

Company Registration No. 04618038

Marlin Financial Services Limited

Annual Report and Financial Statements

31 December 2013



Marlin Financial Services Limited

Annual report and financial statements 2013

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Marlin Financial Services Limited

Officers and professional advisers

Directors

D Page
K Stannard
P Richardson
C Ross-Roberts

Secretary

W Wellinghoff

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

Marlin Financial Services Limited

Strategic report

Business review

The principal activity of the company is that of servicing of debt portfolios for both fellow group companies and third parties.

The company generated turnover of £15,984,184 (2012: £10,202,709) and net loss before tax of £2,593,637 (2012: net loss £19,759) from servicing portfolios of other entities. The decline in performance is due to an increase in staff costs.

The directors are looking to further develop the relationships with third parties to increase the number of accounts on which they collect.

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. These risks are mitigated through oversight from management by regularly seeking new financing solutions at attractive rates and keeping abreast of opportunities to purchase new debt portfolios. Due to the recent successful financing and the purchase of new high performing debt portfolios this risk is currently low.

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

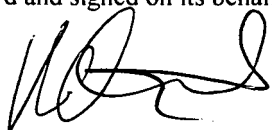
The parent group intends to continue its strategy of growth through the acquisition of portfolios and the directors have prepared budgets and forecasts, which include the Company, on this basis. Since the year end the group has been purchased by Cabot Financial Holdings Group Limited who are ultimately supported by Encore Capital Group Incorporated. Cabot has indicated their intention to continue to support the groups continued growth and will provide the financial support to achieve this. On this basis the Directors have a reasonable expectation that the Group and the Company 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.

Non adjusting events

Non adjusting events have been disclosed in note 12 to the Financial Statements.

Approved by the Board and signed on its behalf by:

K Stannard
Director



26 June 2014

Marlin Financial Services Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Directors

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

M Dunphy	(resigned 10 February 2014)
D Page	
J Telford	(resigned 8 April 2013)
K Stannard	
P Richardson	(appointed 11 February 2013)
C Ross-Roberts	(appointed 10 February 2014)

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

26 June 2014

Marlin Financial Services Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 Marlin Financial Services Limited

We have audited the financial statements of Marlin Financial Services Limited for the year ended 31 December 2013 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 2013 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.

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.

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.



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

27 June 2014

Marlin Financial Services Limited

Profit and loss account Year ended 31 December 2013

	Note	2013 £	2012 £
Turnover		15,984,184	10,202,709
Cost of sales		(6,601,473)	(2,471,630)
Gross profit		9,382,711	7,731,079
Administrative expenses		(11,963,165)	(7,737,730)
Operating loss		(2,580,454)	(6,651)
Interest payable and similar charges		(13,183)	(13,108)
Loss on ordinary activities before taxation	2	(2,593,637)	(19,759)
Tax (credit)/charge on loss on ordinary activities	4	(48,307)	85,909
(Loss)/profit for the financial year	10	(2,641,944)	66,150

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

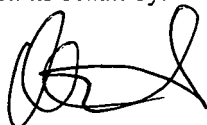
Balance sheet 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	5	884,834	494,794
Current assets			
Debtors	6	7,499,654	6,784,616
Cash at bank and in hand		1,170,884	1,878,681
- unrestricted		-	591,330
- restricted		1,170,884	2,470,011
Creditors: amounts falling due within one year	7	8,670,538 (12,467,044)	9,254,627 (10,067,158)
Net current liabilities		(3,796,506)	(812,531)
Total assets less current liabilities		(2,911,672)	(317,737)
Provision for liabilities	8	(59,044)	(11,035)
Net liabilities		(2,970,716)	(328,772)
Capital and reserves			
Called up share capital	9	1,001	1,001
Share premium		850,006	850,006
Profit and loss account	10	(3,821,723)	(1,179,779)
Total shareholders' deficit		(2,970,716)	(328,772)

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 26 June 2014.

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 2013

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. Since the year end the group has been purchased by Cabot Financial Holdings Group Limited who are ultimately supported by Encore Capital Group Incorporated. Cabot has indicated their intention to continue to support the groups continued growth and will provide the financial support to achieve this. On this basis the Directors have a reasonable expectation that the Group and the Company 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.

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.

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

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. Where these amounts are to be paid over to third party lenders they are described as restricted cash and 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:

	2013 £	2012 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation:		
Owned assets	215,070	128,693
Leased assets	-	6,027
Operating lease rentals – land and buildings	150,325	206,442
Pension costs	231,454	98,982
Directors' emoluments and other benefits	672,710	297,364
	<u> </u>	<u> </u>
The auditor's remuneration was as follows:		
Fees payable to the Company's auditor for the audit of the annual accounts	7,355	7,072
	<u> </u>	<u> </u>

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 (2012 – £nil).

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

3. Information regarding directors and employees

	2013 £	2012 £
Directors' remuneration:		
Emoluments	791,182	297,364
Company contributions to money purchase pension schemes	55,530	9,017
	<u> </u>	<u> </u>
Remuneration of highest paid director		
Emoluments	443,958	140,000
Company contributions to money purchase pension schemes	28,583	4,667
	<u> </u>	<u> </u>
Three directors are members of a money purchase scheme (2012 – nil).		
	No.	No.
Average number of persons employed (including directors):		
Administration	98	76
	<u> </u>	<u> </u>
	£	£
Staff costs during the year (including directors):		
Wages and salaries	4,545,340	2,585,691
Social security costs	514,091	262,627
Pension costs	231,454	98,982
	<u> </u>	<u> </u>
	5,290,885	2,947,300
	<u> </u>	<u> </u>

4. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

	2013 £	2012 £
Current tax		
United Kingdom corporation tax at 23% (2012 – 24.5%) based on the loss for the year	-	-
Adjustments in respect of prior years	298	(66,220)
	<u> </u>	<u> </u>
Total current tax	298	(66,220)
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	48,009	(19,689)
	<u> </u>	<u> </u>
Total deferred tax	48,009	(19,689)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	48,307	(85,909)
	<u> </u>	<u> </u>

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

4. Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2012 – lower) than that resulting from applying the standard rate of corporation tax in the UK 23% (2012 – 24.5%). The differences are explained below:

	2013 £	2012 £
Loss on ordinary activities before taxation	2,593,637	19,759
Tax on loss on ordinary activities at standard rate	(596,537)	(4,841)
Effects of:		
Disallowable expenses	389,589	-
Capital allowances in excess of depreciation	(43,287)	-
Tax losses carried forward	250,235	4,841
Adjustments in respect of prior years	298	(66,220)
	596,835	(66,220)
Total actual amount of current tax	298	(66,220)

(c) Factors that may affect future tax charge

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

5. Tangible fixed assets

	Plant and machinery £	Fixtures, and fittings £	Computer equipment £	Computer Software £	Total £
Cost					
At 1 January 2013	78,240	19,103	271,501	570,352	939,196
Additions	-	11,160	340,533	253,417	605,110
Disposals	(30,831)	(1,053)	(50,763)	(74,736)	(157,383)
At 31 December 2013	47,409	29,210	561,271	749,033	1,386,923
Accumulated depreciation					
At 1 January 2013	71,191	10,304	219,669	143,238	444,402
Charge for the year	6,689	1,565	50,961	155,855	215,070
Eliminated on disposal	(30,831)	(1,053)	(50,763)	(74,736)	(157,383)
At 31 December 2013	47,049	10,816	219,867	224,357	502,089
Net book value					
At 31 December 2013	360	18,394	341,404	524,676	884,834
At 31 December 2012	7,049	8,799	51,832	427,114	494,794

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

6. Debtors

	2013 £	2012 £
Trade debtors	490,432	39,805
Amounts owed by group undertakings	6,833,813	6,616,168
Other debtors	24,243	22,892
Prepayments and accrued income	151,166	105,454
Corporation tax	-	297
	<u>7,499,654</u>	<u>6,784,616</u>

7. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	1,608,722	1,220,340
Amounts owed to group undertakings	7,411,087	6,920,957
Other creditors	413,618	441,943
Other taxes and social security	22,714	93,709
Accruals and deferred income	3,010,903	1,390,209
	<u>12,467,044</u>	<u>10,067,158</u>

8. Provision for liabilities

	2013 £	2012 £
Deferred taxation		
At 1 January	11,035	30,724
Charged/(credited) to profit and loss account	48,009	(19,689)
At 31 December	<u>59,044</u>	<u>11,035</u>

9. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid:		
611 ordinary shares of £1 each (2012 – 611)	611	611
390 preferred shares of £1 each (2012 – 390)	390	390
	<u>1,001</u>	<u>1,001</u>

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.

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

10. Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2013	(1,179,779)
Loss for the financial year	(2,641,944)
	<hr/>
Balance at 31 December 2013	(3,821,723)
	<hr/>

11. Financial commitments

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2013 £	Land and buildings 2012 £
Leases which expire:		
Between two and five years	145,125	145,125
	<hr/>	<hr/>

12. Non adjusting events

On 10 February 2014 the entire share capital of the ultimate parent company was sold to Cabot Financial Holdings Group Limited.

13. Control and ultimate parent company

The ultimate parent company is Marlin Financial Group Limited and the ultimate controlling party is Encore Capital Group, Inc.

For the year ended 31 December 2013 and up until 9 February 2014 the ultimate controlling party was Duke Street General Partner Limited.

On 10 February 2014 Duke Street General Partner Limited sold its stake in the company to Cabot Financial Holdings Group Limited.

The largest and smallest 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.

The immediate parent company is Marlin Senior Holdings Limited.

Marlin Financial Services Limited

Notes to the financial statements For the year ended 31 December 2013

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.

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 £77,478 (2012 - £76,211). At the balance sheet date there was no outstanding amount.	Duke Street LLP, a controlling party
2	The Group paid £193,700 (2012 - £nil) for services to Sirgan Financial Business Solutions Limited, a business connected to Peter Richardson. There was £33,300 outstanding at the end of the year (2012 - £nil).	Peter Richardson, a shareholder