

**Company Registration No. 07196379**

**Marlin Financial Intermediate Limited**

**Annual Report and Financial Statements**

**31 December 2012**

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# **Marlin Financial Intermediate Limited**

## **Annual report and financial statements 2012**

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# **Marlin Financial Intermediate Limited**

## **Officers and professional advisers**

### **Directors**

J Lawford  
M Dunphy  
J Telford  
M Cresswell-Turner  
K Stannard  
P Richardson

### **Secretary**

J Telford

### **Registered Office**

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

### **Bankers**

Barclays Bank Plc  
Chapel Road  
Worthing  
West Sussex  
BN11 1EY

Natwest Plc  
City of London Office  
P O Box 12258  
1 Princes Street  
London  
EC2R 8PA

### **Independent auditor**

Deloitte LLP  
Chartered Accountants  
Crawley  
United Kingdom

# **Marlin Financial Intermediate Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

### **Principal activity**

The principal activity of the company is a holding company and management company

### **Business review**

During 2012 the company's expenditure continued to derive from servicing debt and remunerating the executives of the Group. A management charge of £556,047 has been charged during the year.

During the year the company sold its investments to a fellow group company as part of a group restructure. As part of this restructure, the company acquired the share capital of Marlin Intermediate Holdings Ltd.

### **Principal risk and uncertainties**

The directors consider the principal risks and uncertainties to the business include insufficient availability of funding, a lack of adequate quality portfolios being offered to the market, the reduction of collection rates on the debt portfolios owned by the company's subsidiaries due to the economic environment and the potential for regulatory action being taken against the company's subsidiaries. The directors believe that the company is well placed to manage these risks.

### **Financial risk management objectives and policies**

In addition, the company's activities expose it to a number of financial risks including credit risk and liquidity risk.

#### ***Credit risk***

Credit risk is primarily attributable to the amount due from group undertakings. The directors mitigate this risk through their oversight of the subsidiaries.

#### ***Liquidity risk***

The company is confident it can manage working capital requirements to mitigate any liquidity risks. The directors anticipate being able to draw on the cash resources of the group as necessary to meet liquidity requirements.

### **Future outlook**

No material changes are expected in the activities of the company.

### **Going concern**

The parent Group intends to continue its strategy of growth through the acquisition of portfolios and the directors have prepared budgets and forecasts, which include the Company, on this basis. These forecasts indicate that the Group will require additional funding in the coming year. In this context, the Directors are currently pursuing a number of different financing options, although these have not yet been finalised. However, the Directors have obtained confirmation from the Group's major shareholder of their intention to provide additional funding, either for working capital or other purposes beyond its agreed facilities, should this be required. On the basis of these enquiries and the forecasts the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Annual Report and Financial Statements.

# **Marlin Financial Intermediate Limited**

## **Directors' report (continued)**

### **Non adjusting events**

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

### **Political and charitable donations**

The company has no political or charitable donations in the current period

### **Directors**

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

M Dunphy  
J Lawford  
M Cresswell- Turner  
J S Telford  
K Stannard (appointed 26 October 2012)  
P Richardson (appointed 11 February 2013)

### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

### **Information provided to the auditor**

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) the director has taken all the steps that 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 and signed on its behalf by



K Stannard  
Director  
3 April 2013

# **Marlin Financial Intermediate Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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.

## **Independent auditor's report to the members of Marlin Financial Intermediate Limited**

We have audited the financial statements of Marlin Financial Intermediate Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and the auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

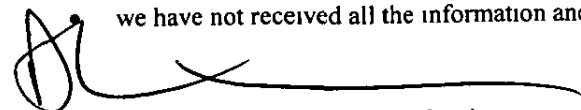
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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



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

9 April 2013

## Marlin Financial Intermediate Limited

### Profit and loss account

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Turnover		556,047	-
Cost of sales		-	-
Gross profit		556,047	-
Administration expenses		(1,916,175)	(2,254,968)
Operating loss		(1,360,128)	(2,254,968)
Finance charges (net)	4	(2,730,626)	(1,944,513)
Loss on ordinary activities before taxation	2	(4,090,754)	(4,199,481)
Tax charge on loss on ordinary activities	5	(255,120)	(587,795)
Loss for the financial year	10	(4,345,874)	(4,787,276)

All the results for the current and preceding financial year derive from continuing operations

There are no further recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account and as a result no statement of total recognised gains and losses is given

The notes on pages 8 to 20 form part of the financial statements



# Marlin Financial Intermediate Limited

## Balance sheet As at 31 December 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Investments	6	17,842,025	17,842,025
<b>Current assets</b>			
Debtors Amounts falling due after more than one year	7	36,500,192	20,680,850
Debtors Amounts falling due within one year	7	104,830	464,550
Total debtors		36,605,022	21,145,400
Cash at bank and in hand		4,238	46,007
		<u>36,609,260</u>	<u>21,191,407</u>
<b>Creditors: amounts falling due within one year</b>	8	(10,881,938)	(2,789,138)
<b>Net current assets</b>		<u>25,727,322</u>	<u>18,402,269</u>
<b>Total assets less net current liabilities</b>		<u>43,569,347</u>	<u>36,244,294</u>
<b>Creditors: amounts falling due after one year</b>	8	(54,487,402)	(42,791,193)
<b>Total liabilities</b>		<u>(10,918,055)</u>	<u>(6,546,899)</u>
<b>Capital and reserves</b>			
Called up share capital	9,10	11,600	11,600
Profit and loss account	10	(11,049,416)	(6,656,535)
Share option reserve	10	119,761	98,036
<b>Total shareholders' deficit</b>	10	<u>(10,918,055)</u>	<u>(6,546,899)</u>

The notes on pages 8 to 20 form part of the financial statements

The financial statements of Marlin Financial Intermediate Limited, registered number 07196379, were approved by the board of directors and authorised for issue on 3 April 2013

They were signed on its behalf by



K Stannard  
Director

# **Marlin Financial Intermediate Limited**

## **Notes to the financial statements For the year ended to 31 December 2012**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current financial year and preceding financial period.

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention.

#### **Turnover**

Turnover represents management charges to fellow group companies.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Going concern**

The parent Group intends to continue its strategy of growth through the acquisition of portfolios and the directors have prepared budgets and forecasts, which include the Company, on this basis. These forecasts indicate that the Group will require additional funding in the coming year. In this context, the Directors are currently pursuing a number of different financing options, although these have not yet been finalised. However, the Directors have obtained confirmation from the Group's major shareholder of their intention to provide additional funding, either for working capital or other purposes beyond its agreed facilities, should this be required. On the basis of these enquiries and the forecasts the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Annual Report and Financial Statements.

#### **Group accounts**

The company is exempt from the preparation of group accounts under section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of Marlin Financial Group Limited which prepares consolidated accounts in which this company is included.

#### **Finance income**

Finance income from financial assets is recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. In determining the internal rate of return of the financial assets expected contingent payments are included.

#### **Taxation**

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

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

# **Marlin Financial Intermediate Limited**

## **Notes to the financial statements For the year ended to 31 December 2012**

### **1. Accounting policies (continued)**

#### **Cash flow statement**

The Company has taken advantage of the exemption given under FRS 1 (revised) not to produce a cash flow statement as the Company's ultimate parent undertaking, Marlin Financial Group Ltd, publishes a consolidated cash flow statement

#### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate

#### **Investments**

Fixed asset investments are shown at cost less provision for impairment

#### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

#### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

#### **Share-based payment**

The company has applied the requirements of FRS 20 Share-based Payment

Employees of the company participate in the equity settled share based payment scheme of the parent company Marlin Financial Group Limited. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

# Marlin Financial Intermediate Limited

## Notes to the financial statements For the year ended to 31 December 2012

### 2. Loss on ordinary activities before taxation

	2012 £	2011 £
<b>Gain on ordinary activities before taxation is stated after (crediting)/charging:</b>		
Foreign exchange (gain)/loss	(38,561)	92,535
<b>Auditor's remuneration is as follows:</b>		
Fees payable to the company's auditor for the audit of the company's annual accounts	4,420	5,000
<b>Total audit fees</b>	<b>4,420</b>	<b>5,000</b>

### 3. Information regarding directors and employees

	2012 £	2011 £
<b>Directors' remuneration</b>		
Emoluments	359,397	548,901
	<b>2012 £</b>	<b>2011 £</b>
<b>Remuneration of highest paid director</b>		
Emoluments	144,263	299,633

The company made no contributions to defined contribution pension schemes on behalf of directors during the period

	No.	No.
<b>Average number of persons employed (including directors)</b>		
Administration	10	10
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,092,115	1,509,770
Social security costs	161,528	180,203
Pension costs	71,481	-
	<b>1,325,124</b>	<b>1,689,973</b>

# Marlin Financial Intermediate Limited

## Notes to the financial statements For the year ended to 31 December 2012

### 4. Finance charges (net)

	2012 £	2011 £
Interest due to ultimate controlling party	6,865,295	3,922,631
Other loans	545,409	401,056
Other finance income	(4,680,078)	(2,379,174)
	<u>2,730,626</u>	<u>1,944,513</u>

Other finance income represents interest charged on loans to group companies

### 5. Tax charge on loss on ordinary activities

#### (a) Tax on loss on ordinary activities

	2012 £	2011 £
UK corporation tax	-	234,129
Uncertain tax provision	287,173	-
<b>Total current tax</b>	<u>287,173</u>	<u>234,129</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(32,053)	353,666
<b>Total deferred tax</b>	<u>(32,053)</u>	<u>353,666</u>
<b>Total tax charge on loss on ordinary activities</b>	<u>255,120</u>	<u>587,795</u>

#### b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2011 - higher) than that resulting from applying the standard rate of corporation tax in the UK of 24% (2011 - 26.5%). The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before taxation	<u>(4,090,754)</u>	<u>(4,199,481)</u>
Tax on loss on ordinary activities at standard rate	(981,781)	(1,112,862)
Effects of		
Disallowed expenses	-	508,786
Group relief surrendered for no consideration	981,781	952,656
Uncertain tax provision	287,173	-
Prior year adjustment	-	(114,451)
	<u>1,198,239</u>	<u>1,346,991</u>
<b>Total actual amount of current tax</b>	<u>287,173</u>	<u>234,129</u>

## Marlin Financial Intermediate Limited

### Notes to the financial statements For the year ended to 31 December 2012

#### 5. Tax charge on loss on ordinary activities

##### (c) Factors that may affect future tax charge

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% by 1 April 2014. As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21 as it is a non-adjusting event occurring after the reporting period.

We estimate that the future rate change to 21% would further reduce our UK deferred tax asset recognised at balance sheet date from £103,833 to £94,804. The actual impact will be dependent on our deferred tax position at that time.

#### 6. Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2012	17,842,025
Acquisitions	17,842,025
Disposals	(17,842,025)
	<hr/>
At 31 December 2012	17,842,025
	<hr/>
<b>Net book value</b>	
At 31 December 2012	17,842,025
	<hr/>
At 31 December 2011	17,842,025
	<hr/>

During the year the company sold its investment in Black Tip Capital Holdings Ltd & Potomac investments to a fellow group company as part of a group restructure.

As part of this restructure, the company acquired the share capital of Marlin Intermediate Holdings Ltd.

## Marlin Financial Intermediate Limited

### Notes to the financial statements For the year ended to 31 December 2012

#### 6. Fixed asset investments (continued)

##### Principal Group investments

The company has investments in the following subsidiary undertakings and investments. The principal investments include the following:

Subsidiary undertakings	Country of incorporation and operation	Principal activity	Aggregate Capital and reserves	Profit for the year	Holding %
Marlin Intermediate Holdings Limited	England and Wales	Holding company	33,678,766	-	100
Marlin Midway Limited	England and Wales	Holding company	33,678,766	-	100*
Black Tip Capital Holdings Limited	England and Wales	Debt Recovery	36,130,012	(1,594,703)	100*
Marlin Senior Holdings Limited	England and Wales	Holding company	41,913,401	(1,983)	100*
Marlin Portfolio Holdings Limited	England and Wales	Management company	41,051,739	(613,043)	100*
Marlin Financial Services Limited	England and Wales	Debt Recovery	(328,772)	66,150	100*
Marlin Legal Services Limited	England and Wales	Provision of legal services	(1,008,058)	(133,714)	100*
Marlin Capital Europe Limited	England and Wales	Sales and marketing	977,609	19,809	100*
Marlin Europe I Limited	England and Wales	Management of debt portfolios	6,835,862	830,978	100*
Marlin Europe II Limited	England and Wales	Investment in debt portfolios	(341,346)	(413,835)	100*
ME III Limited	England and Wales	Management of debt portfolios	(2,925,418)	(2,244,616)	100*
MEIV Limited	England and Wales	Management of debt portfolios	(638,047)	(1,535,358)	100*
MCE Portfolio Limited	England and Wales	Management of debt portfolios	8,164,470	1,861,787	100*
MFS Portfolio Limited	England and Wales	Management of debt portfolios	(2,102,920)	(2,212,622)	100*
Potomac Investments Limited	Jersey	Investment in debt portfolios	(4,203)	(20,974)	100

\* Denotes indirect subsidiary

# Marlin Financial Intermediate Limited

## Notes to the financial statements For the year ended to 31 December 2012

### 7. Debtors

	2012 £	2011 £
<b>Amounts falling due within one year:</b>		
Other debtors	585	308,064
Amounts owed by ultimate parent company	-	612
Amounts owed by group undertakings	-	84,706
Deferred taxation	103,833	71,780
Prepayments	411	-
	<u>104,829</u>	<u>464,162</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	<u>36,500,192</u>	<u>20,680,850</u>

#### Deferred taxation

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Finance Act 2011, which provides for a reduction in the main rate of corporation tax from 26% to 25% effective from 1 April 2012, was substantively enacted on 19 July 2011. This rate reduction was reflected in the calculation of deferred tax as at 31 December 2011.

Subsequently the Government reduced the main rate of corporate tax from 25% to 24% effective from 1 April 2012.

The Government intends to enact future reductions in the main tax rate of 1% each year down to 22% by 1 April 2014. We estimate that the future rate changes to 22% would have an immaterial effect on our deferred tax position. The actual impact will be dependent on our deferred tax position at that time.

### 8. Creditors

	2012 £	2011 £
<b>Amounts falling due within one year:</b>		
Trade creditors	538,575	117,334
Amounts owed to group undertakings	2,558,124	881,980
Corporation tax	635,525	348,579
Accruals and deferred income	272,910	509,825
Other taxation and social security	1,567,084	643,482
Other creditors	5,309,720	287,938
	<u>10,881,938</u>	<u>2,789,138</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed to group undertakings	5,428,833	5,428,833
Other creditors	49,058,569	37,362,360
	<u>54,487,402</u>	<u>42,791,193</u>



## Marlin Financial Intermediate Limited

### Notes to the financial statements For the year ended to 31 December 2012

#### 9. Called up share capital

	2012 £	2011 £
<b>Called up, allotted and fully paid:</b>		
11,600 ordinary share of £1 each	<u>11,600</u>	<u>11,600</u>

#### 10. Combined reconciliation of the movement in Shareholders' Funds and statement of movements on reserves

	Called up share capital £	Profit and loss account £	Share option reserve £	2012 Total £	2011 Total £
Balance at 1 January	11,600	(6,656,535)	98,036	(6,546,899)	(1,806,692)
Loss for the financial year	-	(4,345,874)	-	(4,345,874)	(4,787,276)
Share options	-	-	21,725	21,725	47,069
Capital contribution	-	(47,007)	-	(47,007)	-
Balance at 31 December	<u>11,600</u>	<u>(11,049,416)</u>	<u>119,761</u>	<u>(10,918,055)</u>	<u>(6,546,899)</u>

# Marlin Financial Intermediate Limited

## Notes to the financial statements For the year ended to 31 December 2012

### 11. Equity-settled share option schemes

Employees of the company participate in the equity settled share based payment scheme of the parent company Marlin Financial Group Limited. Options are exercisable at a price equal to the estimated fair value of Marlin Financial Group's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows

	Year ended 31 December 2012		Year ended 31 December 2011	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	143,255	0.71	109,967	1.15
Granted during the period	-	-	68,560	0.34
Exercised during the period	(58,125)	0.72	(35,272)	0.78
Outstanding at the end of the period	85,130	0.71	143,255	0.71
Exercisable at the end of the period	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the year was £0.25. The options outstanding at 31 December 2012 had a weighted average exercise price of £0.71 and a weighted average remaining contractual life of 2 years.

The inputs into the Black Scholes model are as follows

	2012	2011
Weighted average share price	25.00p	25.00p
Weighted average exercise price	34.00p	34.00p
Expected volatility	20%	20%
Expected life	3 Years	3 years
Risk-free rate	2.79%	2.79%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by researching the volatility of similar type businesses in the public sector over a period of one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £21,730 (2011: £47,069) related to equity-settled share-based payment transactions in 2012.

# **Marlin Financial Intermediate Limited**

## **Notes to the financial statements For the year ended to 31 December 2012**

### **12. Non adjusting events**

Since the year end the company transferred its investment in Marlin Intermediate Holdings Ltd to Marlin Financial Intermediate II Ltd in exchange for the entire share capital of Marlin Financial Intermediate II Ltd as part of a restructure

### **13. Control and ultimate parent company**

The ultimate parent company is Marlin Financial Group Limited and the controlling party is Duke Street Holdings Limited

The immediate parent company is Marlin Financial Group Limited

### **14. Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with other wholly owned group companies

The largest and smallest group in which the results of the company are consolidated is that headed by Marlin Financial Group Limited. Copies of the financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ

In addition the company had the following transactions with other related parties

# **Marlin Financial Intermediate Limited**

## **Notes to the financial statements For the year ended to 31 December 2012**

### **14. Related party transactions (continued)**

<b>Number</b>	<b>Transaction</b>	<b>Related party</b>
1	The company paid consultancy fees of £285,717 (2011 - £86,100 ) At the balance sheet date there was no amount outstanding	Ascot Management Group Limited, a controlling party
2	The company paid consultancy fees of £78,350 (2011 - £51,033) At the balance sheet date an amount of £nil (2011 - £nil) was outstanding and shown in creditors The amount was interest free, unsecured and repayable on demand	John Sinclair, a director
3	The company paid professional fees of £25,000 (2011 - £129,623). At the balance sheet date there was £nil outstanding and shown in creditors The amount was interest free, unsecured and repayable on demand	Duke Street LLP, a controlling party
4	During 2010 the company was provided with loans for working capital purposes of £10,500,781 A further loan of £849,894 was provided during 2011. A further loan of £1,262,524 was provided during 2012 The loans accrue interest at 13% and the interest charged in the year was £1,767,840 (2011 - £1,578,152)  At the year end £14,368,598 (2011 - £12,917,227) was outstanding in respect of the loan and is included within other creditors in Note 8	Duke Street LLP, a controlling party
5	During 2010 the company was provided with loans for working capital purposes of £2,000,000 The loan accrues interest at 10% and the interest charged in the period was £247,586 (2011 - £222,335)  At the year end £2,544,734 (2011 - £2,345,877) was outstanding in respect of the loan and is included within other creditors in Note 8	Ascot Management Group Limited, C Adelsbach and Jan Rosenberg, all shareholders of Marlin Financial Group Limited

# Marlin Financial Intermediate Limited

## Notes to the financial statements For the year ended to 31 December 2012

### 14. Related party transactions (continued)

Number	Transaction	Related party
6	<p>During 2010, the company was provided with loans for working capital purposes of £6,600,000. The loans accrued interest at 17% and the interest charged in the period was £1,428,830 (2011: £1,264,740). In 2012, £1,264,740 of interest was repaid.</p> <p>During 2011, the company was provided with loans for working capital purposes of £12,256,262. The loans accrued interest at 17% and the interest charged in the period was £2,416,152 (2011: £1,114,435). In 2012, £1,114,435 of interest was repaid.</p> <p>During 2012, the company was provided with loans for working capital purposes of £5,740,602. The loans accrued interest at 17% and the interest charged in the period was £440,923.</p> <p>At the year end £31,609,771 (2011: £21,235,438) was outstanding in respect of the loans and this is included within other loans in Note 8.</p>	Duke Street LLP, a controlling party
7	<p>During 2007 the Black Tip Capital Holdings Limited group was provided with loans for working capital purposes of £180,000, a further loan of US\$300,000, and a further loan of €370,292. In 2009 further funds of £75,437 and US\$450,000 were provided. These loans are secured on the portfolio acquisitions of Marlin Capital Europe Limited. The loans are repaid from the cash flow of the portfolios acquired once interest and management fees obligations are met. The loans accrue interest at 14%. Interest charged in the year was £109,006.</p> <p>The loans are no longer in Black Tip Capital Holdings Limited and have been transferred to Marlin Financial Intermediate Limited. At the year end £642,133 was outstanding in respect of the loan and this is included within other creditors in Note 8.</p>	Ascot Management Group Limited, a shareholder in Marlin Financial Group
8	<p>During 2007 the Black Tip Capital Holdings Limited group was provided with loans for working capital purposes of US\$300,000. In 2009 a further loan of USD\$126,286 was received. These loans are secured on the portfolio acquisitions of Marlin Capital Europe Limited. The loans are repaid from the cash flow of the portfolios acquired once interest and management fees obligations are met. The loans accrue interest at 14%. Interest charged in the period was £38,756.</p> <p>The loans are no longer in Black Tip Capital Holdings Limited and have been transferred to Marlin Financial Intermediate Limited. At the year end £84,696 was outstanding in respect of the loan and this is included within other creditors in Note 8.</p>	Jan Rosenberg, a shareholder of Marlin Financial Group Limited

## Marlin Financial Intermediate Limited

### Notes to the financial statements For the year ended to 31 December 2012

#### 14. Related party transactions (continued)

Number	Transaction	Related party
9	<p>During 2007 the Black Tip Capital Holdings Limited group was provided with loans for working capital purposes of £20,000. In 2009, further funds of £14,040 and USD\$102,480 was received. These loans are secured on the portfolio acquisitions of Marlin Capital Europe Limited. The loans are repaid from the cash flow of the portfolios acquired once interest and management fees obligations are met. The loans accrue interest at 14%. Interest charged in the period was £7,357.</p> <p>The loans are no longer in Black Tip Capital Holdings Limited and have been transferred to Marlin Financial Intermediate Limited. At the year end £20,722 was outstanding in respect of the loan and this is included within other creditors in Note 8.</p>	Emily Adelsbach, a connected person of Chris Adelsbach who is a shareholder in Marlin Financial Group Limited
10	<p>During 2012, the company was provided with a short term loan for working capital purposes of £4,128,000. The loan accrued interest at 20% and the interest charged in the period was £434,170.</p> <p>At the year end, £4,562,170 was outstanding in respect of the loan and this is included within other creditors in note 8.</p>	Duke Street LLP, a controlling party
11	<p>During 2012, the company was provided with a loan for working capital purposes of £534,718. The loan accrued interest of 17% and the interest charged in the period was £747.</p> <p>At the year end, £535,465 was outstanding in respect of the loan and this is included within Other Creditors in Note 8.</p>	Ascot Management Group Limited, Jan Rosenberg, Chris Adelsbach, David Page, Tariq Khan, Peter Richardson, Ivan Lawrence, John Sinclair, Juliet Telford, George Watt, Richard Hunton and Ken Stannard, all shareholders of Marlin Financial Group Limited