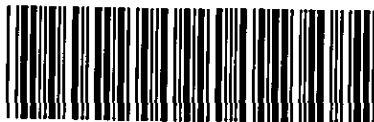


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**Asset Link Capital (No 1) Limited**  
**Report and Financial Statements**

30 November 2008

# Asset Link Capital (No 1) Limited

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Registered No: 05322368

## **Directors**

M H Filer  
R L Samson  
S Masson (Alternate director)  
Wilmington Trust SP Services (London) Limited

## **Secretary**

Wilmington Trust SP Services (London) Limited

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **Bankers**

HSBC  
27-32 Poultry  
London  
EC2P 2BX

## **Solicitors**

DLA Piper Rudnick Gray Cary

## **Registered Office**

Camelford House  
89 Albert Embankment  
London  
SE1 7TP

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30 November 2008.

### Principal activity and business review

The principal activity of the company continues to comprise the collection of charged-off consumer receivables.

The company's key financial performance indicators during the year were as follows:

	2008 £000	2007 £000	Change %
Forward flow portfolio (rejects) purchases	(314)	26,333	-101%
Purchased portfolio net book value	61,055	83,402	-27%
Turnover	25,936	45,957	-44%
Operating profit	2,914	4,933	-41%
(Loss) / profit before tax	(1,395)	4	

Forward flow portfolio decreased by 101% as the company ceased purchasing new assets in September 2007 with the negative balance in 2008 representing non-conforming assets sold back to the vendor during the year. The reduction in net book value of 27% represents amortisation of purchased portfolios in the year.

Turnover decreased by 44% in line with a more difficult collection environment within the market in general. Cost of sales as a percentage of turnover increased by 3% to 73% in 2008 compared to 2007 as turnover has declined, but this was offset by a release from deferred consideration liability. Administrative expenses decreased by 4% to 15% of turnover in 2008 compared to 2007 and operating profit remained stable at 11% of turnover in 2008 similar to 2007.

A loss before tax is due to lower collections and reduction in interest income offset by lower portfolio amortisation, administration costs and interest and finance charges.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

#### Debt recovery risk

The company purchases portfolios of charged-off consumer receivables at a discount to their face value. The ultimate amounts recovered from purchased portfolios are expected to exceed the amounts paid and the related costs of financing and debt recovery. The total amount of recoveries and the timing of those recoveries may differ from those anticipated when the portfolios are purchased. The company is reliant on the performance of its servicer, Link Financial Limited, to make recoveries of debts from purchased portfolios.

#### Exposure to interest rates

The interest rate of the company's senior debt facility is directly linked to 1-month LIBOR. The company has purchased interest rate caps that reduce its absolute exposure to increases in LIBOR.

#### Future developments

No further debt purchases are being made, the company is expected to recover its balances in accordance with its business plan.

## Directors' report

### Going concern

The directors have considered all relevant information covering at least twelve months from the date of approval of the financial statements and have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The bank loan expires in 2016 and the monthly repayment amounts are based on cash available once all other payments have been made. As such, the directors believe there should be enough cash to continue in operational existence in the near future. The deferred consideration liability is not payable until the bank loan has been fully repaid or specific performance criteria have been met, therefore the company does not have an obligation to repay this liability in the foreseeable future if the company does not make sufficient profits or have sufficient funds available.

### Results and dividends

The audited financial statements for the year ended 30 November 2008 are set out on pages 8 to 14. The loss for the year after taxation was £1,379,000 (2007 – loss of £17,000).

The directors do not recommend the payment of a dividend for the year.

### Directors and their interests

The directors who served during the year are as follows:

M H Filer

R L Samson

S Masson (Alternate director)

Wilmington Trust SP Services (London) Limited

The directors who held office at 30 November 2008 had no beneficial interest in the shares of the company. Wilmington Trust SP Services (London) Limited holds the issued shares of the parent undertaking as trustee on behalf of the owner of the beneficial interest in the shares.

### Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Given the nature of the company's business it is not appropriate to calculate the number of days' purchases outstanding at any one time.

### Post balance sheet event

One of our suppliers may have under-charged amounts under the terms of the supplier contract with the company. This matter is currently being investigated by the supplier and it could result in an additional liability to the company. As part of the investigations, we are seeking to quantify this liability. We currently cannot estimate the liability and therefore we have not accrued for it as at 30 November 2008.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Directors' report

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

  
for Wilmington Trust SP Services (London) Limited  
Secretary

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year, which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



**ERNST & YOUNG**  
**Independent auditors' report**  
to the members of Asset Link Capital (No 1) Limited

We have audited the company's financial statements for the year ended 30 November 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report**

to the members of Asset Link Capital (No 1) Limited (continued)

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP  
Registered Auditor  
London

**30 SEP 2009**

## Profit and loss account

for the year ended 30 November 2008

	Notes	2008 £000	2007 £000
<b>Turnover</b>	2	25,936	45,957
Cost of sales		(18,987)	(32,115)
<b>Gross profit</b>		6,949	13,842
Operating expenses		(4,035)	(8,909)
<b>Operating profit</b>	3	2,914	4,933
Interest and finance charges	4	(4,376)	(5,117)
Interest income		67	188
<b>(Loss) / Profit on ordinary activities before taxation</b>		(1,395)	4
Tax on (loss) / profit on ordinary activities	6	16	(21)
<b>Loss on ordinary activities after taxation</b>	11	(1,379)	(17)

There are no recognised gains or losses other than the loss for the year. All gains and losses relate to continuing operations.

## Balance sheet

at 30 November 2008

	Notes	2008 £000	2007 £000
<b>Current assets</b>			
Portfolios	7	61,055	83,403
Debtors	8	378	501
Cash		1,440	2,835
		<u>62,873</u>	<u>86,739</u>
<b>Creditors:</b> amounts falling due within one year	9	(63,776)	(86,263)
<b>Net (liability) / assets</b>		<u>(903)</u>	<u>476</u>
<b>Capital and reserves</b>			
Called up share capital	10	—	—
Profit and loss account	11	(903)	476
<b>Shareholders' (deficit) / funds</b>		<u>(903)</u>	<u>476</u>
<b>Shareholders' funds may be analysed as:</b>			
Equity interests		(903)	476
		<u>(903)</u>	<u>476</u>

The financial statements on pages 8 to 14 were approved by the Board of directors on 29 September 2009 and signed on its behalf by:

for  Wilmington Trust SP Services (London) Limited

Director

## Notes to the financial statements

at 30 November 2008

### 1. Accounting policies

The principal accounting policies are summarised below.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

#### **Portfolios**

Portfolios of charged-off consumer receivables are valued at cost less a provision for amortisation based on the directors' expectation of the recoverable amount and associated costs of recovery estimated on acquisition. The recoverability of these amounts is reviewed in the light of experience at the end of each quarter with excess amortisation being charged as required. Portfolios are held in the balance sheet as current assets at net book value.

#### **Deferred consideration**

Deferred consideration is payable to the vendors of purchased portfolios. The provision for deferred consideration is the estimate of the liability for consideration payable under the terms of the relevant contracts.

#### **Interest rate cap**

Premiums paid or payable are capitalised and then amortised proportionately over the period of the contract.

#### **Taxation**

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences calculated at the rate at which it is anticipated the timing differences will reverse. Deferred taxation assets are only recognised if recovery is reasonably certain.

#### **Turnover**

Turnover represents amounts received or receivable during the year in respect of debts purchased.

#### **Cost of sales**

Cost of sales comprises the amortisation of portfolios charged in the year as well as the yearly movement in the deferred consideration liability.

#### **Statement of cash flows**

Under Financial Reporting Standard No. 1 the company is exempt from the requirement to prepare a statement of cash flows on the grounds that it is a wholly owned subsidiary undertaking, and a consolidated statement of cash flows is prepared by the ultimate parent company.

#### **Related party transactions**

As the company is a wholly owned subsidiary undertaking the company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 and therefore has not disclosed transactions or balances with entities which form part of the group.

### 2. Turnover

The whole of the company's turnover is attributable to the UK.

## Notes to the financial statements

at 30 November 2008

### 3. Operating profit

The operating profit is stated after charging:

	2008 £000	2007 £000
Auditors' remuneration:		
Audit services	41	27
Directors' remuneration	13	12
	<u>          </u>	<u>          </u>

Wilmington Trust SP services (London) Limited received fees of £12,682 (2007 – £12,034) in respect of management services provided to the company. The other directors received no remuneration from the company.

### 4. Interest and finance charges

*Interest payable and similar charges*

	2008 £000	2007 £000
Bank loans	4,153	4,930
Amortisation of interest rate cap	121	97
Commitment fee	102	90
Interest payable and similar charges	<u>4,376</u>	<u>5,117</u>

### 5. Staff and staff costs

There were no staff employed during the year.

## Notes to the financial statements

at 30 November 2008

### 6. Taxation

	2008 £	2007 £
UK Corporation tax at 20.7% (2007 – 19.7%)	16	(21)
<b>Reconciliation of tax credit / (charge)</b>		
	2008 £	2007 £
(Loss) / profit on ordinary activities before tax	(1,395)	4
Tax on (loss) / profit on ordinary activities at statutory rate (2008 at 20.7% and 2007 at 19.7%)	289	(1)
<b>Effect of:</b>		
Adjustment to tax charge in respect of prior years	-	(20)
Carry forward of losses	(273)	-
Tax credit / (charge) for the year	16	(21)

### 7. Portfolios

	£000
Cost:	
At 1 December 2007	140,568
Additions	-
Rejects	(314)
At 30 November 2008	140,254
Amortisation:	
At 1 December 2007	57,165
Provided during the year	22,034
At 30 November 2008	79,199
Net book value:	
At 30 November 2008	61,055
At 30 November 2007	83,403

## Notes to the financial statements

at 30 November 2008

### 8. Debtors

	2008 £000	2007 £000
Un-amortised interest rate cap premium	355	477
Prepayments and accrued income	7	—
Accrued interest rate swap receipts	—	24
Taxation	16	—
	<u>378</u>	<u>501</u>
Total	<u>378</u>	<u>501</u>

### 9. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Other creditors	1,030	525
Accruals	511	1,124
Deferred consideration	10,929	19,497
Loans from banks	51,306	65,116
Taxation	—	1
	<u>63,776</u>	<u>86,263</u>
	<u>63,776</u>	<u>86,263</u>

The loans from banks are secured by a fixed charge over the portfolios and a floating charge over the other company assets.

## Notes to the financial statements

at 30 November 2008

### 10. Called-up share capital

*Authorised:*

	2008 No.	2007 No.
Ordinary shares of £1 each	1,000	1,000

*Allotted, called-up and fully-paid*

	£	£
Ordinary shares of £1 each	1	1

### 11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total Shareholders' funds £000
At 30 November 2006	–	493	493
Loss for the year	–	(17)	(17)
At 30 November 2007	–	476	476
Loss for the year	–	(1,379)	(1,379)
At 30 November 2008	–	(903)	(903)

### 12. Commitments

The company has no future commitments.

### 13. Ultimate controlling party

The directors regard Asset Link Holdings Limited, a company registered in England and Wales, as the ultimate parent company.

Asset Link Holdings Limited is the parent of the largest and smallest group of which the company is a member. The group financial statements of Asset Link Holdings Limited are available from its registered office: Camelford House, 89 Albert Embankment, London SE1 7TP.

### 14. Post balance sheet event

One of our suppliers may have under-charged amounts under the terms of the supplier contract with the company. This matter is currently being investigated by the supplier and it could result in an additional liability to the company. As part of the investigations, we are seeking to quantify this liability. We currently cannot estimate the liability and therefore we have not accrued for it as at 30 November 2008.