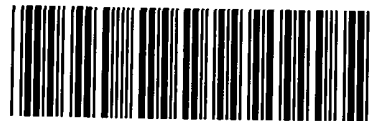


Company Registration No. 06145019

Marlin Europe II Limited

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

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Marlin Europe II Limited

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Marlin Europe II 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

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

Overview

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

The Company's principal activity is the investment in defaulted consumer loans in the United Kingdom.

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

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

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

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

Future developments

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

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

Business review and results

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

(£ in thousands, except for percentages)			
	2015 £000	2014 £000	Change
84-Month ERC at reporting date	54,637	60,257	(5,620)
120-Month ERC at reporting date	68,434	72,984	(4,550)
Accounts (in thousands) ^(a)	44	44	-
Number of owned loan portfolios ^(b)	5	5	-
Collections on owned loan portfolios ^(c)	10,476	11,105	(629)
Administrative expenses	-	(35)	35
Operating profit	3,722	3,485	237
Shareholders' funds	5,622	12,301	(6,679)

^(a) Number of accounts represents the total number of individual consumer debts that the Company owns as at the reporting date.

^(b) Number of owned loan portfolios represents the number of individual portfolios of accounts that the Company owns as at the reporting date. Occasionally the Company may split an individual purchase contract into multiple portfolios if there are distinct account types within the particular portfolio.

^(c) Collections on owned loan portfolios represents amounts collected by the Company, or agents acting on behalf of the Company, from accounts on owned loan portfolios.

Principal risks and uncertainties

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

- Cash flow and credit risk;
- Price risk;
- Current value of loan portfolios;
- Interest rate risk; and
- Going concern and liquidity risk.

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

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

Principal financial instruments

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

- Trade and other receivables;
- Cash and cash equivalents;
- Loan portfolios; and
- Trade and other payables.

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

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

Financial assets

	Assets at fair value through profit or loss		Cash and receivables	
(£000)	2015	2014	2015	2014
Cash and cash equivalents	-	-	-	3
Trade and other receivables (note 10)	12,077	6,986	12,077	6,986
Purchased loan portfolios (note 9)	28,120	32,255	28,120	32,255
Total financial assets	40,197	39,241	40,197	3

Financial liabilities

	Financial liabilities at amortised cost	
(£000)	2015	2014
Trade and other payables (note 11)	1,754	1,324
Other loans (note 12)	31,950	24,605
Total financial liabilities	33,704	25,929

Cash flow and credit risk

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

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

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

Price risk

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

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

Current value of loan portfolios

Certain items in the statement of comprehensive income of the Company such as cost of sales, gross profit, operating profit, profit on ordinary activities before and after taxation, and profit for the financial period can be impacted, positively or negatively, by short term non-cash movements in the current value of portfolios.

The Company uses a Revaluation Model to calculate the current value of loan portfolios. The Revaluation Model is a cash flow model developed at a portfolio level based on projected cash flows over the forecast cash collection period for each individual portfolio ("the forecast period"). The method used to estimate the current value of loan portfolios changes dependent on the age of the portfolio:

- When the asset is initially purchased it is held on the statement of financial position at cost;
- In the period from purchase until the asset becomes 12 months old the current value is calculated as the net present value of the cash flow projections produced at the time of pricing. The collections forecast is limited to the point at which 80% of the total cash flow projection is achieved (this is known as the "forecast period");
- After 12 months a new collections forecast is produced from each asset by the Group's Revaluation model, and the statement of financial position valuation becomes the discounted value of this revised forecast;
- The individual portfolios are then formed into consolidated vintages based on the financial year of purchase. The weighted average discount rate and forecast period are then used to value the consolidated vintage; and
- In the period before the consolidated vintage is formed the individual asset cannot be valued at greater than the original purchase price.

The initial yield is calculated at the time of purchase and subsequently compared with yields observed in current market transactions in similar loan portfolios and adjusted if necessary. Significant volatility in yields for similar purchased loan portfolios is not anticipated in the absence of fundamental changes in the economic or legislative environment. The weighted average forecast period used in the Revaluation Model was 76 months (2014: 76 months) and the weighted average yield was 25.20% (2014: 26.57%). The observable yields from acquisitions in 2015 did not indicate that yields used to discount historical portfolios required adjustment.

The Revaluation Model is updated with the collections experience on a monthly basis and a new collections forecast is generated using a combination of the actual collections seen over the immediately preceding months and long term trend analysis of how collections on the Company's loan portfolios decay on a monthly basis over several years.

The current value of the portfolios is therefore highly dependent on the collections achieved on the loan portfolios in the past as these determine the initial starting point of the projection and the long-term gradient used to project the decay of the forecast collections. The fair value is also dependent on the yield assumptions.

The effect of a 10% reduction in cash collection statistics and a 10% reduction in the long term gradient used in the Revaluation Model are illustrated separately below. The Directors believe that a 10% reduction is a reasonable sensitivity as this correlates with the largest annual adverse variance in cash collections against forecast cash flows observed since the Revaluation model was introduced in its current form in October 2007.

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

	Opening balance sheet £000	Change in current value recorded in revenue £000	Closing balance sheet £000
Reduction in cash collections experience used in the forecast by 10%			

Year ended 31 December 2015

As stated in the statement of financial position	32,255		28,120
Reduction due to change in assumption	(1,265)	(753)	(2,018)
	<u>30,990</u>		<u>26,102</u>

Year ended 31 December 2014

As stated in the statement of financial position	36,505		32,255
Reduction due to change in assumption	(862)	(403)	(1,265)
	<u>35,643</u>		<u>30,990</u>

	Opening balance sheet £000	Change in current value recorded in revenue £000	Closing balance sheet £000
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Reduction in long term gradient used in the forecast by 10%

Year ended 31 December 2015

As stated in the statement of financial position	32,255		28,120
(Reduction) due to change in assumption	-	-	-
	<u>32,255</u>		<u>28,120</u>

Year ended 31 December 2014

As stated in the statement of financial position	36,505		32,255
(Reduction) due to change in assumption	(496)	496	-
	<u>36,009</u>		<u>32,255</u>

An increase of 10% in cash collections experience and a 10% increase in the long-term gradient used in forecast will have the exact opposite effect in the loan portfolios amount at the reporting date.

Interest rate risk

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

Marlin Europe II Limited

Strategic Report For the year ended 31 December 2015

Going concern and liquidity risk

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

The financial position of the Company and liquidity position are described in the financial statements on pages 13 to 31. The Company made an operating profit for the year of £3.7 million (2014: £3.5 million) and had net current assets at 31 December 2015 of £38.4 million (2014: £37.9 million). Total equity shareholders' funds at 31 December 2015 were £5.6 million (2014: £12.3 million).


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

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

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statement.

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



C Buick
Director

21/09/2016

Marlin Europe II Limited

Directors' Report For the year ended 31 December 2015

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

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2015 are set out on pages 13 to 31. The Company's result for the year after taxation was a profit of £0.7 million (2014: loss - £0.5 million).

The Directors paid a dividend of £7.3 million (2014: £nil).

Directors

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

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

Financial instruments

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

The key financial risks and uncertainties affecting the Group and management objectives and policies taken to mitigate these risks are set out within the Strategic Report on pages 2 to 7.

Disabled employees

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

Employee consultation

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

Marlin Europe II Limited

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

Qualifying third party indemnity provisions

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

Political donations

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

Future developments

Any future developments affecting the Company are set out in the Strategic Report on pages 2 to 7.

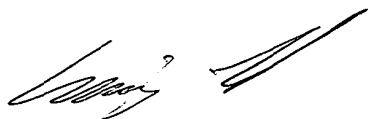
Directors' statement as to disclosure of information to auditors

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

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

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

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



C Buick
Director

21/09/2016

Marlin Europe II Limited

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

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and with applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Marlin Europe II Limited

We have audited the financial statements of Marlin Europe II Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Marlin Europe II Limited

Matters on which we are required to report by exception

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

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



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

21/09/2016

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

Marlin Europe II Limited

Statement of comprehensive income For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Revenue	4	6,341	6,856
Cost of sales		(2,619)	(3,336)
Gross profit		3,722	3,520
Administration expenses		-	(35)
Operating profit		3,722	3,485
Interest receivable and similar income	6	424	-
Interest payable and similar charges	7	(3,622)	(3,795)
Profit/(loss) on ordinary activities before taxation	5	524	(310)
Tax income/(expense)	8	142	(207)
Profit/(loss) and total comprehensive income for the financial period		666	(517)

The notes on pages 16 to 31 form part of these financial statements.

All of the above results are derived from continuing operations.

Marlin Europe II Limited

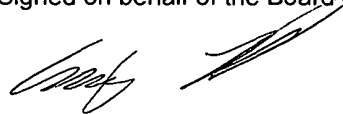
Statement of financial position As at 31 December 2015

	Notes	2015 £000	2014 £000
Current assets			
Purchased loan portfolios	9	28,120	32,255
Trade and other receivables	10	12,077	6,986
Cash in bank and on hand		-	2
		<u>40,197</u>	<u>39,243</u>
Creditors: amounts falling due within one year			
Trade and other payables	11	(1,754)	(1,324)
		<u>(1,754)</u>	<u>(1,324)</u>
Net current assets		<u>38,443</u>	<u>37,919</u>
Total assets less current liabilities		<u>38,443</u>	<u>37,919</u>
Creditors: amounts falling due after more than one year	12	(31,950)	(24,605)
Provision for liabilities	14	(871)	(1,013)
Net assets		<u>5,622</u>	<u>12,301</u>
Equity			
Called up share capital	15	-	-
Capital contribution reserve		11,631	11,631
Retained earnings		(6,009)	670
Total shareholders' funds		<u>5,622</u>	<u>12,301</u>

The notes on pages 16 to 31 form part of these financial statements.

These financial statements of Marlin Europe II Limited, with registered number 06145019, were approved by the Board of Directors and authorised for issue on 21/09/2016.

Signed on behalf of the Board of Directors by:



C Buick
Director

Marlin Europe II Limited

Statement of changes in equity As at 31 December 2015

Notes	Share Capital	Capital contribution reserve	Accumulated losses	Total
	£000	£000	£000	£000
As at 1 January 2014	-	3,344	1,187	4,531
<i>Comprehensive income for the period:</i>				
Loss for the period			(517)	(517)
Total comprehensive income	-	-	(517)	(517)
<i>Contributions by and distributions to owners:</i>				
Capital contributions	-	8,287	-	8,287
As at 31 December 2014	-	11,631	670	12,301
Adjustment on restated balance	-	-	-	-
As at 31 December 2014 (restated)	-	11,631	670	12,301
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	666	666
Total comprehensive income	-	-	666	666
<i>Contributions from and distributions to owners:</i>				
Dividends	-	-	(7,345)	(7,345)
As at 31 December 2015	-	11,631	(6,009)	5,622

At the point at which the dividend was declared, the company had sufficient distributable profits.

The notes on pages 16 to 31 form part of these financial statements.

Marlin Europe II Limited

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

1. Corporate information

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

The principal activities of the Company comprise the purchase and recovery of non-performing consumer loans in the United Kingdom.

2. Significant accounting policies

2.1. Basis of preparation

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

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

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

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

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

Marlin Europe II Limited

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

2.2. Going Concern

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

The financial position of the Company and liquidity position are described in the financial statements and notes to the accounts on pages 13 to 31. The Company made an operating profit for the year of £3.7 million (2014: £3.5 million) and had net current assets at 31 December 2015 of £38.4 million (2014: £37.9 million). Total equity shareholders' funds at 31 December 2015 were £5.6 million (2014: £12.3 million).

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

The Company meets its day to day working capital requirements, including the purchase of portfolios, through its own cash resources supplemented by a revolving credit facility and bank loans.

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

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.3. Summary of significant accounting policies

Revenue

Revenue represents income derived from purchased loan portfolios.

Income derived from purchased loan portfolios comprises receipts that relate to the current reporting period, adjusted for changes in the current values of the loan portfolios arising from periodic changes in estimates of future cash flows.

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.

Marlin Europe II Limited

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

2.3. Summary of significant accounting policies (continued)

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the year end date.

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Finance income and costs

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

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

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.

Marlin Europe II Limited

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

2.3. Summary of significant accounting policies (continued)

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

Purchased loan portfolios

Purchased loan portfolios comprise financial assets which have been acquired at a significant discount from their face value, which reflects incurred credit losses.

Under the accounting approach followed by the Company, as outlined in more detail below, an initial yield is established on initial recognition for each purchased loan portfolio based on its purchase price and the estimated future cash receipts. Subsequently, the carrying amount of the portfolio is adjusted to its current value by updating expected future cash receipts and discounting them using the initial yield. The current value of the Company's loan portfolios is therefore dependent on a number of factors, including in particular the estimates on initial recognition (as these determine the initial yield) which include consideration of historic collections achieved on loan portfolios, and the gradient used to project the decay of forecast collections.

Initial recognition

On initial recognition, purchased loan portfolios (comprising loans and receivables) are recognised at fair value, being the fair value of the consideration paid or payable. The initial yield is derived by establishing the rate that discounts expected future cash receipts from the portfolio to its carrying amount on initial recognition.

Subsequent measurement

The methods used to calculate the current value of loan portfolios are as follows:

- During a period of between 12 and 24 months after initial recognition, the current value is calculated on the basis of expected future cash receipts. These are as established on initial recognition (unless there is evidence of a material change in expectations, in which case the expected cash flows are revisited), less cash payments subsequently received, discounted at the initial yield established on initial recognition.
- After a loan portfolio has been held for a period of between 12 and 24 months, it is added to a consolidated portfolio. Consolidated portfolios are comprised of multiple individual loan portfolios which are grouped on the basis of their financial year of purchase. A weighted average discount rate and forecast period (based on the initial yields established at initial recognition) are calculated based on all of the individual portfolios which are included in the consolidated portfolio.
- At each reporting date, expected cash receipts are revisited and updated if appropriate. The revised expected cash receipts are then discounted at the initial yield established on initial recognition (see above), with any difference in the calculated current value and the existing carrying amount being recognised as part of revenue in profit or loss.

Marlin Europe II Limited

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

2.3. Summary of significant accounting policies (continued)

Expected cash receipts

Expected cash receipts comprise amounts that the Company anticipates recovering from its purchased loan portfolios on their initial recognition and at each reporting date. They include the effect of incurred credit losses, which are therefore included in the initial yield established on the initial recognition of the financial assets.

The Company uses collections experience when updating its expected cash receipts, with forecasts being generated using a combination of the actual collections seen over the immediately preceding months and a long term trend analysis of how collections on the Company's loan portfolios decay on a monthly basis, projected forward over a period of years that is linked to the maturities of the underlying portfolios.

The weighted average forecast period used for expected cash receipts was 76 months (31 December 2014: 76 months) and the weighted average yield of all portfolios was 25.20% (31 December 2014: 26.57%).

Financial instruments

Derivatives

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

Financial assets

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

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

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

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

Marlin Europe II Limited

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

2.3. Summary of significant accounting policies (continued)

Financial liabilities

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

Borrowings

Interest bearing loans are recorded at the proceeds received net of direct issue costs. Finance fees are accounted for in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument.

Provisions

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

2.4. First-time adoption of FRS 101

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

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

2.5. Changes in accounting policies and disclosures

Recent accounting pronouncements

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

IFRS 9 Financial Instruments

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

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

Marlin Europe II Limited

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

2.5. Changes in accounting policies and disclosures (continued)

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

Annual Improvements 2012-2014 Cycle

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

Amendments to IAS 1 *Disclosure Initiative*

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

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

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

3. Significant accounting judgements, estimates and assumptions

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

The following are the judgements that have been made in the process of applying the Company's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have the most significant effect on the amounts recognised in the financial statements.

Marlin Europe II Limited

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

3. Significant accounting judgements, estimates and assumptions (continued)

Purchased loan portfolios

Purchased loan portfolios represent current value of loan portfolios on the statement of financial position. When estimating the current value as applicable of purchased loan portfolios at each date, a loan portfolio will not be revalued above its purchase price until sufficient collection experience is obtained, generally twelve months from the date of purchase. Until such a time, the expected cash flow is generally the cash flow forecast determined by the Company at the point of purchase unless collections experience over a shorter period provides clear evidence of impairment in value of a loan portfolio, in which case the value of the loan portfolio will be assessed by reference to collections experience for that portfolio and vintage in that shorter period and the current value reduced as appropriate. Subsequently, the revaluation model projects expected future gross collections based on the actual gross collections achieved to date. These individual portfolio projections are aggregated on a vintage basis once the Company has twelve months of collections experience on every portfolio within a vintage. At this point the weighted yield and forecast period of the vintage is also calculated by weighting the initial yields and forecast periods calculated at the point of purchase and the statement of financial position value is calculated with reference to these aggregated vintage forecasts.

Judgement is exercised in determining the appropriate mechanism for producing a collections forecast and the application of forecast periods and initial yields, all of which have a significant impact on the amounts recognised in the financial statements.

4. Revenue

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

	2015 £000	2014 £000
Interest income on owned portfolios	6,056	6,797
Add: adjustments for credit quality on loan portfolios	285	59
	<u>6,341</u>	<u>6,856</u>

5. Operating profit

Operating profit is stated after charging the following:

	2015 £000	2014 £000
Auditors remuneration ^(a)	-	-

^(a) Auditors remuneration with respect to the Company's audit fees for the year was borne by Cabot Financial (Marlin) a fellow company of the Group.

6. Finance income

	2015 £000	2014 £000
Interest income from parent and other Group undertakings ^(a)	424	-
	<u>424</u>	<u>-</u>

^(a) Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4%.

Marlin Europe II Limited

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

7. Finance expense

	2015 £000	2014 £000
Interest expense due to parent and other Group undertakings ^(a)	3,622	3,795
	<u>3,622</u>	<u>3,795</u>

^(a) Interest payable to parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances and at a rate of 10.75%-13.25% on loans.

8. Tax

The income tax expense comprises:

	2015 £000	2014 £000
Current tax		
Corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(142)	207
Total income tax expense	<u>(142)</u>	<u>207</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:

	2015 £000	2014 £000
Profit/(loss) before tax	<u>524</u>	<u>(310)</u>
Income tax expense/(income) calculated at standard UK hybrid corporation tax rate of 20.25% (2014: 21.50%)	106	(67)
Effects of:		
Utilisation of tax losses	(209)	-
Tax losses carried forward	-	67
Expenses not deductible for tax purposes	103	-
Deferred tax	(142)	207
Total income tax expense	<u>(142)</u>	<u>207</u>

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

Marlin Europe II Limited

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

9. Purchased loan portfolios

	Company 2015 £000	Company 2014 £000
Non-current		
Purchased loan portfolios	23,710	28,120
Current		
Purchased loan portfolios	4,410	4,135
Total	28,120	32,255

The following table summarises the movement in the current value of the Company's loan portfolios in the period:

	2015 £000	2014 £000
Current value at the beginning of the financial period	32,255	36,504
Movement in current value ^(a)	6,341	6,856
Gross collections on owned portfolios	(10,476)	(11,105)
Current value at the end of the financial period	28,120	32,255

^(a) Gross collections on owned loan portfolios less current value movement on loan portfolios as shown in note 4.

10. Trade and other receivables

	2015 £000	2014 £000
Amounts owed by other Group undertakings	12,077	6,986
	12,077	6,986

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. See note 6 for further details.

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

11. Trade and other payables

	2015 £000	2014 £000
Amounts owed to parent undertakings	951	492
Amounts owed to other Group undertakings	803	832
	1,754	1,324

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

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

Marlin Europe II Limited

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

12. Borrowings

	2014 £000	2013 £000
Non current		
Loans from parent undertakings	18,600	11,255
Loans from other Group undertakings	13,350	13,350
	<u>31,950</u>	<u>24,605</u>
Current		
Loans from parent undertakings	951	492
Loans from other Group undertakings	598	584
	<u>1,549</u>	<u>1,076</u>
Total borrowings	<u>33,499</u>	<u>25,681</u>
<u>Analysis of loan repayments:</u>		
Within one year	1,549	1,076
In more than one year but less than 5 years	31,950	-
In more than 5 years	-	24,605
	<u>33,499</u>	<u>25,681</u>

A fellow subsidiary of the Group holds Senior Secured Loan Notes of £150.0 million due 2020 and. Part of these have been provided to the Company by way of intra-group loans. Interest is charged on the loans at a rate of 10.75% and 13.25%.

The Company, along with certain other Group companies, have granted a fixed and floating charge over assets with a carrying value of at least £1,177 million at the reporting date (2014: £775 million) as security for the Senior Secured Notes and the senior committed revolving credit facility. Cash held on behalf of clients is excluded from the security given to the Senior Secured Notes and the senior committed revolving credit facility.

13. Provisions

	Deferred tax (note 14) £000	Total £000
Brought forward as at 1 January 2015	1,013	1,013
Unwinding of deferred tax	(142)	(142)
As at 31 December 2015	<u>871</u>	<u>871</u>
Non-current	871	871

14. Deferred tax

Deferred tax liability

The deferred tax liability relates to the following:

	2015 £000	2014 £000
<u>Amounts provided for</u>		
IAS 39 (formerly FRS 26), UK GAAP, loan portfolios	871	1,013
	<u>871</u>	<u>1,013</u>

Marlin Europe II Limited

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

14. Deferred tax (continued)

The provision relates to the temporary difference between the tax base and the carrying amount of the loan portfolio for accounting purposes at 1 November 2006 in respect of the cumulative effect on adoption of FRS 26, under UK GAAP, in respect of certain loan portfolios that were acquired as at that date. This element of the provision is anticipated to be released evenly to the statement of comprehensive income over the period to 31 October 2016 as agreed with HMRC.

15. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid:		
1 class "A" Ordinary shares of £1 each, subscription price of £1	-	-
	<u>-</u>	<u>-</u>

16. Dividends

	2015 £000	2014 £000
<u>Ordinary shares</u>		
Dividends paid	<u>7,345</u>	<u>-</u>

The Directors declared a dividend of £7,345,437 per share, during the year (2014: £nil, £nil per share) payable to the direct parent of the Company, Marlin Portfolio Holdings Limited.

17. Contingent liabilities

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

18. Related party transactions

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

19. Ultimate parent company

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

Marlin Europe II Limited

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

20. First time adoption of FRS 101

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

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

	Notes	Effect of transition to FRS 101			FRS 101 2014 £000
		UK GAAP 2014 £000	Re- classification £000	Re- measurement £000	
Turnover	A,C	11,106	(5,285)	1,035	6,856
Cost of sales	A	(8,621)	5,285	-	(3,336)
Gross profit		2,485	-	1,035	3,520
Administrative expenses		(35)	-	-	(35)
Operating profit		2,450	-	1,035	3,485
Interest payable and similar charges		(3,795)	-	-	(3,795)
Loss before tax		(1,345)	-	1,035	(310)
Tax expense	B	-	-	(207)	(207)
Loss and total comprehensive income for the period		(1,345)	-	828	(517)

Marlin Europe II Limited

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

20. First time adoption of FRS 101 (continued)

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

	Notes	Effect of transition to FRS 101			FRS 101 31 December 2014
		UK GAAP 31 December 2014 £000	Re-classification £000	Re-measurement £000	
Current assets					
Purchased loan portfolios	C	27,190	-	5,065	32,255
Trade and other receivables		6,986	-	-	6,986
Cash in bank and on hand		2	-	-	2
		34,178	-	5,065	39,243
Creditors: amounts falling due within one year					
Trade and other payables		(1,324)	-	-	(1,324)
		(1,324)	-	5,065	(1,324)
Net current assets		32,854	-	5,065	37,919
Total assets less current liabilities		32,854	-	5,065	37,919
Creditors: amounts falling due after more than one year		(24,605)	-	-	(24,605)
Provision for liabilities	B	-		(1,013)	(1,013)
Net assets		8,249	-	4,052	12,301
Equity					
Called up share capital		-	-	-	-
Capital contribution reserve		11,631	-	-	11,631
Retained earnings		(3,382)	-	4,052	670
Total shareholders' funds		8,249	-	4,052	12,301

Marlin Europe II Limited

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

20. First time adoption of FRS 101 (continued)

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

		Effect of transition to FRS 101			
	Notes	UK GAAP 1 January 2014 £000	Re- classification £000	Re- measurement £000	FRS 101 1 January 2014 £000
Current assets					
Purchased loan portfolios	C	32,476	-	4,029	36,505
Trade and other receivables		2,784	-	-	2,784
Cash in bank and on hand		577	-	-	577
		35,837	-	4,029	39,866
Creditors: amounts falling due within one year					
Trade and other payables		(2,847)	-	-	(2,847)
		(2,847)	-	-	(2,847)
Net current assets		32,990	-	4,029	37,019
Total assets less current liabilities		32,990	-	4,029	37,019
Creditors: amounts falling due after more than one year	D	(35,026)	3,344	-	(31,682)
Provision for liabilities	B			(806)	(806)
Net assets		(2,036)	3,344	3,223	4,531
Equity					
Called up share capital		-	-	-	-
Capital contribution reserve		-	3,344	-	3,344
Retained earnings		(2,036)	-	3,223	1,187
Total shareholders' funds		(2,036)	3,344	3,223	4,531

Reconciliation of equity

	Notes	1 January 2014 £000	31 December 2014 £000
Total equity under previous UK GAAP		(2,036)	8,249
Measurement of purchased loan portfolios at current value	C	4,029	5,065
Capitalisation of non-interest bearing intercompany loans	D	3,344	-
		7,373	5,065
Tax effect of the above	B	(806)	(1,013)
Total affect if transition to FRS 101		6,567	4,052
Total equity under FRS 101		4,531	12,301

Marlin Europe II Limited

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

20. First time adoption of FRS 101 (continued)

Summary of adjustments

A Movement in current value

Under UK GAAP movement in the current value of the purchased loan portfolios was recognised within cost of sales expenses. Under IFRS, the Company reclassified this to revenue.

B Deferred taxation

The various transitional adjustments above give rise to different temporary differences which have resulted in deferred tax adjustments.

C Purchased loan portfolios

Under UK GAAP, loan portfolios have been accounted for based on amortised cost. Under IFRS, these have been accounted for at current value.

D Reclassification of non-interest bearing intercompany loans

Under IFRS non-interest bearing intercompany loans have been reclassified as investments and capital contributions.