrey
RH2 7JP

Date: 21/09/18

Independent Auditor's Report to the Members of
Intrum UK Limited
(formerly 1st Credit Limited)

Opinion

We have audited the financial statements of Intrum UK Limited (formerly 1st Credit Limited) for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

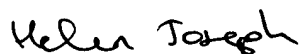
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Helen Joseph (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
25 Churchill Place
London
E14 5EY

Date: 21 September 2018

Notes:

1. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Intrum UK Limited
(formerly 1st Credit Limited)

Statement of Comprehensive Income
for the Year Ended 31 December 2017

	Note	2017 £'000	2016 £'000
REVENUE	2	14,908	15,417
GROSS PROFIT		14,908	15,417
Administrative expenses	6	(15,191)	(15,998)
Non-recurring administrative expenses	7	-	(549)
OPERATING LOSS		(283)	(1,130)
Interest receivable and similar income	8	2	-
Interest payable and similar expenses	9	(3)	-
LOSS BEFORE TAXATION	10	(284)	(1,130)
Tax credit/(charge)	11	279	(539)
LOSS FOR THE FINANCIAL YEAR		(5)	(1,669)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5)	(1,669)

All activities derive from continuing operations.

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

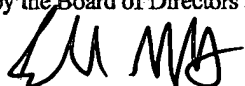
The notes on pages 11 to 21 form part of these financial statements.

Intrum UK Limited
(formerly 1st Credit Limited)

Statement of Financial Position
As at 31 December 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Intangible assets	12	182	180
Tangible assets	13	576	586
Investments	14	-	-
		<u>758</u>	<u>766</u>
CURRENT ASSETS			
Deferred tax	19	561	282
Debtors: amounts falling due within one year	15	760	2,533
Cash at bank and in hand	16	486	517
		<u>1,807</u>	<u>3,332</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	17	(2,912)	(4,466)
NET CURRENT LIABILITIES		<u>(1,105)</u>	<u>(1,134)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(347)	(368)
NON-CURRENT LIABILITIES			
Provisions	20	(137)	(111)
NET LIABILITIES		<u>(484)</u>	<u>(479)</u>
EQUITY			
Share capital	21	300	300
Profit and loss account	22	(784)	(779)
TOTAL EQUITY		<u>(484)</u>	<u>(479)</u>

The financial statements of Intrum UK Limited (formerly 1st Credit Limited) (Registered number: 03752940) were approved by the Board of Directors and authorised for issue on 21/09/18. They were signed on its behalf by:



.....
E Nott - Director

Intrum UK Limited
(formerly 1st Credit Limited)

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2016	300	890	1,190
Total comprehensive loss for the year	-	(1,669)	(1,669)
Balance at 31 December 2016	<u>300</u>	<u>(779)</u>	<u>(479)</u>
Total comprehensive loss for the year	-	(5)	(5)
Balance at 31 December 2017	<u><u>300</u></u>	<u><u>(784)</u></u>	<u><u>(484)</u></u>

Intrum UK Limited
(formerly 1st Credit Limited)

Notes to the Financial Statements
for the Year Ended 31 December 2017

1. ACCOUNTING POLICIES

1.1 General information and basis of accounting

Intrum UK Limited (formerly 1st Credit Limited) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is The Omnibus Building, Lesbourne Road, Reigate, Surrey, RH2 7JP.

The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company is a qualifying entity for the purposes of FRS 101. Note 27 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS as adopted by the EU may be obtained.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with IFRS as adopted by the EU was not material on the shareholders' equity as at the date of transition.

The functional currency of Intrum UK Limited (formerly 1st Credit Limited) is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates, and is also the functional currency of the parent company.

1.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets; and
 - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

1.3 Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvements to IFRSs 2014-2016 cycle
- Reduced IFRS 2 disclosure for share-based payment arrangements in a subsidiary's financial statements;
- Reduced IFRS 7 disclosure of financial instruments;
- Reduced IAS 36 disclosure of impairment review;
- Reduced IFRS 13 disclosure relating to fair value measurement; and
- The requirement to present comparatives in roll-forward reconciliations for property, plant and equipment and intangible assets.

1. ACCOUNTING POLICIES - continued

1.3 Adoption of new and revised Standards - continued

The following amendments were endorsed by the EU during the year and have been adopted in these financial statements:

- Amendments to FRS 101 'Reduced Disclosure Framework' - 2016/17 Cycle (July 2017)
- Amendments to IAS 12 'Income taxes' on recognition of deferred tax assets for unrealised losses

The adoption of these standards did not have a material impact on the financial statements.

1.4 Going concern

The Company at times relies on funding made available from the ultimate parent company, Intrum Justitia AB. The directors, including receiving confirmation from the parent company that it will continue to provide financial support, have satisfied themselves that there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability or willingness of the Parent to continue with the current financing arrangements. After making enquiries, the directors have a reasonable expectation that the Company and Intrum Justitia AB have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents fees and commissions earned in respect of the collection of consumer and commercial debt owed to third parties, excluding VAT.

Revenue is recognised on receipt of collections.

1.6 Intangible assets

Intangible assets are initially recognised at cost. Intangible assets with finite useful lives that are acquired separately are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives on the following basis:

Computer software	2 - 3 years
-------------------	-------------

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.7 Tangible assets

Tangible assets are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Tangible assets are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write down the cost of assets less their residual value over their estimated useful lives, using the straight-line method on the following basis:

Leasehold property	Over the shorter of the term of the lease and its useful economic life
Fixtures and fittings	5 years
Computer equipment	3-5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

1.8 Investments

Investments in joint ventures are accounted for at cost less provision for any impairment. A joint venture is an entity over which the Company has joint control.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. ACCOUNTING POLICIES - continued

1.10 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except for those carried at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Comprehensive Income.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Loans and receivables are assessed for impairment at each balance sheet date. An impairment provision is recognised where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable. The amount of the impairment provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

1.11 Provisions

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

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

1.12 Taxation

The tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

1. ACCOUNTING POLICIES - continued

1.12 Taxation - continued

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1.13 Operating leases

Where the Company is a lessee, rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.14 Client funds

Cash received on collections of specific debt is reported within cash and bank balances with the related liabilities included in creditors.

1.15 Pension costs

The Company operates defined contribution retirement benefit schemes. The Company pays fixed contributions into employees' approved pension plans and insurances for individual employees. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

1.16 Non-recurring administrative expenses

Non-recurring administrative expenses are transactions that fall within the ordinary activities of the Company but are presented separately due to their nature or incidence.

1.17 Finance income and expenses

Finance income and expense comprise interest earned on cash deposited with financial counterparties and loans to and from Group undertakings, and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the period.

1.18 Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

1. **ACCOUNTING POLICIES - continued**

1.19 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits.

1.20 Critical accounting judgements and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements:

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the use of certain software and IT equipment.

2. **REVENUE**

The whole of the revenue is attributable to the Company's principal activity.

All turnover arose within the United Kingdom.

3. **AUDITORS' REMUNERATION**

The Company paid the following amounts to its auditors in respect of the statutory audit of the financial statements and for other services provided to the Company.

	2017 £'000	2016 £'000
Fees for the audit of the Company payable to the current auditors	15	-
Fees for the audit of the Company payable to the former auditors	1	12
Tax compliance services payable to the former auditors	-	3
	<u>16</u>	<u>15</u>

4. **EMPLOYEES**

Aggregate remuneration of employees comprised:

	2017 £'000	2016 £'000
Wages and salaries	5,747	7,778
Social security costs	645	902
Cost of defined contribution scheme (note 23)	152	157
	<u>6,544</u>	<u>8,837</u>

4. **EMPLOYEES - continued**

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

	2017	2016
	No.	No.
Employees and directors	142	151
	<u>142</u>	<u>151</u>

5. **DIRECTORS' REMUNERATION**

	2017	2016
	£'000	£'000
Directors' emoluments	826	3,006
Company contributions to defined contribution pension schemes	-	34
	<u>826</u>	<u>3,040</u>

During the year retirement benefits were accruing to nil directors (2016: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £461k (2016: £1,384k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2016: £Nil).

6. **EXPENSES BY NATURE**

Administrative expenses comprise the following:

	2017	2016
	£'000	£'000
Collection activity costs	3,087	3,528
Staff costs	6,544	8,837
Premises costs	841	696
IT costs	1,006	875
Depreciation and amortisation	279	274
Recurring other operating expenses	3,434	1,788
	<u>15,191</u>	<u>15,998</u>

7. **EXCEPTIONAL ITEMS**

	2017	2016
	£'000	£'000
Non-recurring expenses	-	549

Exceptional costs consist of non-recurring expenses in relation to cost rationalisation initiatives in the year as detailed in note 10.

8. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2017	2016
	£'000	£'000
Interest receivable from group undertakings	2	-

Intrum UK Limited
(formerly 1st Credit Limited)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£'000	£'000
Interest payable on loans from group undertakings	3	-

10. LOSS FOR THE YEAR

The loss before taxation is stated after charging:

	2017	2016
	£'000	£'000
Operating lease rentals	428	338
Depreciation of tangible fixed assets	179	231
Amortisation of intangible assets	100	43
Non-recurring expenses	-	549
Impairment of amounts owed by group undertakings	1,063	258

Non-recurring expenses of £Nil (2016: £549k) have been incurred in relation to cost rationalisation initiatives in the year.

11. TAXATION

Analysis of tax (credit) / expense

	2017	2016
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	(279)	539
Total tax (credit) / expense in Statement of Comprehensive Income	(279)	539

Factors affecting the tax (credit) / expense

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£'000	£'000
Loss before income tax	(284)	(1,130)
Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(55)	(166)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation	210	58
Fixed asset differences	-	(2)
Effect of change in tax rate	(30)	126
Effect of group and other reliefs	(108)	-
Deferred tax not recognised	(296)	523
Tax (credit) / expense	(279)	539

Factors that may affect future tax charges

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with a rate of 20% applying from 1 April 2015, 19% applying from 1 April 2017 and 17% applying from 1 April 2020. All these rates have been substantively enacted at the year end and therefore taken into account when calculating the tax position of the Company, and the deferred tax assets and liabilities included within these financial statements have been calculated using these rates based on when the deferred tax timing differences are expected to materially reverse.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

12. INTANGIBLE ASSETS

	Computer software £'000
COST	
At 1 January 2017	1,300
Additions	102
	<hr/>
At 31 December 2017	1,402
	<hr/>
AMORTISATION	
At 1 January 2017	1,120
Amortisation for the year	100
	<hr/>
At 31 December 2017	1,220
	<hr/>
NET BOOK VALUE	
At 31 December 2017	182
	<hr/> <hr/>
At 31 December 2016	180
	<hr/> <hr/>

13. TANGIBLE ASSETS

	Leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
COST				
At 1 January 2017	543	243	441	1,227
Additions	79	48	42	169
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	622	291	483	1,396
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2017	292	143	206	641
Charge for the year	49	45	85	179
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	341	188	291	820
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2017	281	103	192	576
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2016	251	100	235	586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. INVESTMENTS

The Company has investments in the following entity:

Name	Registered office address	Holding	%
LBHF Joint Ventures Limited*	The Omnibus Building, Lesbourne Road, Reigate, RH2 7JP, United Kingdom	Ordinary shares	49

* indicates the entity is held directly by Intrum UK Limited (formerly 1st Credit Limited)

During the year, the Company acquired 49% of the share capital of LBHF Joint Ventures Limited for consideration of £49 comprising the issue of 49 ordinary shares of £1 each. The Company has recorded the cost of the investment at the nominal value of the shares issued.

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Trade debtors	250	77
Amounts owed by group undertakings	57	2,053
Other debtors	37	2
Prepayments and accrued income	416	401
	<u>760</u>	<u>2,533</u>

The carrying value of amounts owed by group undertakings is £57k (2016: £2,053k) being the total of £1,841k (2016: £2,773k) less an impairment provision of £1,784k (2016: £720k).

Amounts owed by group undertakings are trading amounts which are unsecured, are not subject to an interest charge and have no fixed repayment date.

16. **CASH AND CASH EQUIVALENTS**

	2017	2016
	£'000	£'000
Cash at bank and in hand	<u>486</u>	<u>517</u>

17. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Trade creditors	881	454
Taxation and social security	251	399
Other creditors	22	166
Accruals	1,758	3,447
	<u>2,912</u>	<u>4,466</u>

18. **FINANCIAL INSTRUMENTS**

	2017	2016
	£'000	£'000
Financial assets		
Cash and cash equivalents	486	517
Financial assets measured at amortised cost	344	2,132
	<u>830</u>	<u>2,649</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(2,661)</u>	<u>(4,067)</u>

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Financial assets measured at amortised cost comprise trade debtors, amounts owed to group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

19. DEFERRED TAXATION

	2017
	£'000
Deferred tax asset at 1 January 2017	282
Credited to profit or loss	279
	<hr/>
Deferred tax asset at 31 December 2017	561
	<hr/>

The deferred tax asset is made up as follows:

	2017	2016
	£'000	£'000
Tax losses carried forward	561	282
	<hr/>	<hr/>

The Company has recognised deferred tax assets relating to unused tax losses that are considered to be able to be offset against the Company's taxable profits arising in the foreseeable future over the next 3 years. The Company has unrecognised deferred tax assets arising from the remaining unused tax losses of £302k (2016: £529k).

20. PROVISIONS

	Other provisions
	£'000
At 1 January 2017	111
Additional provision in the year	26
	<hr/>
At 31 December 2017	137
	<hr/>

This account pertains to the dilapidation provisions. Provisions are included to reflect the estimated cost of complying with lease conditions, where management have a reasonable expectation of exiting the lease and incurring costs.

21. SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£'000	£'000
300,002	Ordinary shares	£1 each	300	300
			<hr/>	<hr/>

22. RESERVES

Reserves of the Company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

23. PENSION COMMITMENTS

The Company operates a defined contribution pensions scheme. The assets of the scheme are held in an independently administered fund separate from those of the Company. The pension cost charge represents contributions payable by the Company to the fund and amounted to £152k (2016: £157k). Contributions totalling £22k (2016: £19k) were due to the fund at the year end, and are included in other creditors.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall as follows:

	2017 £'000	2016 £'000
Land and buildings		
Within 1 year	463	397
In the second to fifth years inclusive	633	445
Total	<u>1,096</u>	<u>842</u>

25. CONTINGENT LIABILITIES

The Company has granted a fixed charge over amounts owed from group companies in order to act as a guarantor for the parent company, Intrum Justitia AB.

26. RELATED PARTY TRANSACTIONS

The Company paid fees to Southernwood Consulting Limited and CSA (Services) Limited of £53k (2016: £48k) and £37k (2016: £Nil) respectively, companies of which one of the directors is also a director.

The Company charged fees to LBHF Joint Ventures Limited of £29k (2016: £Nil), a joint venture entity in which the Company has a 49% holding. At the year end, the balance owed was £29k (2016: £Nil).

The Company has taken advantage of the exemptions available in paragraph 17 and 18A of IAS 24 Related Party Disclosures to not disclose transactions with other wholly owned subsidiaries in the group.

27. ULTIMATE CONTROLLING PARTY

The immediate parent company is Intrum UK Holdings Limited (formerly 1st Credit (Holdings) Limited), a company incorporated in England and Wales.

The directors consider the ultimate parent company and the ultimate controlling party to be Intrum Justitia AB, a company incorporated in Sweden.

Intrum Justitia AB became the ultimate controlling party on 14 February 2017 after it acquired 100% of the intermediate parent company, Intrum UK Funding Limited (formerly 1st Credit (Funding) Limited), via a subsidiary undertaking Intrum UK Group Limited (formerly Collector Services Limited).

The parent undertaking of the smallest and largest group, which includes the Company and for which group financial statements are prepared, is Intrum Justitia AB, a company incorporated in Sweden registered at Marcusplatsen 1A, Nacka, SE-105 24 Stockholm, Sweden. The consolidated financial statements for this group are available to the public and may be obtained from the registered office.