

**Company Registration No. 04618038**

**Cabot Financial (Marlin) Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2020**



# **Cabot Financial (Marlin) Limited**

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# **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**

C Buick  
J B Morris

### **Secretary**

S Whiteley

### **Auditor**

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

### **Bankers**

National Westminster Bank PLC  
City of London Office  
PO BOX 12258  
1 Princes Street  
London  
EC2R 8BP

### **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 2020

#### 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 2020.

The Company is a member of the Encore Capital Group, Inc. ("the Group").

The Company's principal activity up until 31 July 2020 was the provision of recovery services in respect of defaulted consumer loans in the United Kingdom owned by the Group. From 1 August 2020, the Company is non trading and holds intercompany assets and liabilities in relation to fellow Group companies. Directors made the decision to transfer all assets and liabilities (excluding existing inter-company relationships) of the Company to Cabot Financial (Europe) Limited effective 01 August 2020. They believe that this decision will strengthen Cabot Financial (Europe) Limited's strategic developments. The transfer was made through intercompany trading balances, therefore no cash consideration was exchanged.

#### Business review and results

The profit before tax for the year amounts to £4,139,000 (2019 – profit of £3,820,000).

As the performance of Cabot Financial (Marlin) Limited is linked to the performance of Encore Capital Group, Inc, 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 Encore Capital Group, Inc.

#### Principal risks and uncertainties

In common with all other businesses, the Company is exposed to a range of enterprise wide risks. This section describes the principle risks arising from the Company's business model, and the processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

Risk	Definition	Impact	Mitigation
Economic risk	Changes in the economic environment in the markets in which the Company operates may negatively impact its performance.	May cause reduced recoveries which results in financial loss.	<p>The Group assesses consumer repayment affordability through income and expenditure assessments, leading to sustainable repayment plans.</p> <p>We regularly monitor key economic performance indicators as well as having a diversified consumer portfolios account types.</p>

## Cabot Financial (Marlin) Limited

### Strategic Report (continued) For the year ended 31 December 2020

#### Principal Risks and Uncertainties (*continued*)

<b>Risk</b>	<b>Definition</b>	<b>Impact</b>	<b>Mitigation</b>
Regulatory Risk	Failure to comply with applicable legislation or regulation of the debt purchase and collections sector and the broader consumer credit industry.	May result in the suspension, termination or impairment of the Company's ability to conduct business and substantial losses.	<p>The Company has a well established three lines of defence model and a robust risk management approach, with strong operational compliance systems and controls, and training in place which support our customer centric culture.</p> <p>Within our second line, our risk and compliance team provide expertise and oversight.</p> <p>Our third line, the internal audit team, provide independent and objective regulatory and compliance oversight.</p>
Data Retention Risk	The ability to obtain, share and retain customer data is critical to the Company and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which the Company operates.	<p>May result in enforcement notices and monetary penalties imposed.</p> <p>Any lack of compliance may impair the Company's ability to continue to use its consumer data, which may have an adverse effect on the Company's financial condition, industry reputation, financial returns and impact operations.</p>	<p>The Company maintains compliance with the required standards across sites to align with the Data Protection Act 2018 (including the UK GDPR Part 2 of the DPA 2018).</p>

## Cabot Financial (Marlin) Limited

### Strategic Report (continued) For the year ended 31 December 2020

#### Principal Risks and Uncertainties (continued)

Risk	Definition	Impact	Mitigation
Information Security Risk	Risk of security and privacy breaches of the systems and processes used to protect customer data.	May lead to material financial losses as a result of litigation, regulatory sanctions, remediation costs, or loss of new business.	Stringent information security principles, including regular penetration testing and staff awareness programmes, are embedded in the Company's processes and meet the ISO27001 standard.
Political Risk	Risk of changes to regulatory or political environment or an increasing volume of legislation.	May lead to higher operating costs, future collections failing to meet forecasts or impede new business if clients are less able to or incentivised to sell debt.	Maintaining a customer focussed approach to the business strategy, which minimizes such risk.
Vendor / Operational Risk	Risk of restrictions placed on the Company by vendors.	May limit operational flexibility, which may have an adverse effect on the Company's financial condition, financial returns or results of operations.	The Company has long standing relationships with key vendors.  Rigorous pricing and due diligence processes undertaken for all portfolio purchases to ensure any such restrictions are fully considered before any commitment to purchase is entered into.
Third party Risk	Risk of loss of relationship, under performance or non-compliant practices by third party service providers.	May limit operational flexibility, or create reputational risk to the Company, which may have an adverse effect on the Company's financial condition, financial returns or results of operations.	The Company has implemented three lines of defence model and a robust risk management approach, with strong operational compliance controls and training in the first line.  Within our second line, our compliance and legal team provide expertise and oversight.  Our third line, the internal audit team, provide independent and objective regulatory and compliance oversight.

## **Cabot Financial (Marlin) Limited**

### **Strategic Report (continued) For the year ended 31 December 2020**

#### ***Going concern and liquidity risk***

As at the year end, the Company no longer trades. The Directors of the Company have received a letter of support from the Group outlining their continued support should it be required.

The Directors have reviewed the position of the Group and its ability to provide any support as may be necessary. Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. The Company has seen no material impact as a result of COVID-19. 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



J B Morris  
Director

21/06/2021

## **Cabot Financial (Marlin) Limited**

### **Directors' report for the year ended 31 December 2020**

The Directors present their report for the year ended 31 December 2020.

#### **Results and dividends**

The audited financial statements and related notes for the year ended 31 December 2020 are set out on pages 12 to 22. The Company's result for the year after taxation was a profit of £4,125,000 (2019: £3,054,000).

No dividends were paid in this and prior periods.

#### **Directors**

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

- P Richardson (resigned 15 January 2020)
- J B Morris (appointed 19 November 2020)
- K Stannard (resigned 19 November 2020)
- 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".

The Directors made a decision to transfer all employees of the Company to Cabot Financial (Europe) Limited effective 01 August 2020. They believe that this decision will strengthen Cabot Financial (Europe) Limited's strategic developments.

#### **Political donations**

The Company made no political contributions (2019: £nil).



## **Cabot Financial (Marlin) Limited**

### **Directors' report (continued) for the year ended 31 December 2020**

#### **COVID-19 pandemic**

Throughout 2020 Cabot has continuously adapted to the changing environment which resulted from the impact of the COVID-19 (coronavirus) outbreak. As well as evolving working procedures both within our offices and via the adoption of widespread working from home practices, we continue to recognise the impact that this has on our customers and have tailored our approach accordingly.

Although the COVID-19 outbreak has demonstrated Cabot's ability to withstand significant external disruption whilst maintaining full operational capability, we remain very alert to this ongoing crisis and will continue to monitor and adapt where required to both protect colleagues welfare and maintain service for customers, in particular for those who may require additional support during this very difficult time. The Company did not make use of the furlough scheme.

#### **Auditor**

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

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he 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



J B Morris  
Director

21/06/2021

## **Cabot Financial (Marlin) Limited**

### **Statement of Directors' responsibilities for the year ended 31 December 2020**

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; 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.

## **Cabot Financial (Marlin) Limited**

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

#### **Opinion on the 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 2020 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.

We have audited the financial statements of Cabot Financial (Marlin) Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

#### **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**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### **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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Cabot Financial (Marlin) Limited**

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

#### **Other Companies Act 2006 reporting**

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 have 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 Directors' 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

#### ***Extent to which the audit was capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have obtained an understanding of the legal and regulatory frameworks applicable to the entity and we have enquired of management to identify how the entity is complying with those frameworks and whether there were any known instances of non-compliance.

## **Cabot Financial (Marlin) Limited**

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

We considered the entity's control environment that has been established to prevent, detect and deter fraud. We then assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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

#### **Use of our report**

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

DocuSigned by:

**BDO LLP**

26B7671FF66E4AB

Leighton Thomas (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London

Date 23 June 2021

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 2020

	Notes	2020 £000	2019 £000
Revenue	4	8,440	23,887
Operating expenses		(3,184)	(17,810)
<b>Gross profit</b>		<b>5,256</b>	<b>6,077</b>
Administration expenses		(1,366)	(3,087)
<b>Operating profit</b>		<b>3,890</b>	<b>2,990</b>
Finance income	6	19,450	12,603
Finance expense	7	(19,201)	(11,773)
<b>Profit on ordinary activities before taxation</b>	5	<b>4,139</b>	<b>3,820</b>
Tax expense	8	(14)	(766)
<b>Total comprehensive profit for the financial period</b>		<b>4,125</b>	<b>3,054</b>

All of the above results are derived from discontinued operations. From 1 August 2020 the principal activity was that of a holding company. There is no other comprehensive income.

The accounting policies and notes on pages 15 to 22 form part of these financial statements.

# Cabot Financial (Marlin) Limited

## Statement of financial position As at 31 December 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	10	-	164
		<u>-</u>	<u>164</u>
<b>Current assets</b>			
Trade and other receivables	11	525,803	482,677
Deferred tax assets		-	90
Cash in bank and on hand		-	1,914
		<u>525,803</u>	<u>484,681</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	12	(515,638)	(478,785)
		<u>(515,638)</u>	<u>(478,785)</u>
<b>Net current assets</b>		<u>10,165</u>	<u>5,896</u>
<b>Total assets less current liabilities</b>		<u>10,165</u>	<u>6,060</u>
<b>Net assets</b>		<u>10,165</u>	<u>6,060</u>
<b>Equity</b>			
Called up share capital	13	1	1
Capital contribution reserve		1,012	1,032
Retained earnings		9,152	5,027
<b>Total shareholders' funds</b>		<u>10,165</u>	<u>6,060</u>

These financial statements of Cabot Financial (Marlin) Limited, with registered number 04618038, were approved by the Board of Directors and authorised for issue on 21/06/2021.

Signed on behalf of the Board of Directors by:



J B Morris  
Director

The accounting policies and notes on pages 15 to 22 form part of these financial statements.

**Cabot Financial (Marlin) Limited**

**Statement of changes in equity  
As at 31 December 2020**

	Share Capital	Capital contribution reserve	Retained earnings	Total
	£000	£000	£000	£000
<b>As at 1 January 2019</b>	<b>1</b>	<b>1,008</b>	<b>1,973</b>	<b>2,982</b>
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	3,054	3,054
Total comprehensive income	-	-	3,054	3,054
<i>Contributions from and distributions to owners:</i>				
Additional paid in Capital	-	24	-	24
<b>As at 31 December 2019</b>	<b>1</b>	<b>1,032</b>	<b>5,027</b>	<b>6,060</b>
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	4,125	4,125
Total comprehensive income	-	-	4,125	4,125
<i>Contributions from and distributions to owners:</i>				
Adjustment to paid in Capital	-	(20)	-	(20)
<b>As at 31 December 2020</b>	<b>1</b>	<b>1,012</b>	<b>9,152</b>	<b>10,165</b>

The accounting policies and notes on pages 15 to 22 form part of these financial statements.



# Cabot Financial (Marlin) Limited

## Notes to the financial statements (continued) For the year ended 31 December 2020

### 1. General information

Cabot Financial (Marlin) Limited is a private 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 Company's principal activity up until 31 July 2020 was the provision of recovery services in respect of defaulted consumer loans in the United Kingdom owned by the Group. From 1 August 2020 the principal activity was that of a holding company. The Directors made the decision to transfer all assets and liabilities (excluding existing inter-company relationships) of the Company to Cabot Financial (Europe) Limited effective 01 August 2020. They believe that this decision will strengthen Cabot Financial (Europe) Limited's strategic developments.

### 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) and in accordance with Companies Act 2006. 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 reduced 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*; and
- the requirements of paragraph 8(k) 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 Encore Capital Group Incorporated 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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in these financial statements.

The Company's financial position is partly dependent on the financial condition of the rest of the Group and other Group companies have undertaken to continue to provide such financial support to the Company as it may require.

## **Cabot Financial (Marlin) Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2020**

#### **2.2. Going concern (continued)**

The Directors have reviewed the position of the Group and its ability to provide any support as may be necessary. Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has seen no material impact as a result of COVID-19. Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

#### **2.3. Summary of significant accounting policies**

##### **Revenue**

Revenue represents income as a result of servicing defaulted consumer loans owned by the Group.

##### **Pensions**

The Company operates defined contribution pension schemes. Pension contributions are charged to the statement of comprehensive income in the period that the liability for paying the contributions arises.

##### **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.

##### **Finance income and costs**

Interest income and expense are recognised on an accruals basis.

Finance costs include facility fees on bank loans and similar.

##### **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:

Leasehold improvements	the minimum term of the lease
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.

##### **Investments in subsidiaries**

Investments in subsidiaries are recognised at cost less provision for impairment.

## **Cabot Financial (Marlin) Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2020**

#### **2.3. Summary of significant accounting policies (continued)**

##### **Financial instruments**

###### ***IFRS 9***

The Group applied the simplified approach and recorded lifetime expected losses on all trade receivables and intercompany borrowings.

##### **Provisions**

Provisions are recognised when the Group 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 for the amount of the obligation. If the effect of the time value of money is material, provisions are discounted to their present value.

##### **Dividends Payable**

Dividends payable are recognised when they become legally payable, this being on the date of approval by the Board of Directors.

##### **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.

#### **3. Significant accounting judgements, estimates and assumptions**

##### **Intercompany borrowings**

The Directors have deemed that loans to other group undertakings are at a market rate and therefore the carrying value of the loans are an accurate approximation of fair value. The Directors believe that the loans are 100% recoverable or payable.

## Cabot Financial (Marlin) Limited

### Notes to the financial statements (continued) For the year ended 31 December 2020

#### 4. Revenue

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

	2020 £000	2019 £000
Servicing fees	8,440	23,887

#### 5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	2020 £000	2019 £000
Depreciation of property, plant and equipment	41	61

Auditor's remuneration of £9,200 (2019: £9,900) with respect to the Company's audit fees for the year was borne by another group company.

#### 6. Finance income

	2020 £000	2019 £000
Interest income from parent and other Group undertakings	19,450	12,603

#### 7. Finance expense

	2020 £000	2019 £000
Interest expense due to parent and other Group undertakings	19,201	11,773

# Cabot Financial (Marlin) Limited

## Notes to the financial statements (continued) For the year ended 31 December 2020

### 8. Tax

The income tax expense comprises:

	2020 £000	2019 £000
<b>Current tax</b>		
Corporation tax	-	700
Prior period adjustments	(79)	53
Total current tax	<u>(79)</u>	<u>753</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	93	13
<b>Total income tax expense</b>	<u>14</u>	<u>766</u>

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:

	2020 £000	2019 £000
Profit before tax	<u>4,139</u>	<u>3,820</u>
Income tax expense is calculated at standard UK corporation tax rate of 19.00% (2019: 19.00%)	786	726
Effects of:		
Income not taxable	-	(13)
Group relief received for nil consideration	(679)	
Adjustment in respect of prior period	(79)	
Other	(2)	53
Utilisation of losses	(1)	-
Changes in income tax rate on deferred tax balances	(11)	-
<b>Total income tax expense</b>	<u>14</u>	<u>766</u>

## Cabot Financial (Marlin) Limited

### Notes to the financial statements (continued) For the year ended 31 December 2020

#### 9. Information regarding Directors and employees

	2020	2019
Average number of employees during the period (including executive Directors):	No.	No.
Administration	30	27
Collection	25	29
Total	<u>54</u>	<u>56</u>

The Directors made a decision to transfer all employees of the Company to Cabot Financial (Europe) Limited effective 01 August 2020. They believe that this decision will strengthen Cabot Financial (Europe) Limited 's strategic developments.

	2020	2019
Staff costs for the period included within administrative expenses (including executive Directors):	£000	£000
Wages and salaries	1,065	2,213
Social security costs	101	209
Pension contributions	62	89
Total	<u>1,228</u>	<u>2,511</u>

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

#### 10. Tangible assets

	Leasehold Improvement £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
At 31 December 2019	14	319	333
Additions	54	-	54
Transfers	(68)	(319)	(387)
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>
<b>Depreciation</b>			
At 31 December 2019	-	169	169
Charge for the year	5	36	41
Depreciation on transfers	(5)	(205)	(210)
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>			
At 31 December 2019	<u>14</u>	<u>150</u>	<u>164</u>
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>

The Directors made a decision to transfer all tangible assets of the Company to Cabot Financial (Europe) Limited effective 01 August 2020. They believe this decision will strengthen Cabot Financial (Europe) Limited 's strategic developments.

## Cabot Financial (Marlin) Limited

### Notes to the financial statements (continued) For the year ended 31 December 2020

#### 11. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	-	113
Amounts owed by Group undertakings	525,803	482,530
Prepayments and accrued income	-	22
Other receivables	-	12
	<u>525,803</u>	<u>482,677</u>

All amounts falling due within one year are presented within current assets as required by the Companies Act. Loans and 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

	2020	2019
	£000	£000
Trade payables	-	1,534
Amounts owed to Group undertakings	515,638	475,132
Other taxation and social security	-	45
Other payables	-	324
Accruals and deferred income	-	1,750
	<u>515,638</u>	<u>478,785</u>

Amounts due to parent and other Group undertakings are unsecured, have no fixed repayment date, are repayable on demand and interest on such balances is accrued but not paid, at an arm's length basis. 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. Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid:		
611 class "A" Ordinary shares of £1.00 each	1	1
390 class "A" Preference shares of £1.00 each	<u>-</u>	<u>-</u>

Capital contributions made during the year totalled £nil (2019: £24,000). Ordinary shares and preference shares have full voting rights.

## **Cabot Financial (Marlin) Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2020**

#### **14. Capital contribution reserve**

Awards are granted by the ultimate controlling party of the Company, Encore Capital Group, Inc. ("Encore") to the directors of Cabot Financial (Marlin) Limited. The resulting IFRS2 accounting charge for these share-based transactions is recognised as a capital contribution.

The scheme is equity settled and forms part of the remuneration package of certain of the Company's employees. Grants issued include the following conditions:

- Vesting hurdles based on Adjusted Net Income targets set by the parent Board;
- Entitlements vest over 3 years; and
- Entitlements expire upon cessation of employment.

The test of group financial performance targets is absolute and therefore the defined proportion of entitlements relative to those targets are either achieved or not achieved.

#### **15. Contingent liabilities**

The Company is party to guarantees in relation to borrowings within the Group. For details around such funding please refer to the Group consolidated financial statements.

#### **16. Ultimate parent Company**

The Company's immediate parent company is Cabot Financial Limited, a company incorporated in England and Wales. The smallest and largest group of which the Company is a member and for which group financial statements are drawn up is Encore Capital Group, Inc. 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.