Company Registration No. 04618038

Cabot Financial (Marlin) Limited

Annual Report and Financial Statements
For the year ended 31 December 2017

Cabot Financial (Marlin) Limited

Contents

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

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 2017.

The Company is part of the Cabot Credit Management Limited Group (the "Group"). The Company's principal activity is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom.

Business review and results

The profit before tax for the year amounts to £1,335,000 (2016 – loss of £1,215,000).

As the performance of Cabot Financial (Marlin) Limited is linked to the performance of Cabot Credit Management Limited, Key Performance Indicators relating to the Company's trading which are appropriate for an understanding of the development, performance or position of the business can be found in the financial statements of Cabot Credit Management Limited.

Principal risks and uncertainties

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

- Cash flow and credit 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;

Cash flow and credit risk

The Company is a member of Cabot Credit Management Limited (the "Group") and therefore its financial risk management objectives and policies are intrinsically linked to those of the Group.

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.

Strategic Report
For the year ended 31 December 2017

Going concern and liquidity risk (continued)

The Group to which the Company belongs has long-term debt financing through Senior Secured Loan notes totalling £1,040.6 million (2016: £917.7 million). The first tranche of these notes is due for repayment in August 2020. The Group has a revolving credit facility of £295.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2017 £132.5 million had been drawn on this facility (2016: £27.0 million). This facility is secured until September 2021.

On 18 July 2018, the Group to which the Company belongs announced the closing of a bond exchange to the holders of its outstanding £100 million 8.375% Senior Secured Notes due 2020 and of its £175 million 6.500% Senior Secured Notes due 2021. The outcome of the exchange resulted in £32.2 million in aggregate principal amount of the Existing Cabot 2020 Notes and £95.0 million in aggregate principal amount of the Existing Cabot 2021 Notes exchanged for additional Cabot 2023 Notes. Additional Notes amounting to £34.5 million were issued. The funds raised were used to repay £29.0 million of the RCF.

Management have reviewed the forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

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

C Buick
Director
28th August 2018

Directors' Report
For the year ended 31 December 2017

The Directors present their report for the year ended 31 December 2017.

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2017 are set out on pages 10 to 23. The Company's result for the year after taxation was a profit of £1,511,000 (2016: loss of £983,000).

The Directors do not recommend payment of a dividend (2016: £nil).

Directors

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

- K Stannard
- P Richardson
- C Buick

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 Group 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 Group. This is achieved through formal and informal meetings. 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 "Association of Cabot Employees".

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 (2016: £nil).

Future developments

There are no significant future developments affecting the Company anticipated at the date of signing this report.

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 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 of Directors and signed on behalf of the Board

C Buick
Director
28th August 2018

Cabot Financial (Marlin) Limited

Statement of Directors' responsibilities
For the year ended 31 December 2017

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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

Opinion

We have audited the financial statements of Cabot Financial (Marlin) Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's report.

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

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

Responsibilities of Directors

As explained more fully in the 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, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Neil Fung-On (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London
28 August 2018

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 2017

	Notes	2017 £000	2016 £000
Revenue	3	**26,267**	21,971
Operating expenses		**(19,142)**	(15,106)
Gross profit		**7,125**	6,865
Administration expenses		**(4,295)**	(8,110)
Operating profit/(loss)		**2,830**	(1,245)
Interest receivable and similar income	5	**824**	688
Interest payable and similar charges	6	**(2,319)**	(658)
Profit/(loss) on ordinary activities before taxation	4	**1,335**	(1,215)
Tax income	7	**176**	232
Profit/(loss) and total comprehensive income for the financial period		**1,511**	(983)

All of the above results are derived from continuing operations.

Cabot Financial (Marlin) Limited

Statement of financial position
As at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	9	**-**	103
Tangible assets	10	**262**	171
		262	274
Current assets			
Trade and other receivables	11	**91,974**	34,169
Deferred tax assets	13	**138**	145
Cash in bank and on hand		**359**	1,346
		92,471	35,660
Creditors: amounts falling due within one year			
Trade and other payables	12	**(90,867)**	(36,139)
Borrowings		**(12)**	-
Provisions		**(500)**	-
		(91,379)	(36,139)
Net current assets/(liabilities)		**1,092**	(479)
Total assets less current liabilities		**1,354**	(205)
Net assets/(liabilities)		**1,354**	(205)
Equity			
Called up share capital	14	**1**	1
Share premium		**898**	850
Retained earnings		**455**	(1,056)
Total shareholders' funds		**1,354**	(205)

These financial statements of Cabot Financial (Marlin) Limited, with registered number 04618038, were approved by the Board of Directors and authorised for issue on 28th August 2018.

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 2017

	Share Capital £000	Capital contribution £000	Accumulated losses £000	Total £000
As at 1 January 2016	1	850	(73)	778
Comprehensive income for the period:				
Loss for the period	-	-	(983)	(983)
Total comprehensive income	-	-	(983)	(983)
As at 31 December 2016	**1**	**850**	**(1,056)**	**(205)**
Additional paid in Capital	**1**	**48**	**-**	**48**
Comprehensive income for the period:				
Profit for the period	**-**	**-**	**1,511**	**1,511**
Total comprehensive income	**-**	**48**	**1,511**	**1,559**
As at 31 December 2017	**1**	**898**	**455**	**1,354**

1. General information

Cabot Financial (Marlin) Limited is a company limited by shares 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 is the servicing of non-performing consumer loans in the United Kingdom.

2. Basis of preparation and 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 financial statements are presented in UK pounds sterling (£), which is the company's functional currency.

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraph 10(d), 10(f), and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of 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

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 Credit Management 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.

2.2. Going concern

The Group to which the Company belongs has long-term debt financing through Senior Secured Loan notes totalling £1,040.6 million (2016: £917.7 million). The first tranche of these notes is due for repayment in August 2020. The Group has a revolving credit facility of £295.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2017 £132.5 million had been drawn on this facility (2016: £27.0 million). This facility is secured until September 2021.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes, Asset Backed Senior Facility, and the Senior Secured revolving credit facility. In the year to 31 December 2017, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

Management have reviewed the forecast performance models, covenant projections and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

On 18 July 2018, the Group to which the Company belongs announced the closing of a bond exchange to the holders of its outstanding £100 million 8.375% Senior Secured Notes due 2020 and of its £175 million 6.500% Senior Secured Notes due 2021. The outcome of the exchange resulted in £32.2 million in aggregate principal amount of the Existing Cabot 2020 Notes and £95.0 million in aggregate principal amount of the Existing Cabot 2021 Notes exchanged for additional Cabot 2023 Notes. Additional Notes amounting to £34.5 million were issued. The funds raised were used to repay £29.0 million of the RCF.

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 are recognised when the services are provided.

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.

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 it 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

2.3. Summary of significant accounting policies (Continued)

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 on an accruals basis.

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.

2.3. Summary of significant accounting policies (Continued)

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.

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

Financial assets

Trade and other receivables are classified as loans and receivables and are measured at cost less any impairment.

Financial liabilities

Financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method.

Share-based payment

From time to time the Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The cost is measured by reference to the fair value on grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award. At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest, adjusted for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in reserves.

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

2.4. 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

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required but providing comparative information is not compulsory.

Following an assessment of the impact of adopting IFRS 9, management have concluded that IFRS 9 will not have a material impact on the results of the Company, though disclosures will change as a result of adopting IFRS 9. The Company has adopted IFRS 9 from 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 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 supersedes 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, and the Company has adopted the new standard on the required effective date, 1 January 2018.

Following an assessment of the impact of adopting IFRS 15, management have concluded that IFRS 15 will not have a material impact on the results of the Company.

IFRS 16 *Leases*

IFRS 16 Leases applies to accounting periods beginning on or after 1 January 2019. It requires lessees to bring all leases within its scope on the statement of financial position, showing an asset for the right of use and a liability for the discounted amount of future payments. The Directors have not yet considered the impact of this standard.

3. Revenue

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

	2017	2016
	£000	£000
Servicing fees	**26,267**	21,971

4. Profit/(loss) on ordinary activities before taxation

Loss on ordinary activities before tax is stated after charging the following:

	2017 **£000**	2016 £000
Depreciation of property, plant and equipment	**81**	95
Amortisation of intangible assets	**103**	120
Operating lease rentals - land and buildings	**154**	178
Auditors remuneration for the audit of the company's financial statements	**-**	113

Auditors remuneration of £5,800 has been borne by another Group Company.

5. Interest receivable and similar income

	2017 **£000**	2016 £000
Interest income from parent and other Group undertakings [(a)]	**824**	688

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

6. Interest payable and similar charges

	2017 **£000**	2016 £000
Interest expense due to parent and other Group undertakings [(a)]	**2,319**	658

[(a)] *Interest payable to parent and other Group undertakings is accrued but not paid at a range of LIBOR plus 0.45% - 4% on trading balances.*

7. Tax income/(expense)

The income tax expense comprises:

	2017	2016
	£000	£000
Current tax		
Corporation tax	**(251)**	(200)
Total current tax	**(251)**	(200)
Prior period adjustments	**433**	3
Deferred tax		
Origination and reversal of timing differences	**(6)**	(35)
Total income tax (income)/ expense	**(176)**	(232)

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:

	2017	2016
	£000	£000
Profit/(loss) before tax	**1,334**	(1,215)
Income tax (credit)/expense calculated at standard UK hybrid corporation tax rate of 19% (2016: 20%)	**257**	(243)
Effects of:		
Utilisation of tax losses	**-**	-
Capital allowances in excess of depreciation	**-**	-
Deferred taxation	**-**	-
Change in tax rate		8
Adjustment in respect of prior period	**(433)**	3
Total income tax (income)/ expense	**(176)**	(232)

The Finance Act 2016, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 6 September 2016. As this change in rate was substantively enacted prior to 31 December 2016 it was reflected in the deferred tax assets and liabilities at 31 December 2016. The Finance Act 2017 has not resulted in any further changes to the main rate of UK corporation tax and therefore deferred tax assets and liabilities at 31 December 2017 are reflected accordingly.

8. Information regarding Directors and employees

	2017	2016
Average number of employees during the period (including executive Directors):	**No.**	No.
Administration	**27**	67
Collection	**32**	40
Total	**59**	107

Staff costs for the period included within administrative expenses (including executive Directors):	**£000**	£000
Wages and salaries	**2,992**	3,796
Social security costs	**284**	390
Pension contributions	**100**	159
Total	**3,376**	4,345

All directors are employed and remunerated by other group companies. No recharge is made to the company for their services.

9. Intangible assets

	Software and licences £000
Cost	
At 31 December 2016 & 31 December 2017	**521**
Amortisation	
At 31 December 2016	418
Charge for the year	103
At 31 December 2017	**521**
Net book value	
At 31 December 2017	**-**
At 31 December 2016	103

10. Tangible assets

	Office equipment £000	Computers £000	Fixtures and fittings £000	Total £000
Cost				
At 31 December 2016	47	321	202	570
Additions	-	-	173	173
Disposals	-	-	(65)	(65)
At 31 December 2017	47	321	310	678
Depreciation				
At 31 December 2016	47	303	49	399
Charge for the year	-	21	61	82
Depreciation on disposals	-	-	(65)	(65)
At 31 December 2017	47	324	45	416
Net book value				
At 31 December 2017	**-**	**(3)**	**265**	**262**
At 31 December 2016	-	18	153	171

11. Trade and other receivables

	2017 **£000**	2016 £000
Trade receivables	**23**	27
Amounts owed by Group undertakings	**91,729**	33,948
Prepayments and accrued income	**58**	165
Other receivables	**164**	29
	91,974	34,169

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.

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.

12. Trade and other payables

	2017 £000	2016 £000
Trade payables	**1,820**	2,697
Amounts owed to Group undertakings	**87,600**	31,440
Other taxation and social security	**45**	86
Other payables	**(5)**	491
Accruals and deferred income	**1,407**	1,425
	90,867	36,139

Included in other payables is £nil (2016: £16,000) in respect of pension contributions to be paid into the Group's defined contribution pension scheme.

Interest on amounts owed to parent and other Group undertakings is at an arm's length basis and is accrued, not paid.

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.

13. Deferred tax assets

Deferred tax asset

The deferred tax asset relates to the following:

	2017 £000	2016 £000
Amounts provided for		
Capital allowances in excess of depreciation	**138**	145

14. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
611 class "A" Ordinary shares of £1 each	**1**	1
390 class "A" Preference shares of £1 each	**-**	-

Capital contributions made during the year totalled £48,000.

Ordinary shares and preference shares have full voting rights.

15. Contingent liabilities

The Company is party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow Group company and the Senior Secured Notes due 2020, 2021 and 2023. Amounts outstanding on such borrowings were £900.5 million at 31 December 2017 (2016: £1,040.6 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

16. 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 Credit Management 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.

17. Events after the balance sheet date

On 24 July 2018, Encore Capital Group Inc completed the purchase of the non-controlling interests held by JC Flowers & Co and company management and took 100% ownership of the Cabot Credit Management Limited Group.