Company Registration No. 04618038

Cabot Financial (Marlin) Limited

Strategic Report, Directors' Report and Financial Statements
For the year ended 31 December 2015

Cabot Financial (Marlin) Limited

Contents
For the year ended 31 December 2015

Cabot Financial (Marlin) Limited

Officers and professional advisors

The officers and professional advisors of the Company at the date of this report are as follows:

Directors

K Stannard
P Richardson
C Buick

Secretary

C Taggart

Auditors

BDO LLP
Chartered Accountants and Statutory Auditor
55 Baker Street
London
W1U 7EU

Bankers

National Westminster Bank PLC
City of London Office
PO BOX 12258
1 Princess Street
London
EC2R 8PA

Registered office

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

Cabot Financial (Marlin) Limited

Strategic Report
For the year ended 31 December 2015

Overview

The Directors present the Strategic Report, Directors' Report and the financial statements of Cabot Financial (Marlin) Limited (the "Company") for the year ended 31 December 2015.

The Company's principal activity is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom owned by fellow Group companies of the Cabot Financial Limited Group of companies (the "Group"), of which the Company is a member.

The Directors believe that the Group (as outlined in note 19) is the largest acquirer and manager of defaulted consumer debt from financial services companies in the United Kingdom based on the value of debt portfolios on its statement of financial position at 31 December 2015.

From inception in 1998 to 31 December 2015, the Group has invested £1.7 billion in the acquisition of 1,319 loan portfolios with an aggregate face value of £17.5 billion, comprising over 7.5 million customer accounts and generating a 120-Month ERC at 31 December 2015 of £1.9 billion. Over 98% of these loan portfolios (as measured by purchase price) were acquired from financial institutions.

The core strategy of the operating model is to generate cash-flow by maximizing cash collections over the life of the debt portfolios acquired whilst ensuring we are treating our customers fairly. Since it began pursuing this strategy the estimated future gross cash collections from its existing loan portfolios, or 120-Month ERC, has grown from £422 million as at 31 October 2009 to £1.9 billion at 31 December 2015.

During the year the Company transitioned from UK GAAP to FRS 101 – *reduced disclosure framework* and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Marlin Senior Holdings Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. The effects of the adoption of FRS 101 are shown in note 20.

Future developments

Following the Group acquisition of Marlin, DLC, Mortimer Clarke Solicitors and Gesif, the Cabot Group continues to build on its newly formed complementary capabilities to strengthen their combined position in the market place. By leveraging each other's core strengths, the Group is expanding their ability to grow revenues across a broad range of debt types and create further operational efficiencies by applying industry expertise and sharing best practices.

Business review and results

The following tables summarises the key performance indicators used by the Directors to assess the performance of the Company as of the dates and periods indicated.

(£ in thousands, except for percentages)	**2015 £000**	**2014 £000**	**Change**
Revenue [a]	26,238	22,273	3,965
Administrative expenses	(10,837)	(11,051)	214
Operating profit	3,815	685	3,130
Shareholders' funds	778	(2,171)	2,949
Staff turnover	18.35%	35.97%	17.62%

[a] *The increase in revenue reflects the increase in servicing fees received from third parties.*

Strategic Report
For the year ended 31 December 2015

Principal risks and uncertainties

The Company is exposed through its operations to the following financial risks:

- Cash flow and credit risk;
- Price risk;
- Interest rate risk; and
- Going concern and liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this section.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables;

A summary of the financial instruments held by category is provided below:

Financial assets

	Assets at fair value through profit or loss		**Cash and receivables**	
(£000)	**2015**	**2014**	**2015**	**2014**
Cash and cash equivalents	-	-	109	56
Trade and other receivables (note 12)	19,721	19,344	-	-
Total financial assets	**19,721**	**19,344**	**109**	**56**

Financial liabilities

	Financial liabilities at amortised cost	
(£000)	**2015**	**2014**
Trade and other payables (note 13)	21,613	24,849
Total financial liabilities	**21,613**	**24,849**

Cash flow and credit risk

As described in note 19 to the financial statements, the Company is a member of the Cabot Financial Limited Group (the "Group") and therefore its financial risk management objectives and policies are intrinsically linked to those of the Group. Consolidated accounts for the Group are drawn up for Cabot Financial Limited.

The purchase and collection of defaulted consumer receivables carries a substantial amount of cash risk due to the underlying volatility in the collection characteristics of these assets. To mitigate these risks the Group has developed, and continues to refine detailed management reporting on individual portfolio performance and re-forecasts future collections on each portfolio on a monthly basis.

Due to the long-term nature of the collection strategies employed, the Company will continue to be exposed to possible changes in legislation and economic trends. To mitigate these risks, senior employees of the Group play an active role in trade and industry bodies to ensure that any changes in the legislative collections environment are monitored and assessed as soon as practically possible. To mitigate economic risk the Company does not generally enter into long-term fixed-price purchasing arrangements with duration of more than one year.

Price risk

The market within which the Company operates is highly competitive with a large number of buyers tendering for portfolios that come to market which requires cost-effective collection operations performed by the Company in respect of the portfolios owned by Group companies. The Company assesses the collection costs of each portfolio it services on behalf of related parties and agrees service fees accordingly. The Directors consider that substantial ongoing investment in this area will be key to the future success of the business.

Interest rate risk

All decisions in relation to the hedging of interest rate risk are made by the Board of Directors of Cabot Financial Limited. The Group had an interest rate cap to manage its risk to changes in interest rates which expired on 14 December 2015, the fair value of which at 31 December 2014 was £nil. The Directors do not consider a scenario which changes this fair valuation to be material.

Going concern and liquidity risk

The Company's core business is the purchase and recovery of defaulted loans and has exclusive servicing contracts with other members of the Group who collect monies on behalf of the Company. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

The financial position of the Company and liquidity position are described in the financial statements on pages 11 to 30. The Company made an operating profit for the year of £3.8 million (2014: £0.7 million) and had net current assets at 31 December 2015 of £0.3 million (2014: liabilities - £3.0 million). Total equity shareholders' funds at 31 December 2015 were £0.8 million (2014: deficit - £2.2 million).

The Group to which the Company belongs (see note 19) has long-term debt financing at 31 December 2015 comprising of Senior Secured Loan Notes due 2019 of £265.0 million issued on 20 September 2012, Senior Secured Loan Notes due 2020 of £150.0 million issued on 25 July 2013, Senior Secured Loan Notes due 2020 of £100.0 million issued on 2 August 2013, Senior Secured Loan Notes due 2021 of £175.0 million issued 27 March 2014 and Senior Secured Loan Notes due 2021 of €310.0 million issued 11 November 2015 (£690.0 million at 31 December 2014). The Company meets its day to day working capital requirements, including the purchase of portfolios, through its own cash resources supplemented by a revolving credit facility ("RCF") and bank loans.

Cabot Financial (Marlin) Limited

Strategic Report
For the year ended 31 December 2015

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019, 2020 and 2021 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2015 with all the covenants contained in the Senior Secured Loan Notes issued and senior secured revolving credit facility. The Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group 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 statement.

Approved by the Board of Directors and signed on behalf of the Board

C Buick
Director
21/09/2016

Directors' Report
For the year ended 31 December 2015

The Directors present their report for the year ended 31 December 2015.

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2015 are set out on pages 11 to 30. The Company's result for the year after taxation was a profit of £2.9 million (2014: £0.8 million).

The Directors do not recommend payment of a dividend (2014: £nil).

Directors

The Directors who held office during the year and up to the date of approval of the financial statements were as follows:

- C Ross-Roberts (resigned 31 December 2015)
- K Stannard
- D Page (resigned 31 October 2015)
- P Richardson
- C Buick (appointed 31 December 2015)

Financial instruments

The Group's financial instruments primarily comprise bonds, Senior Secured loan notes and bank facilities. The principal purpose of these is to raise funds for the Group's operations. In addition various other financial instruments such as trade payables and trade receivables arise directly from its operations.

The key financial risks and uncertainties affecting the Group and management objectives and policies taken to mitigate these risks are set out within the Strategic Report on pages 2 to 5.

Disabled employees

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that members of staff become disabled every effort is made to ensure that their employment with the Company continues. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the Company. This is achieved through formal and informal meetings and the company e-mail updates. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests both informally and via the quarterly meetings of the "Communication and Consultative Committee".

Cabot Financial (Marlin) Limited

Statement of Directors' responsibilities for the year ended 31 December 2015

Qualifying third party indemnity provisions

The Company has arranged qualifying third party indemnity for all of its Directors.

Political donations

The Company made no political contributions (2014: £nil).

Future developments

Any future developments affecting the Company are set out in the Strategic Report on pages 2 to 5.

Directors' statement as to disclosure of information to auditors

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

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

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

Approved by the Board of Directors and signed on behalf of the Board

C Buick
Director
21/09/2016

Cabot Financial (Marlin) Limited

Statement of Directors' responsibilities for the year ended 31 December 2015

The Directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and with applicable law.

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 the affairs of the Company 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's 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.

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

Independent auditor's report to the members of Cabot Financial (Marlin) Limited

We have audited the financial statements of Cabot Financial (Marlin) Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditor

As explained more fully in the statement of Directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Cabot Financial (Marlin) Limited

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.

BDO LLP

Matthew Hopkins (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London

21 September 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Cabot Financial (Marlin) Limited

Statement of comprehensive income
For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Revenue	4	**26,238**	22,273
Cost of sales		**(11,586)**	(10,537)
Gross profit		**14,652**	11,736
Administration expenses		**(10,837)**	(11,051)
Operating profit		**3,815**	685
Interest receivable and similar income	6	**491**	-
Interest payable and similar charges	7	**(648)**	-
Profit on ordinary activities before taxation	5	**3,658**	685
Tax (expense)/income	8	**(709)**	115
Profit and total comprehensive income for the financial period		**2,949**	800

The notes on pages 14 to 30 form part of these financial statements.

All of the above results are derived from continuing operations.

Cabot Financial (Marlin) Limited

Statement of financial position
As at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	10	**223**	368
Tangible assets	11	**164**	451
		387	819
Current assets			
Trade and other receivables	12	**19,721**	19,344
Deferred tax assets	14	**109**	56
Cash in bank and on hand		**2,174**	2,459
		22,004	21,859
Creditors: amounts falling due within one year			
Trade and other payables	13	**(21,613)**	(24,849)
		(21,613)	(24,849)
Net current assets/(liabilities)		**391**	(2,990)
Total assets less current liabilities		**778**	(2,171)
Net assets/(liabilities)		**778**	(2,171)
Equity			
Called up share capital	15	**1**	1
Share premium		**850**	850
Retained earnings		**(73)**	(3,022)
Total shareholders' funds		**778**	(2,171)

The notes on pages 14 to 30 form part of these financial statements.

These financial statements of Cabot Financial (Marlin) Limited, with registered number 04618038, were approved by the Board of Directors and authorised for issue on 21 / 09 2016.

Signed on behalf of the Board of Directors by:

C Buick
Director

Cabot Financial (Marlin) Limited

Statement of changes in equity
As at 31 December 2015

	Notes	Share Capital	Accumulated losses	Total
		£000	£000	£000
As at 1 January 2014		851	(3,822)	(2,971)
Comprehensive income for the period:				
Profit for the period		-	800	800
Total comprehensive income		851	800	800
Contributions by and distributions to owners:				
Dividends		-	-	-
As at 31 December 2014		**851**	**(3,022)**	**(2,171)**
Adjustment on restated balance		-	-	-
As at 31 December 2014 (restated)		**851**	**(3,022)**	**(2,171)**
Comprehensive income for the period:				
Profit for the period		-	**2,949**	**2,949**
Total comprehensive income		-	**2,949**	**2,949**
Contributions from and distributions to owners:				
Dividends		-	-	-
As at 31 December 2015		**851**	**(73)**	**778**

The notes on pages 14 to 30 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2015

1. Corporate information

The consolidation financial statements of Cabot Financial (Marlin) Limited ("the Company") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of Directors on 21 September 2016. Cabot Financial Limited is a limited company incorporated and domiciled in England and Wales. The registered office is located at Marlin House, 16-22 Grafton Road, Worthing, West Sussex, BN11 1QP.

The principal activity of the Company comprise the servicing of non-performing consumer loans in the United Kingdom and Europe.

2. Significant accounting policies

2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, except for the revaluation at current value of certain financial assets. These standards have been applied consistently throughout the current and preceding year.

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)–(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business combinations*;
- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraphs 91 to 99 of *IFRS 13 Fair Value Measurement*;
- the requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information requirements in respect of:
  (i) Paragraph 79(a)(iv) of IAS 1;
  (ii) Paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  (iii) Paragraph 118(e) of IAS 38 *Intangible assets*;
- The requirements of paragraph 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraph 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures* and also the requirement to disclose related party transactions entered into between two or more members of a group, provided than any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of 134(d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly owned indirect subsidiary of Cabot Financial Limited and its results are included in the consolidated financial statements of that company. These financial statements therefore present information about the Company as an individual entity alone.

The results of Cabot Financial (Marlin) Limited are included in the consolidated financial statements of Cabot Financial Limited which are available from 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA.

2.2. Going Concern

The Company's core business is recovery and servicing of defaulted loans on behalf of other members of the group and third parties. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

The financial position of the Company and liquidity position are described in the financial statements and notes to the accounts on pages 14 to 30. The Company made an operating profit for the year of £3.8 million (2014: £0.7 million) and had net current assets at 31 December 2015 of £0.3 million (2014: liabilities - £3.0 million). Total equity shareholders' funds at 31 December 2015 were £0.8 million (2014: deficit - £2.2 million).

The Group to which the Company belongs (see note 19) has long-term debt financing at 31 December 2015 comprising of Senior Secured Loan Notes due 2019 of £265.0 million issued on 20 September 2012, Senior Secured Loan Notes due 2020 of £150.0 million issued 25 July 2013, Senior Secured Loan Notes due 2020 of £100.0 million issued on 2 August 2013, Senior Secured Loan Notes due 2021 of £175.0 million issued 27 March 2014 and Senior Secured Floating Rate Loan Notes due 2021 of €310.0m issued on 11 November 2015 (2014: £690.0 million).

The Company meets its day to day working capital requirements through its own cash resources supplemented by a revolving credit facility and bank loans.

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019, 2020 and 2021 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2015 with all the covenants contained in the senior secured loan notes issued and senior secured revolving credit facility. The Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to operate within the requirements of the financing arrangements in place and therefore to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group 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 accounts.

2.3. Summary of significant accounting policies

Revenue

Revenue represents fees receivable from the servicing of loans on behalf of group companies and third parties.

Servicing fees from the servicing of intergroup and third party loans by the Company are recognised when the services are provided.

Litigation expenditure

Costs incurred in obtaining court orders and pursuing legal action against portfolio assets are expensed when incurred.

Pensions

The Group operates a defined contribution pension scheme. Pension contributions are charged to the statement of comprehensive income in the month that the liability for paying the contributions arises. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.3. Summary of significant accounting policies (continued)

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that is relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax

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 substantially enacted by the year end date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise 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. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right of offset exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Finance income and costs

Interest income and expense are recognised using the effective interest rate method.

Finance costs include facility fees on bank loans and similar costs and fair value adjustments on interest rate derivatives.

2.3. Summary of significant accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded at the rates of exchange for Sterling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange prevailing at that date. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign current are translated using the exchange rates at the date of the initial transaction.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Office equipment	4 years
Computers	3 years
Fixtures and fittings	5 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is recognised so as to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Software licences	the term of the licence

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2.3. Summary of significant accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

Financial instruments

Derivatives

Derivatives are measured initially at fair value and subsequently re-measured to their fair value at each reporting date. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, included discounted cash flow models and option pricing models as appropriate. All derivatives are included as assets when their fair value is positive, and liabilities when their fair value is negative. The fair value of the derivatives has been classified a "Level 2" fair value measurement.

Financial assets

All financial assets are initially recognised at the transaction date, at which point, IAS 39 *Financial Instruments: Recognition and Measurement* requires that financial instruments be classified into the following categories; at fair value through profit and loss, loans and receivables, held-to-maturity investments or available for sale.

Loan portfolios and trade and other receivables are classified as loans and receivables and measured at amortised cost using the effective interest method, less any impairment.

Financial instruments are required to be measured using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities

Financial liabilities are carried at amortised cost using the effective interest rate method.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4. First-time adoption of FRS 101

These financial statements for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101. For periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP).

The Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 December 2015, together with comparative period data as at and for the year ending 31 December 2014. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2014, the Company's date of transition to FRS 101. An explanation of how the transition to FRS 101 has affected the reporting financial position and financial performance of the Company has been provided in note 20.

2.5. Changes in accounting policies and disclosures

Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company begun performing a high-level impact assessment of IFRS 9 and is currently determining the potential impact.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

The Company plans to adopt the new standard on the required effective date.

2.5. Changes in accounting policies and disclosures (continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that impact the reported amounts of revenue, expenses, assets and liabilities and the associated disclosures.

4. Revenue

Revenue entirely arises in the UK. An analysis of revenue by activity is as follows:

	2015 £000	2014 £000
Servicing fees	**26,238**	22,273
	26,238	22,273

5. Operating profit

Operating profit is stated after charging the following:

	2015 £000	2014 £000
Depreciation of property, plant and equipment	**316**	245
Amortisation of intangible assets	**143**	196
Operating lease rentals - land and buildings	**145**	145
Auditors remuneration [(a)]	**96**	229

5. Operating profit (continued)

[a] *The analysis of auditor remuneration is as set out below. All amounts stated include attributable VAT.*

	2015	2014
	£000	£000
Fees payable to the Company's auditors:		
For the audit of the Company's financial statements	**12**	12
For the audit of subsidiary undertakings	**84**	152
Total audit fees	**96**	164
Other services	**-**	65
Total fees and expenses paid to the auditor (inc VAT)	**96**	229

6. Finance income

	2015	2014
	£000	£000
Interest income from parent and other Group undertakings [a]	**491**	-
	491	-

[a] *Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances.*

7. Finance expense

	2015	2014
	£000	£000
Interest expense due to parent and other Group undertakings [a]	**648**	-
	648	-

[a] *Interest payable to parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances.*

8. Tax

The income tax expense comprises:

	2015	2014
	£000	£000
Current tax		
Corporation tax	**763**	-
Total current tax	**763**	-
Deferred tax		
Origination and reversal of timing differences	**(54)**	(115)
Total income tax expense	**709**	(115)

8. Tax (continued)

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the accounting profit are as follows:

	2015 £000	2014 £000
Profit before tax	**3,658**	704
Income tax expense calculated at standard UK hybrid corporation tax rate of 20.25% (2014: 21.50%)	**741**	151
Effects of:		
Utilisation of tax losses	**(28)**	(280)
Expenses not deductible for tax purposes	**-**	69
Capital allowances in excess of depreciation	**50**	60
Deferred taxation	**(54)**	(115)
Total income tax expense	**709**	(115)

The Finance Act 2015, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was enacted on 26 March 2015. As this change in rate was substantively enacted prior to 31 December 2015 it has been reflected in the deferred tax assets and liabilities at 31 December 2015.

9. Information regarding Directors and employees

	2015	2014
Average number of employees during the period (including executive Directors):	**No.**	No.
Administration	**93**	81
Collection	**42**	42
Total	**135**	123

Staff costs for the period included within administrative expenses (including executive Directors):	**£000**	£000
Wages and salaries	**3,924**	4,276
Social security costs	**372**	543
Pension contributions	**190**	252
Total	**4,486**	5,071

There are nil (2014: nil) Directors for whom retirement benefits are accruing in respect of defined contribution pension schemes.

As at the reporting date there was a liability of £nil (2014: £nil) in respect of pension contributions to be paid into the scheme. The related charges are disclosed within administration expenses in the Statement of Comprehensive Income.

9. Information regarding Directors and employees (continued)

	2015 £000	2014 £000
Directors' remuneration		
Salary and benefits in kind	-	204
Pension contributions	-	5
Total	-	209
Highest paid director		
Salary and benefits in kind	-	132
Pension contributions	-	3
Total	-	135

10. Intangible assets

	Software and licences £000	Total £000
Cost		
At 31 December 2014	743	743
Disposals	(149)	(149)
At 31 December 2015	594	594
Amortisation		
At 31 December 2014	375	375
Charge for the year	143	143
Eliminated on disposal	(147)	(147)
At 31 December 2015	371	371
Net book value		
At 31 December 2015	223	223
At 31 December 2014	368	368

11. Property, plant and equipment

	Office equipment £000	Computers £000	Fixtures and fittings £000	Total £000
Cost				
At 31 December 2014	47	670	133	850
Additions	-	-	35	35
Disposals	-	(74)	(67)	(141)
At 31 December 2015	47	596	101	744
Depreciation				
At 31 December 2014	47	305	47	399
Charge for the year	-	265	51	316
Depreciation on disposals	-	(68)	(67)	(135)
At 31 December 2015	47	502	31	580
Net book value				
At 31 December 2015	-	94	70	164
At 31 December 2014	-	365	86	451

12. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**174**	318
Amounts owed by parent undertakings	**10,615**	10,149
Amounts owed by other Group undertakings	**7,742**	6,736
Prepayments and accrued income	**1,128**	1,828
Other receivables	**62**	313
	19,721	19,344

Amounts due from parent and other Group undertakings are unsecured, have no fixed repayment date, are repayable on demand and interest on such balances is accrued on an arm's length basis. See note 6 for further details.

The Company considers that the carrying amounts of the financial assets included above are a reasonable approximation of their fair value due to their short term nature.

Notes to the financial statements
For the year ended 31 December 2015

13. Trade and other payables

	2015 £000	2014 £000
Trade payables	**3,392**	3,964
Amounts owed to other Group undertakings	**15,618**	17,830
Other taxation and social security	**88**	98
Other payables	**616**	727
Accruals and deferred income	**1,899**	2,230
	21,613	24,849

Accruals and deferred income include £1,270,060 (2014: £1,155,893) in respect of obligations due to contingent clients for cash included in cash and cash equivalents on the statement of financial position which have been collected on behalf of contingent clients.

Interest accrued on amounts owed to parent and other Group undertakings is at an arm's length basis and is accrued, not paid. See note 7 for further details.

The Company considers that the carrying amounts of the financial liabilities included above are a reasonable approximation of their fair value due to their short term nature.

14. Deferred tax

Deferred tax asset
The deferred tax asset relates to the following:

	Company 2015 £000	Company 2014 £000
Amounts provided for		
Capital allowances in excess of depreciation	**109**	56
	109	56
Amounts not recognised		
Unutilised trading losses carried forward	**-**	28
	-	28

The current year movement in respect of each of the above recognised deferred tax assets and liabilities were solely charged or credited to the statement of comprehensive income. The movement between the opening and closing deferred tax asset balances were not charged or credited directly in the statement of other comprehensive income.

15. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid:		
1,001 class "A" Ordinary shares of £1 each, subscription price of £850.16	**851**	851
	851	851

Notes to the financial statements
For the year ended 31 December 2015

16. Contingent liabilities

The Company is party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow Group company, the senior secured bridge facility and the Senior Secured Notes due 2019, 2020 and 2021. Amounts outstanding on such borrowings were £954.2 million at 31 December 2015 (2014: £745.3 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

17. Commitments

Lease commitments

The Company has entered into a lease on property, with a lease term of two years.

The Company's total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015	2014
	£000	£000
After one year but not more than five years	**145**	145

18. Related party transactions

The Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of that Group.

19. Ultimate parent company

The Company's immediate parent company is Marlin Senior Holdings Limited, a company incorporated in England and Wales. The smallest group of which the Company is a member and for which group financial statements are drawn up is Cabot Financial Limited. The Company's ultimate parent company is Encore Capital Group Inc ("Encore"), a company incorporated in Delaware, United States, whose consolidated financial statements are available on their website.

20. First time adoption of FRS 101

As stated in note 2.4, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 2.3 have been applied in preparing the financial statements for the period ending 31 December 2015, the comparative information, and in the preparation of an opening FRS 101 statement of financial position at 1 January 2014 (the Company's date of transition). In preparing its opening FRS 101 statement of financial position, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition from previous GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables.

20. First time adoption of FRS 101 (continued)

Effect of FRS 101 adoption for the statement of comprehensive income for the period ending 31 December 2014

	Notes	UK GAAP 2014 £000	Effect of transition to FRS 101 Re-classification £000	Re-measurement £000	FRS 101 2014 £000
Turnover		22,273	-	-	22,273
Cost of sales		(10,537)	-	-	(10,537)
Gross profit		11,736	-	-	11,736
Administrative expenses	A	(11,033)	-	(18)	(11,051)
Operating profit		703	-	(18)	685
Profit before tax		703	-	(18)	685
Tax income		115	-	-	115
Profit and total comprehensive income for the period		818	-	(18)	800

20. **First time adoption of FRS 101 (continued)**

Effect of FRS 101 adoption for the statement of financial position as at 31 December 2014

	Notes	UK GAAP 31 December 2014	Effect of transition to FRS 101 Re-classification	Re-measurement	FRS 101 31 December 2014
		£000	£000	£000	£000
Fixed assets					
Intangible assets		-	368	-	368
Tangible assets		819	(368)	-	451
		819	-	-	819
Current assets					
Trade and other receivables		19,344	-	-	19,344
Deferred tax assets		56	-	-	56
Cash in bank and on hand		2,457	-	-	2,457
		21,857	-	-	21,857
Creditors: amounts falling due within one year					
Trade and other payables		(24,829)	-	(18)	(24,847)
		(24,829)	-	(18)	(24,847)
Net current liabilities		(2,972)	-	(18)	(2,990)
Total assets less current liabilities		(2,153)	-	(18)	(2,171)
Net liabilities		(2,153)	-	(18)	(2,171)
Equity					
Called up share capital		1	-	-	1
Share premium		850	-	-	850
Accumulated losses		(3,004)	-	(18)	(3,022)
Total shareholders' funds		(2,153)	-	(18)	(2,171)

Notes to the financial statements
For the year ended 31 December 2015

20. First time adoption of FRS 101 (continued)

Effect of FRS 101 adoption for the statement of financial position as at 1 January 2014 (Date of transition)

	Notes	UK GAAP 1 January 2014	Effect of transition to FRS 101 Re-classification	Effect of transition to FRS 101 Re-measurement	FRS 101 1 January 2014
		£000	£000	£000	£000
Fixed assets					
Intangible assets		-	525	-	525
Tangible assets		885	(525)	-	360
		885	-	-	885
Current assets					
Trade and other receivables		7,500	-	-	7,500
Cash in bank and on hand		1,171	-	-	1,171
		8,671	-	-	8,671
Creditors: amounts falling due within one year					
Trade and other payables		(12,468)	-	-	(12,468)
		(12,468)	-	-	(12,468)
Net current liabilities		(3,797)	-	-	(3,797)
Total assets less current liabilities		(2,912)	-	-	(2,912)
Provision for liabilities		(59)	-	-	(59)
Net assets		(2,971)	-	-	(2,971)
Equity					
Called up share capital		1	-	-	1
Share premium		850	-	-	850
Retained earnings		(3,822)	-	-	(3,822)
Total shareholders' funds		(2,971)	-	-	(2,971)

20. First time adoption of FRS 101 (continued)

Reconciliation of equity

	Notes	1 January 2014 £000	31 December 2014 £000
Total equity under previous UK GAAP		**(2,971)**	**(2,153)**
Recognition of holiday accrual	A	-	(18)
		-	(18)
Tax effect of the above		-	-
Total affect if transition to FRS 101		-	(18)
Total equity under FRS 101		**(2,971)**	**(2,171)**

Summary of adjustments

A Holiday accrual
Under IFRS, an accrual has been recognised for the value of holiday accrued but untaken at the reporting date.