

**Company Registration No. 03967099**

**Apex Credit Management Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2018**



# **Apex Credit Management Limited**

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# **Apex Credit Management 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  
C Buick

### **Secretary**

S Whiteley

### **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 Princes Street  
London  
EC2R 8PA

### **Registered office**

1 Kings Hill Avenue  
Kings Hill  
West Malling  
England  
ME19 4UA

# **Apex Credit Management Limited**

## **Strategic Report For the year ended 31 December 2018**

### **Business review and results**

The Directors present the Strategic Report, Directors' Report and the financial statements of Apex Credit Management Limited (the "Company") for the year ended 31 December 2018.

The Company's principal activity is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom.

The loss before tax for the year amounts to £0.2 million (2017 - profit £0.1 million).

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

### **Principal risks and uncertainties**

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

- Cash flow and credit risk; and
- Going concern and liquidity risk.

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

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

### **Principal financial instruments**

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

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

### **Cash flow and credit risk**

The Company's financial risk management objectives and policies are intrinsically linked to those of the Group.

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

The Group has long-term debt financing through Senior Secured Loan notes totalling £872.4 million (2017: £900.5 million). The first tranche of these notes is due for repayment in April 2021. The Group also has two Asset Backed Senior Facilities totalling £350.0 million (2017: one of £290.0 million). These facilities are secured until September 2023. The Group has a revolving credit facility of £385.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2018 £233.9 million had been drawn on this facility (2017: £132.5 million). £375.0 million of this facility is secured until September 2022, and the remaining £10.0 million is secured until September 2021.

# Apex Credit Management Limited

## Strategic Report For the year ended 31 December 2018

### *Going concern and liquidity risk (continued)*

Subsequent to the year end, the Group redeemed the 2021 6.500% Senior Secured Note of £80.0 million and the 2021 EURIBOR + 5.875% Floating Rate Senior Secured Note of €310.0 million and issued a floating rate Euro denominated Senior Secured Bond for €400m.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes, Asset Backed Senior Facilities, and the Senior Secured revolving credit facility. In the year to 31 December 2018, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

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

The directors are monitoring the discussions associated with the Brexit process, and whilst they do not consider this will have a material impact on the Group's operations, are monitoring the impact of any associated macro economic changes on customer payment behaviours. The directors believe that any such macro economic changes may increase the demand for credit management services from the Group.

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

  
C Buick  
Director

17 September 2019

# **Apex Credit Management Limited**

## **Directors' report for the year ended 31 December 2018**

The Directors present their report for the year ended 31 December 2018.

### **Results and dividends**

The audited financial statements and related notes for the year ended 31 December 2018 are set out on pages 10 to 23. The Company's result for the year after taxation was a loss of £0.2 million (2017: profit of £0.1 million).

The Directors do not recommend payment of a dividend (2017: £nil).

### **Directors**

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

- K Stannard
- C Buick

### **Disabled employees**

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

### **Employee consultation**

The 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. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests both informally and via the quarterly meetings of the "Association of Cabot Employees".

### **Qualifying third party indemnity provisions**

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

### **Political donations**

The Company made no political contributions (2017: £nil).

### **Future developments**

Any future developments affecting the Company are set out in the Strategic Report on pages 2 to 3.

## **Apex Credit Management Limited**

### **Directors' report for the year ended 31 December 2018**

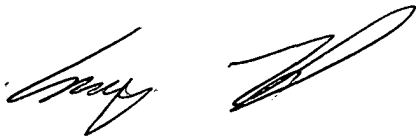
#### **Auditor**

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

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

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

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



C Buick  
Director

17 September 2019

## **Apex Credit Management Limited**

### **Statement of Directors' responsibilities for the year ended 31 December 2018**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) have been followed.
- 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 Apex Credit Management Limited**

## **Opinion**

We have audited the financial statements of Apex Credit Management Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

## **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

# **Independent auditor's report to the members of Apex Credit Management Limited**

## **Other information (continued)**

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

## **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# **Independent auditor's report to the members of Apex Credit Management Limited**

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

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

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

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

## **Use of our report**

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



Neil Fung-On (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London

17 September 2019

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

## Apex Credit Management Limited

### Statement of comprehensive Income For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Revenue	3	0.8	4.9
<b>Gross profit</b>		<u>0.8</u>	<u>4.9</u>
Administration expenses		(1.0)	(4.7)
<b>Operating profit</b>		<u>(0.2)</u>	<u>0.2</u>
Finance income	5	0.7	0.5
Finance expense	6	(0.7)	(0.6)
<b>(Loss)/Profit on ordinary activities before taxation</b>		<u>(0.2)</u>	<u>0.1</u>
Tax expense	7	-	-
<b>(Loss)/Profit after taxation and total comprehensive income for the financial period</b>		<u><u>(0.2)</u></u>	<u><u>0.1</u></u>

All of the above results are derived from continuing operations. There was no other comprehensive income.

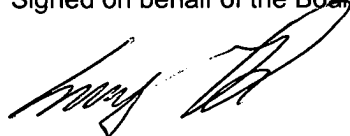
# Apex Credit Management Limited

## Statement of financial position As at 31 December 2018

	Notes	2018 £m	2017 £m
<b>Fixed assets</b>			
Intangible assets	8	-	-
Tangible assets	9	-	0.1
		<u>-</u>	<u>0.1</u>
<b>Current assets</b>			
Trade and other receivables	11	17.6	16.0
Deferred tax assets	14	0.2	0.2
Cash in bank and on hand		1.5	2.9
		<u>19.3</u>	<u>19.1</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	12	(18.4)	(16.8)
Borrowings	13	(3.5)	(3.4)
		<u>(21.9)</u>	<u>(20.2)</u>
<b>Net current liabilities</b>		<u>(2.6)</u>	<u>(1.1)</u>
<b>Total assets less current liabilities</b>		<u>(2.6)</u>	<u>(1.0)</u>
<b>Creditors: amounts falling due after more than one year</b>		-	(0.1)
<b>Provisions</b>	15	(0.6)	(1.9)
<b>Net liabilities</b>		<u>(3.2)</u>	<u>(3.0)</u>
<b>Equity</b>			
Called up share capital	16	0.1	0.1
Capital contribution reserve		37.5	37.5
Retained earnings		(40.8)	(40.6)
<b>Total shareholders' deficit</b>		<u>(3.2)</u>	<u>(3.0)</u>

These financial statements of Apex Credit Management Limited, with registered number 03967099, were approved by the Board of Directors and authorised for issue on 17 September 2019.

Signed on behalf of the Board of Directors by:



C Buick  
Director

## Apex Credit Management Limited

### Statement of changes in equity As at 31 December 2018

	Share Capital	Capital contribution reserve	Retained earnings	Total
	£m	£m	£m	£m
<b>As at 1 January 2017</b>	<b>0.1</b>	<b>37.5</b>	<b>(40.7)</b>	<b>(3.1)</b>
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	0.1	0.1
Total comprehensive income	-	-	0.1	0.1
<b>As at 31 December 2017</b>	<b>0.1</b>	<b>37.5</b>	<b>(40.6)</b>	<b>(3.0)</b>
<i>Comprehensive income for the period:</i>				
Loss for the period			(0.2)	(0.2)
Total comprehensive income			(0.2)	(0.2)
<b>As at 31 December 2018</b>	<b>0.1</b>	<b>37.5</b>	<b>(40.8)</b>	<b>(3.2)</b>

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 1. General information

Apex Credit Management Limited is a limited company incorporated and domiciled in England and Wales. The registered office is located at 1 Kings Hill Avenue, West Malling, Kent, ME19 4UA.

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

### 2. Basis of preparation and significant accounting policies

#### 2.1. Basis of preparation

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

The financial statements are presented in UK pounds sterling (£), which is the company's functional currency.

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

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly owned indirect subsidiary of Cabot Credit Management plc 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 Apex Credit Management Limited are included in the consolidated financial statements of the Group which are available from 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA.

#### 2.2. Going Concern

The Company had net liabilities of £3.2 million at 31 December 2018 (2017: £3.0 million).

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

The Group to which the Company belongs has long-term debt financing through Senior Secured Loan notes totalling £872.4 million (2017: £900.5 million). The first tranche of these notes is due for repayment in August 2020. The Group has a revolving credit facility of £385.0 million for funding

# **Apex Credit Management Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

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

working capital requirements and portfolio purchases as required. At 31 December 2018 £233.9 million had been drawn on this facility (2017: £132.5 million). This facility is secured until September 2022.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes and the senior secured revolving credit facility. The Group has remained compliant during the year to 31 December 2018 with all the covenants contained in the notes issued and senior credit facility.

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

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

#### **Revenue**

Revenue represents income derived from fees receivable from the servicing of loans on behalf of third parties and other companies in the Group.

Revenue is recognised when the services are provided.

#### **Pensions**

The Company operates a defined contribution pension scheme. Pension contributions are charged to the statement of comprehensive income in the month that the liability for paying the contributions arises. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

#### **Current tax**

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

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

#### **Deferred tax**

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial



# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

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

#### *Deferred tax (continued)*

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 on an accruals basis.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Fixtures and fittings	5 years
Short leasehold property	the minimum term of the lease

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### **Financial instruments**

##### *Financial assets*

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

# **Apex Credit Management Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

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

#### ***Financial liabilities***

Financial liabilities are carried at amortised cost, calculated on an accruals basis.

#### **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

### **2.4. Changes in accounting policies and disclosures**

#### **Recent accounting pronouncements**

##### ***IFRS 9 Financial Instruments***

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

Management have concluded that IFRS 9 will not have a material impact on the results of the Company. With regard to lifetime expected losses, Management have concluded that any such losses are immaterial.

On adoption of IFRS 9, the Company applied the simplified approach and recorded lifetime expected losses on all trade receivables and intercompany borrowings.

#### **Intercompany borrowings**

Management have deemed that loans to other group undertakings are at a market rate and therefore the carrying value of the loans are an accurate approximation of fair value. Management determine impairment based on the borrowers' historically observed data, adjusted for forward-looking information. With regard to lifetime expected losses, Management have concluded that any such losses are immaterial.

#### **IFRS 15**

The company has adopted IFRS 15 from 1 January 2018, which applied to all revenue in the Group other than that related to the loan portfolio financial assets.

The adoption of IFRS 15 had no impact on the revenue recognition applied within the Group. The Group's contracts do not typically contain multiple performance obligations and as such the transaction price is directly linked to the sole service deliverable.

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 3. Revenue

Revenue solely arises in the UK. An analysis of turnover by activity is as follows:

	2018 £m	2017 £m
Servicing fees	<u>0.8</u>	<u>4.9</u>

### 4. Profit on ordinary activities before taxation

Operating profit is stated after charging the following:

	2018 £m	2017 £m
Depreciation of property, plant and equipment	<u>-</u>	<u>0.1</u>

Auditors' remuneration of £35,000 (2017: £24,000) has been borne by another Group Company.

### 5. Finance income

	2018 £m	2017 £m
Interest income from parent and other Group undertakings <sup>(a)</sup>	<u>0.7</u>	<u>0.5</u>

<sup>(a)</sup> Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances.

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 6. Finance expense

	2018 £m	2017 £m
Interest expense due to parent and other Group undertakings <sup>(a)</sup>	<u>0.7</u>	<u>0.6</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 4% + LIBOR on loans.

### 7. Tax expense

The income tax expense comprises:

	2018 £m	2017 £m
<b>Current tax</b>		
Corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total income tax credit</b>	<u>-</u>	<u>-</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:

	2018 £m	2017 £m
(Loss)/Profit before tax	<u>(0.2)</u>	<u>0.2</u>
Income tax expense calculated at standard UK corporation tax rate of 19% (2017: 20.00%)	-	-
Effects of:		
Expenses not deductible for tax purposes	-	-
Income not taxable for tax purposes	-	-
Capital allowances in excess of depreciation	-	-
Change in tax rate	-	-
<b>Total income tax credit</b>	<u>-</u>	<u>-</u>

The Finance Act 2016, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 6 September 2016. As this change in rate was substantively enacted prior to 31 December 2018 it was reflected in the deferred tax assets and liabilities at 31 December 2018. The Finance Act 2017 has not resulted in any further changes to the main rate of UK corporation tax and therefore deferred tax assets and liabilities at 31 December 2018 are reflected accordingly.

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 8. Intangible assets

	Software £m
<b>Cost</b>	
At 31 December 2017	0.2
Disposals	(0.2)
At 31 December 2018	-
<b>Amortisation</b>	
At 31 December 2017	0.2
Disposals	(0.2)
At 31 December 2018	-
<b>Net book value</b>	
At 31 December 2018	-
At 31 December 2017	-

### 9. Tangible assets

	Fixtures and fittings £m	Short leasehold property £m	Total £m
<b>Cost</b>			
At 31 December 2017	0.1	0.1	0.2
Disposals	(0.1)	(0.1)	(0.2)
At 31 December 2018	-	-	-
<b>Depreciation</b>			
At 31 December 2017	0.1		0.1
Depreciation on disposals	(0.1)	-	(0.1)
At 31 December 2018	-	-	-
<b>Net book value</b>			
At 31 December 2018	-	-	-
At 31 December 2017	-	-	0.1

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 10. Investment in subsidiaries

As at 1 January 2018 and 31 December 2018 the Company held an investment in a non-trading subsidiary as shown below. This was held at book value of £nil.

Subsidiary undertakings	Country of incorporation	Principal activity	% shares held
Apex Collections Limited	Great Britain	Dormant	100

The above company's registered office is located at 1 Kings Hill Avenue, Kings Hill, West Malling, England, ME19 4UA

### 11. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	-	0.2
Amounts owed by Group undertakings	17.6	15.8
	<u>17.6</u>	<u>16.0</u>

Loans and amounts due from parent and other Group undertakings are unsecured, have no fixed repayment date, are repayable on demand and interest on such balances is accrued on an arm's length basis. The Company considers that the carrying amounts of the financial assets included above are a reasonable approximation of their fair value due to their short term nature.

### 12. Trade and other payables

	2018 £m	2017 £m
Trade payables	1.1	2.0
Amounts owed to Group undertakings	17.1	14.0
Other taxation and social security	0.1	0.2
Other payables	0.1	0.2
Accruals and deferred income	-	0.4
	<u>18.4</u>	<u>16.8</u>

Trade payables include £1.1 million (2017: £2.0 million) in respect of obligations due to clients for cash included in cash and cash equivalents on the statement of financial position which have been collected on behalf of clients.

Interest accrued on amounts owed to parent and other Group undertakings is at an arm's length basis and is accrued, not paid. The Company considers that the carrying amounts of the financial liabilities included above are a reasonable approximation of their fair value due to their short term nature.

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### 13. Borrowings

	2018 £m	2017 £m
<b>Current</b>		
Loans from parent undertakings	3.5	3.4

### 14. Deferred tax

#### *Deferred tax liability*

The deferred tax liability relates to the following:

	2018 £m	2017 £m
<u>Amounts provided for</u>		
IAS 39 loan portfolios	-	0.1

The provision relates to the temporary difference between the tax base and the carrying amount of the loan portfolio for accounting purposes at 1 January 2012 in respect of the cumulative effect on adoption of IAS 39 (formally FRS 26, UK GAAP) 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 December 2021 as agreed with HMRC.

#### *Deferred tax asset*

The deferred tax asset relates to the following:

	2018 £m	2017 £m
<u>Amounts provided for</u>		
Capital allowances in excess of depreciation	0.2	0.2

The current year movement in respect of each of the above recognised deferred tax assets and liabilities were solely charged or credited to the statement of comprehensive income. The movement between the opening and closing deferred tax asset balances were not charged or credited directly in the statement of other comprehensive income.

### 15. Provisions

	Decommissioning £m
Brought forward as at 1 January 2018	1.9
Utilisation for the year	(1.3)
As at 31 December 2018	0.6

# Apex Credit Management Limited

## Notes to the financial statements For the year ended 31 December 2018

### *Decommissioning*

A provision has been recognised for decommissioning costs associated with premises leased by the Company. The Company is committed to restoring the premises to their original state at the end of the lease term which ends June 2019.

### *Restructuring*

Following the acquisition of Wescot, on 22 December 2017 the Group concluded a consultation process and announced a program impacting the servicing businesses operated from the site at Brackley, with c300 employees at the site placed at risk of redundancy.

## 16. Share capital

	2018 £m	2017 £m
Allotted, called up and fully paid:		
50,000 Ordinary shares of £1 each, subscription price of £1 each	<u>0.1</u>	<u>0.1</u>

## 17. Lease Commitments

The Company has entered into leases on certain properties, with lease terms of 4 years.

The Company's total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2018 £m	2017 £m
Within one year	0.2	0.3
After one year but not more than five years	-	0.2

## 18. 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 2021 and 2023. Amounts outstanding on such borrowings were £872.4 million at 31 December 2018 (2017: £900.5 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

## 19. Ultimate parent Company

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



# **Apex Credit Management Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **20. Events after the balance sheet date**

On 14 June 2019, the Group announced the issue of floating rate, Euro denominated, Senior Secured Notes for €400 million, with maturity in 2024 and interest payments based on a floating interest rate linked to EURIBOR, plus a margin of 6.375%. The funds raised were used to repay the existing €310 million EURIBOR plus 5.875% Floating Rate Senior Secured Notes due 2021 and the £80 million 6.500% Senior Secured Notes due 2021.