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

30 November 2007

THURSDAY



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COMPANIES HOUSE

# Asset Link Capital (No 1) Limited

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Registered No 05322368

## **Directors**

M H Filer

R L Samson

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 2007

### 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

	2007 £000	2006 £000	Change %
Forward flow portfolio purchases	26,333	35,775	-26%
Purchased portfolio net book value	83,402	81,433	3%
Turnover	45,957	40,795	13%
Operating profit	4,933	4,793	3%
Profit before tax	4	640	-99%

Forward flow portfolio purchases decreased by 26% as 2007 included 9 months of production from the relevant forward flow purchase contracts as purchasing ceased in September 2007. As a result the net book value of purchased portfolios increased by 3%

Turnover increased by 13% as cash collections were made on a larger portfolio than existed during the previous year. Cost of sales was higher in 2007 compared to 2006 as a result of the increased size of the portfolios and administrative expenses showed an 8% increase, resulting in increased operating profit at £4.93million

Profit before tax was reduced as a result of the higher costs of financing the senior debt

### 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 3 month LIBOR. The company has purchased interest rate caps that reduce its absolute exposure to increases in LIBOR

#### Future developments

Now that there are no further debt purchase being made, the company is expected to recover its balances in accordance with its business plan

### Results and dividends

The audited financial statements for the year ended 30 November 2007 are set out on pages 7 to 13. The loss for the year after taxation was £ 17,000 (2006 - profit of £470,000)

## Directors' report

The directors do not recommend the payment of a dividend for the year and the profit for the year has been transferred to reserves

### Directors and their interests

The directors who served during the year are as follows

M H Filer  
R L Samson  
Wilmington Trust SP Services (London) Limited

The directors who held office at 30 November 2007 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

### 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

### 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

**Sunil Masson**  
**Authorised Signatory**

## **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.

## **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 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 2007 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

15/8/08

## Profit and loss account

for the year ended 30 November 2007

	Notes	2007 £000	2006 £000
<b>Turnover</b>	2	45,957	40,795
Cost of sales		(32,115)	(27,741)
<b>Gross profit</b>		13,842	13,054
Operating expenses		(8,909)	(8,261)
<b>Operating profit</b>	3	4,933	4,793
Interest and finance charges	4	(5,117)	(4,274)
Interest income		188	121
<b>Profit on ordinary activities before taxation</b>		4	640
Tax on profit on ordinary activities	6	(21)	(170)
<b>(Loss)/profit on ordinary activities after taxation</b>		(17)	470

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

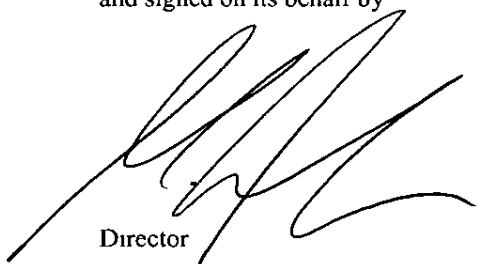


## Balance sheet

at 30 November 2007

	Notes	2007 £000	2006 £000
<b>Current assets</b>			
Portfolios	7	83,403	81,433
Debtors	8	501	574
Cash		2,835	3,912
		<u>86,739</u>	<u>85,919</u>
<b>Creditors:</b> amounts falling due within one year	9	(86,263)	(85,426)
<b>Net assets</b>		<u>476</u>	<u>493</u>
<b>Capital and reserves</b>			
Called up share capital	10	—	—
Profit and loss account	11	476	493
<b>Shareholders' funds</b>		<u>476</u>	<u>493</u>
<b>Shareholders' funds may be analysed as</b>			
Equity interests		476	493
		<u>476</u>	<u>493</u>

The financial statements on pages 7 to 12 were approved by the Board of directors on 15 AUGUST 2008 and signed on its behalf by



Director

## Notes to the financial statements

at 30 November 2007

### 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.

#### **Cash flow statement**

Under Financial Reporting Standard No. 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and a consolidated cash flow statement 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 had 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 2007

### 3. Operating profit

The operating profit is stated after charging

	2007 £000	2006 £000
Auditors' remuneration		
Audit services	30	30
Other services		45
Directors' remuneration	7	14

Wilmington Trust SP services (London) Limited received fees of £7,000 (2006 - £14,000) 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*

	2007 £000	2006 £000
Bank loans	4,930	4,134
Amortisation of interest rate cap	97	87
Commitment fee	90	53
Interest payable and similar charges	5,117	4,274

### 5. Staff and staff costs

There were no staff employed during the year.

### 6. Taxation

	2007 £000	2006 £000
UK Corporation tax at 30% (2006: 30%)	21	170

Tax is provided based on the rates that are expected to apply to taxable earnings taking into account the rate that applies to companies and the relevant marginal rates. The charge for the year includes an under provision of (£20,000) relating to the prior year.

## Notes to the financial statements

at 30 November 2007

### 7. Portfolios

	£000
Cost	
At 1 December 2006	114,405
Additions	26,163
At 30 November 2007	140,568
Amortisation	
At 1 December 2006	32,973
Provided during the year	24,192
At 30 November 2007	57,165
Net book value	
At 30 November 2007	83,403
At 30 November 2006	81,433

### 8. Debtors

	2007 £000	2006 £000
Un-amortised interest rate cap premium	477	574
Accrued interest rate swap receipts	24	-
Total	501	574

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

	2007 £000	2006 £000
Other creditors	525	525
Accruals	1,124	1,960
Deferred consideration	19,497	15,677
Loans from banks	65,116	67,089
Taxation	1	175
	86,263	85,426

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 2007

### 10. Called-up share capital

*Authorised*

	2007 No	2006 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 2005	–	23	23
Profit for the year	–	470	470
At 30 November 2006	–	493	493
Loss for the year	–	(17)	(17)
At 30 November 2007	–	476	476

### 12. Commitments

The company has future commitments under contracted portfolio forward purchase agreements. Under these contracts the company has agreed to purchase future portfolios of charged-off receivables at agreed prices. The amounts payable will vary depending upon the volume of debts sold under the contracts. The company's best estimate of the amounts payable is as follows:

	2007 £	2006 £000
Portfolio purchase commitments	–	34,200

### 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.