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Company Registration No. 04618038

Marlin Financial Services Limited

Annual Report and Financial Statements

31 December 2012

Marlin Financial Services Limited

Annual report and financial statements 2012

Contents

Marlin Financial Services Limited

Officers and professional advisers

Directors

M Dunphy
D J Page
J S Telford
K Stannard
P Richardson

Secretary

J S Telford

Registered Office

Marlin House
16-22 Grafton Road
Worthing
West Sussex
BN11 1QP

Bankers

Barclays Bank Plc
Chapel Road
Worthing
West Sussex
BN11 1EY

Natwest Plc
City of London Office
P O Box 12258
1 Princes Street
London
EC2R 8PA

Independent auditor

Deloitte LLP
Chartered Accountants
Crawley
United Kingdom
RH10 1DL

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activity

The principal activity of the company is that of debt recovery

Business review

The company generated turnover of £10,202,709 (2011 £4,406,675) and net loss before tax of £19,759 (2011 £3,240,281) from servicing portfolios of other entities The improvement in performance is due to an increase in the portfolios serviced and an increase in the service fee charged

During the year the company issued 1 ordinary share with a nominal value of £1 to the parent company for a premium of £600,406

Principal risk and uncertainties

The directors consider the principal risks and uncertainties to the business include insufficient availability of funding, a lack of adequate quality portfolios being offered to the market, the reduction of collection rates on the debt portfolios served by the company due to the economic environment and the potential for regulatory action being taken against the company

Financial risk management objectives and policies

In addition, the company's activities expose it to a number of financial risks including credit risk and liquidity risk

Credit risk
Credit risk is primarily attributable to the amount due from group undertakings The directors mitigate this risk through their oversight of fellow group companies

Liquidity risk
The company is confident it can manage working capital requirements to mitigate any liquidity risks The directors anticipate being able to draw on the cash resources of the group as necessary to meet liquidity requirements

Future outlook

No material changes are expected in the activities of the company

Going concern

The parent Group intends to continue its strategy of growth through the acquisition of portfolios and the directors have prepared budgets and forecasts, *which include the Company, on this basis* These forecasts indicate that the Group will require additional funding in the coming year In this context, the Directors are currently pursuing a number of different financing options, although these have not yet been finalised However, the Directors have obtained confirmation from the Group's major shareholder of their intention to provide additional funding, either for working capital or other purposes beyond its agreed facilities, should this be required The directors have also obtained confirmation from the Group that it will be willing to provide financial support to the Company if required On the basis of these enquiries and the forecasts the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future

Political and charitable donations

During the year, the company made charitable donations of £292,549 (2001 - £100,331) to national charities and also local charities serving the communities in which the company operates The company has no political donations in the current or preceding financial year

Marlin Financial Services Limited

Directors' report (continued)

Directors

The directors who served throughout the year and up to the date of approval of the financial statements, were as follows

M Dunphy
D J Page
J S Telford
K Stannard (appointed 26 October 2012)
P Richardson (appointed 11 February 2013)

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Information provided to the auditor

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by

K Stannard
Director

3 April 2013

Directors' responsibilities statement

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditor's report to the members of Marlin Financial Services Limited

We have audited the financial statements of Marlin Financial Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and the auditor
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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Darren Longley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom

9 April 2013

Marlin Financial Services Limited

Profit and loss account
Year ended 31 December 2012

	Note	2012 £	2011 £
Turnover		10,202,709	4,406,675
Cost of sales		(2,471,630)	(1,694,897)
Gross profit		7,731,079	2,711,778
Administrative expenses		(7,737,730)	(5,938,261)
Operating loss		(6,651)	(3,226,483)
Interest payable and similar charges		(13,108)	(13,798)
Loss on ordinary activities before taxation	2	(19,759)	(3,240,281)
Tax on loss on ordinary activities	4	85,909	83,054
Profit/(loss) for the financial year	10	66,150	(3,157,227)

All the results for the current and prior years derive from continuing operations

There are no further recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account and as a result no statement of total recognised gains and losses is given

The notes on pages 8 to 14 form part of the financial statements

Marlin Financial Services Limited

Balance sheet
31 December 2012

		Note	2012 £	2011 £
Fixed assets				
Tangible assets		5	494,794	170,184
Current assets				
Debtors		6	6,784,616	3,692,444
Cash at bank and in hand	- unrestricted		1,878,681	1,014
	- restricted		591,330	1,143,175
			2,470,011	1,144,189
			9,254,627	4,836,633
Creditors: amounts falling due within one year		7	(10,067,158)	(5,995,721)
Net current liabilities			(812,531)	(1,159,088)
Total assets less current liabilities			(317,737)	(988,904)
Provision for liabilities		8	(11,035)	(30,724)
Net liabilities			(328,772)	(1,019,628)
Capital and reserves				
Called up share capital		9	1,001	1,000
Share premium			850,006	249,600
Profit and loss account		10	(1,179,779)	(1,270,228)
Total shareholders' deficit			(328,772)	(1,019,628)

The notes on pages 8 to 14 form part of the financial statements

These financial statements of Marlin Financial Services Limited, registered number 04618038 were approved by the board of directors and authorised for issue on 3 April 2013

They were signed on its behalf by

K Stannard
Director

Marlin Financial Services Limited

Notes to the financial statements
For the year ended 31 December 2012

1. **Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial year

Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

The parent Group intends to continue its strategy of growth through the acquisition of portfolios and the directors have prepared budgets and forecasts, which include the Company, on this basis These forecasts indicate that the Group will require additional funding in the coming year In this context, the Directors are currently pursuing a number of different financing options, although these have not yet been finalised However, the Directors have obtained confirmation from the Group's major shareholder of their intention to provide additional funding, either for working capital or other purposes beyond its agreed facilities, should this be required The directors have also obtained confirmation from the Group that it will be willing to provide financial support to the Company if required On the basis of these enquiries and the forecasts the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future

Turnover

Turnover represents invoiced sales of commission services, excluding value added tax all generated in the UK

Tangible fixed assets

Tangible fixed assets are initially recorded at cost Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets The rates of depreciation are as follows

Plant and machinery	Straight line over 5 years
Fixtures and fittings	Straight line over 7 years
Computer equipment	Straight line over 5 years
Computer software	Straight line over 3 years

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date
Deferred taxation is provided in full on material timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Leases
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Notes to the financial statements
For the year ended 31 December 2012

1. **Accounting policies (continued)**

Cash flow statement

The Company has taken advantage of the exemption given under FRS 1 (revised) not to produce a cash flow statement as the Company's ultimate parent undertaking, Marlin Financial Group Ltd, publishes a consolidated cash flow statement

Pensions

The company operates a defined contribution pension scheme The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Cash at bank and in hand

The Company is responsible for ensuring that all funds in the collections account are distributed in accordance with the relevant servicing agreement These funds have therefore been classified as restricted Where these amounts are to be paid over to third party lenders there are corresponding liabilities within other creditors Where the amounts are due to group companies the creditors have been included within amounts owed to group undertakings

2. **Loss on ordinary activities before taxation:**

	2012 £	2011 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation		
Owned assets	128,693	77,122
Leased assets	6,027	6,027
Operating lease rentals – land and buildings	206,442	202,241
Pension costs	98,982	103,933
Directors' emoluments and other benefits	297,364	-
The auditor's remuneration was as follows:		
Fees payable to the Company's auditor for the audit of the annual accounts	7,072	8,000

Non-audit fees are disclosed in the consolidated accounts of Marlin Financial Group Limited and so are not disclosed here

There were no prepaid or accrued pension contributions at the year end (2011 – £nil)

Notes to the financial statements
For the year ended 31 December 2012

3. Information regarding directors and employees

	2012	2011
	£	£
Directors' remuneration:		
Emoluments	297,364	-
Company contributions to money purchase pension schemes	9,017	-

	2012	2011
Remuneration of highest paid director		
Emoluments	140,000	-
Company contributions to money purchase pension schemes	4,667	-

Three directors are members of a money purchase scheme (2011 – nil)

	No.	No.
Average number of persons employed (including directors):		
Administration	76	64

	£	£
Staff costs during the year (including directors):		
Wages and salaries	2,585,691	1,663,807
Social security costs	262,627	98,154
Pension costs	98,982	103,933
	2,947,300	1,865,894

4. Tax on loss on ordinary activities

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

	2012	2011
	£	£
Current tax		
United Kingdom corporation tax at 24 5% (2011 – 26 5%) based on the loss for the year	-	-
Adjustments in respect of prior years	(66,220)	(113,778)
Total current tax	(66,220)	(113,778)
Deferred tax		
Origination and reversal of timing differences	(19,689)	30,724
Total deferred tax	(19,689)	30,724
Tax on loss on ordinary activities	(85,909)	(83,054)

Notes to the financial statements
For the year ended 31 December 2012

4. Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2011 – higher) than that resulting from applying the standard rate of corporation tax in the UK 24 5% (2011 – 26 5%) The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before taxation	(19,759)	(3,420,281)
Tax on loss on ordinary activities at standard rate	(4,841)	(858,674)
Effects of		
Group relief surrendered	-	850,763
Capital allowances in excess of depreciation	-	7,911
Tax losses carried forward	4,841	-
Adjustments in respect of prior years	(66,220)	(113,778)
	(66,220)	(113,778)
Total actual amount of current tax	(66,220)	(113,778)

(c) Factors that may affect future tax charge

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012 This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date

The Government intends to enact future reduction in the main tax rate down to 21% by 1 April 2014 As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period

We estimate that the future rate change to 21% would further reduce our UK deferred tax liability recognised at 31 December 2012 from £11,035 to £10,075 The actual impact will be dependent on our deferred tax position at that time

Marlin Financial Services Limited

Notes to the financial statements
For the year ended 31 December 2012

5. Tangible fixed assets

	Plant and machinery £	Fixtures, and fittings £	Computer equipment £	Computer Software £	Total £
Cost					
At 1 January 2012	78,240	12,871	234,504	154,251	479,866
Additions	-	6,232	36,997	416,101	459,330
At 31 December 2012	78,240	19,103	271,501	570,352	939,196
Accumulated depreciation					
At 1 January 2012	65,582	7,869	175,573	60,658	309,682
Charge for the year	5,609	2,435	44,096	82,580	134,720
At 31 December 2012	71,191	10,304	219,669	143,238	444,402
Net book value					
At 31 December 2012	7,049	8,799	51,832	427,114	494,794
At 31 December 2011	12,658	5,002	58,931	93,593	170,184

Computer software includes items with a net book value of £nil (2011 £17,367) which are held under finance leases

6. Debtors

	2012 £	2011 £
Trade debtors	39,805	54,344
Amounts owed by group undertakings	6,616,168	3,306,729
Other debtors	22,892	96,563
Prepayments and accrued income	105,454	234,808
Corporation tax	297	-
	6,784,616	3,692,444

7. Creditors: amounts falling due within one year

	2012 £	2011 £
Bank overdrafts	-	43,769
Trade creditors	1,220,340	1,499,401
Net obligations under finance leases	-	14,582
Amounts owed to group undertakings	6,920,957	2,877,658
Other creditors	441,943	232,175
Other taxes and social security	93,709	46,644
Corporation tax	-	66,477
Accruals and deferred income	1,390,209	1,215,015
	10,067,158	5,995,721

Marlin Financial Services Limited

Notes to the financial statements
For the year ended 31 December 2012

8. Provision for liabilities

	2012	2011
	£	£
Deferred taxation		
At 1 January	30,724	-
Credited / Charged to profit and loss account	(19,689)	30,724
At 31 December	11,035	30,724

9. Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid:		
611 ordinary shares of £1 each (2011 – 610)	611	610
390 preferred shares of £1 each (2011 – 390)	390	390
	1,001	1,000

Both classes of share have equal rights and obligations to the Company The sole additional right for holders of preferred shares is to receive the return of their capital in priority to the Company making any other distributions or dividend payments

During the year, the company allotted one ordinary share with a nominal value of £1 for a premium of £600,406

10. Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 2012	(1,270,228)
Profit for the financial year	66,150
Capital contribution	24,299
Balance at 31 December 2012	(1,179,779)

The capital contribution arose as a result of a write off of intercompany debt as part of a group restructure

Notes to the financial statements
For the year ended 31 December 2012

11. Financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	Land and buildings 2011 £
Leases which expire:		
Between two and five years	145,125	145,125

12. Contingent liabilities

All debts of the company are secured by a charge over the company held by The Royal Bank of Scotland Plc

13. Control and ultimate parent company

The ultimate parent company is Marlin Financial Group Limited and the controlling party is Duke Street Holdings Limited

The immediate parent company is Marlin Senior Holdings Limited

14. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with wholly owned group companies on the grounds that consolidated financial statements are prepared by a parent company

The smallest group in which the results of the company are consolidated is that headed by Marlin Senior Holdings Limited and the largest group in which the results of the company are consolidated is that headed by Marlin Financial Group Limited Copies of the financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ

Set out below is a summary of the related party transaction All such transactions are contracted on an arms length basis

Number	Transaction	Related party
1	The company paid professional fees of £76,211 At the balance sheet date there was no outstanding amount	Duke Street LLP, a controlling party