

# **CCUK Finance Limited**

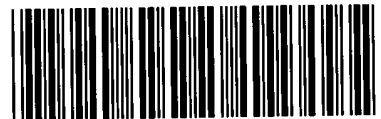
**Report and Financial Statements**

**Year Ended**

**31 December 2016**

**Company Number 6032187**

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# **CCUK Finance Limited**

## **Report and financial statements for the year ended 31 December 2016**

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### **Director**

W R McCamey

### **Secretary and registered office**

Shoosmiths Secretaries Limited, Witan Gate House, 500-600 Witan Gate West, Milton Keynes,  
Buckinghamshire, MK9 1SH

### **Company number**

6032187

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# CCUK Finance Limited

## Strategic Report for the year ended 31 December 2016

### Business Model

CCUK Finance Limited ("CCUK") is a servicer of credit card portfolios, servicing both a UK purchased portfolio as well as an originated portfolio.

### Principal activities, review of business, principal risks and future developments

CCUK Finance Limited ("CCUK") was incorporated on 18 December 2006 to provide debt management services and started trading in the UK under a sub-servicing arrangement with its US affiliate, CCIS, LLC ("CCIS") on 1 June 2007.

CCUK currently receives sub-servicing income from CCIS for servicing both a UK purchased portfolio as well as an originated portfolio. The sub-servicing income is based on a cost-plus methodology for costs associated with servicing activities for the purchased portfolio. The profit and loss account set out on page 6 shows profit for the period after taxation of £0.2m (2015: £3.4m profit) and turnover of £3.1m (2015: £6.7m). In addition to providing servicing support to CCIS, CCUK has also undertaken a number of initiatives to effectively manage the existing portfolio of receivables as well as investigate and create new business opportunities.

Going forward, the servicing operations of CCUK will continue to decline as the associated portfolios are no longer open to new purchases. As such, CCUK has, and will continue to contract its servicing expense footprint in the form of staff reductions and expense minimization, this is reflected within the staff redundancy provision included within note 11 of the financial statements.

### Going concern

The financial statements have been prepared on the going concern basis, based on the cashflow forecasts of the company, and as the ultimate parent undertaking, Atlanticus Holdings Corporation, has informed the company of its intention to continue to provide such financial support as is necessary to enable it to meet its liabilities as they fall due, for the foreseeable future and at least the next twelve months from the signing of these financial statements.

### Key Performance Indicators

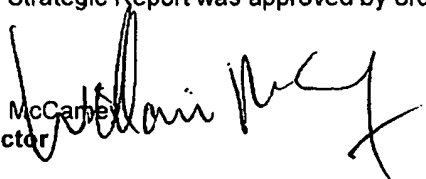
The company does not have any key performance indicators.

### Approval

This Strategic Report was approved by order of the Board on

September 19, 2017

W R McCamley  
Director



# **CCUK Finance Limited**

## **Report of the director for the year ended 31 December 2016**

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### **Principal activities**

CCUK Finance Limited ("CCUK") was incorporated on 18 December 2006 to provide debt management services and started trading in the UK under a sub-servicing arrangement with its US affiliate, CCIS, LLC ("CCIS") on 1 June 2007.

### **Director's responsibilities**

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to review financial statements for each financial year. Under that law the director has elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

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

The company has put in place qualifying third party indemnity provisions for all of the directors.

### **Directors**

The directors of the company throughout the year were:

W R McCamey  
K S Sharpe (resigned 30 June 2017)

# CCUK Finance Limited

## Report of the director for the year ended 31 December 2016 (*continued*)

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### Financial instruments

Working capital requirements are currently met through sub-servicing revenue (with respect to sub-servicing activities) and additional capital could be provided by loans from Atlanticus Holdings Corporation and its affiliates and by equity capital contributions from CCUK Holdings Limited, the company's immediate parent company if needed. In addition, trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

The company has minimal exposure to credit risk with all income derived from intra group sales. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The director monitors the liquidity and cash flow risk of the company carefully. Cash flow is monitored by the director on a regular basis and appropriate action is taken where additional funds are required.

### Auditors

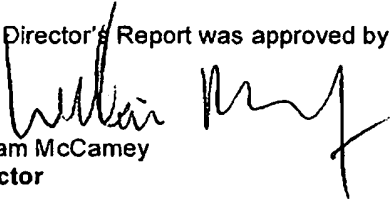
The director as at the date of this report has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the company's auditor is unaware.

BDO have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the next annual general meeting.

### Approval

This Director's Report was approved by order of the Board on

September 19, 2017

  
William McCamey  
Director

# **CCUK Finance Limited**

## **Independent auditor's report for the year ended 31 December 2016**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CCAK FINANCE LIMITED**

We have audited the financial statements of CCAK Finance Limited for the year ended 31 December 2016 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors**

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

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

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit 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.

# CCUK Finance Limited

## Independent auditor's report for the year ended 31 December 2016

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### Opinion 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 have 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 or the directors' report.

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.

**BDO LLP**

*Anil Kapoor (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom*

*Date: 20 September 2017*

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

# CCUK Finance Limited

## Statement of income and retained earnings for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover		3,121,833	6,688,244
Cost of sales		(2,696,080)	(5,838,736)
<b>Gross profit</b>		<b>425,753</b>	<b>849,508</b>
Administrative expenses	3	(174,817)	2,649,995
<b>Operating profit</b>		<b>250,936</b>	<b>3,499,503</b>
Other income		56,882	-
Interest payable and similar charges	6	(63,684)	(122,647)
<b>Profit on ordinary activities before taxation</b>		<b>244,134</b>	<b>3,376,856</b>
Taxation charge on profit from ordinary activities	7	-	(185)
<b>Profit for the financial year</b>		<b>244,134</b>	<b>3,376,671</b>
Retained profits at 1 <sup>st</sup> January		(10,705,655)	(14,082,326)
<b>Retained profits at 31<sup>st</sup> December</b>		<b>(10,461,521)</b>	<b>(10,705,655)</b>

There were no gains or losses in the year other than the profit above and therefore no separate statement of comprehensive income has been prepared.



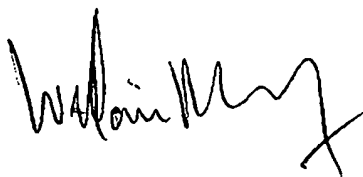
# CCUK Finance Limited

Balance sheet  
at 31 December 2016  
Company number 6032187

	Note	2016 £	2016 £	2015 £	2015 £
<b>Fixed assets</b>					
Tangible assets	8		-		36,324
<b>Current assets</b>					
Debtors	9	1,261,613		2,424,230	
Cash at bank and in hand		3,680,320		2,158,355	
		4,941,933		4,582,585	
<b>Creditors: amounts falling due within one year</b>	10	2,010,279		1,486,569	
<b>Net current assets</b>			2,931,654		3,096,116
<b>Total assets less current liabilities</b>			2,931,654		3,132,440
<b>Provision for liabilities</b>	11		372,953		817,873
<b>Net assets</b>			2,558,701		2,314,567
<b>Capital and reserves</b>					
Called up share capital	12		10,897,545		10,897,545
Capital Contribution			2,122,677		2,122,677
Profit and loss account			(10,461,521)		(10,705,655)
			2,558,701		2,314,567

The financial statements were approved by the Board of Directors and authorised for issue on September 19, 2017

W R McCamey  
Director



The notes on pages 8 to 16 form part of these financial statements.

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016

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### 1 Accounting policies

CCUK Finance Limited is a company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company operations and its principal activities are set out in the director's report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

#### *Cash flow statement*

The company has taken advantage of the exemption conferred by FRS 102 not to prepare a cash flow statement on the grounds that the voting rights in the company are controlled within the group headed by Atlanticus Holdings Corporation and the company is included in Atlanticus Holdings Corporation's consolidated financial statements. The financial statements of Atlanticus Holdings Corporation are available from the address in note 14 of these financials.

#### *Turnover and cost of sales*

Turnover primarily represents the sub-servicing income from CCIS and US affiliated companies for servicing the UK credit card and debt portfolios. Sub-servicing income is recognised on an accruals basis. Revenue solely arises in the United Kingdom. Direct costs associated with sub-servicing services are included in cost of sales.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation and impairment in value. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	Over the period of the lease
Software	-	33% per annum, straight line
Computer equipment	-	33% per annum, straight line

#### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Leased assets*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

#### *Taxation*

Taxation represents corporation tax payable on the taxable profits for the year or prior periods using tax rates and laws that have been enacted or substantially enacted by the reporting date.

#### *Reserves*

The company's reserves are as follows:

- Called up share capital reserves represents the nominal value of shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid or other adjustments.

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 3 Operating profit

	2016 £	2015 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	36,324	116,499
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	20,000	23,850
VAT – Reversal	-	(3,025,756)
	<u>          </u>	<u>          </u>

Included in administrative expenses in 2015 is the reversal of a £3,086,663, made up of £956,813 provision against VAT receivable and £2,129,850 accrual for potential liability. This provision has been released after the conclusion of HMRC's review of the Company's past VAT claims.

### 4 Employees

	2016 £	2015 £
Staff costs (including directors) consist of:		
Wages and salaries	691,617	2,005,945
Social security costs	63,895	170,004
Pension contributions	45,228	57,910
	<u>          </u>	<u>          </u>
	800,740	2,233,859
	<u>          </u>	<u>          </u>

The average number of employees (including directors) during the year was as follows:

	2016 Number	2015 Number
Operations and collections	13	30
Administration	1	1
	<u>          </u>	<u>          </u>
	14	31
	<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated by the Company on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £45,228 (2015 : £57,910). Contributions amounting to £3,476 (2015 : £6,896) were payable to Friends Life at year end and are included in creditors.

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 5 Directors' remuneration

	2016 £	2015 £
Directors' emoluments	159,621	131,709
Company contributions to money purchase pension schemes	11,165	10,874
Compensation for loss of office (see note 11)	7,497	113,031
	<u>          </u>	<u>          </u>

There was 1 director in the Company defined contribution pension scheme (2015 : 1).

Emoluments of the highest paid director were £159,621 (2015 : £131,709). Company pension contributions of £11,165 (2015 : £10,874) were made to a money purchase scheme on her behalf.

### 6 Interest payable and similar charges

	2016 £	2015 £
Bank charges	63,684	122,647
	<u>          </u>	<u>          </u>
	63,684	122,647
	<u>          </u>	<u>          </u>

# CCUK Finance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 7 Taxation on profit on ordinary activities

	2016 £	2016 £	2015 £	2015 £
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		-		(185)
		<u>-</u>		<u>(185)</u>
 Total current tax				
<i>Deferred tax</i>				
Adjustments in respect of previous periods	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Taxation on profit on ordinary activities		<u>-</u>		<u>(185)</u>

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 7 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	244,134	3,376,856
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	48,827	683,641
Effects of:		
Expenses not deductible for tax purposes	357	942
Capital allowances in excess of depreciation	(39,389)	(34,200)
Deferred tax unrecognized	34,802	(139,489)
Adjustments from previous periods	-	(185)
Other timing differences	(44,597)	(510,894)
Effects of other tax credits	-	-
Total tax charge for period	-	(185)

The company has an unprovided deferred tax asset of £443,494 (2015 : £513,932) which has not been recognised due to uncertainty over future recoverability.

# CCUK Finance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 8 Tangible fixed assets

	Leasehold improvement £	Software £	Computer equipment £	Total £
<i>Cost</i>				
At 1 January 2016	60,206	981,939	827,472	1,869,617
Additions	-	-	-	-
	<u>60,206</u>	<u>981,939</u>	<u>827,472</u>	<u>1,869,617</u>
At 31 December 2016				
<i>Depreciation</i>				
At 1 January 2016	60,206	978,043	795,044	1,833,293
Provision for year	-	3,896	32,428	36,324
	<u>60,206</u>	<u>981,939</u>	<u>827,472</u>	<u>1,869,617</u>
At 31 December 2016				
<i>Net book value</i>				
At 31 December 2016	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2015	-	3,896	32,428	36,324
	<u>-</u>	<u>3,896</u>	<u>32,428</u>	<u>36,324</u>

## 9 Debtors

	2016 £	2015 £
Amounts owed by group undertakings	1,198,388	1,028,811
VAT Recoverable	24,760	1,270,012
Prepayments and accrued income	38,465	125,407
	<u>1,261,613</u>	<u>2,424,230</u>

All amounts shown under debtors fall due for payment within one year.



# CCUK Finance Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 10 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	85,564
Taxation and social security	13,944	32,525
Other creditors	1,552,783	1,032,936
Accruals and deferred income	443,552	335,444
	<u>2,010,279</u>	<u>1,486,469</u>

## 11 Provisions

	2016 £	2015 £
At 1 January	817,873	2,129,850
Reversal of provision	(458,742)	(2,129,850)
Additional Provisions	13,822	817,873
At 31 December	<u>372,953</u>	<u>817,873</u>

Following the conclusion of HMRC's investigation into the company's VAT filings, it has been confirmed that the previously provided for amounts are recoverable, and as such the provision for potential VAT liabilities was reversed during 2015. On 3 November 2015 the company informed the majority of its staff that following the decision to scale back the company's UK operations they would be made redundant. Accordingly the future cost of these redundancies have been provided for within these financial statements.

## 12 Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
10,897,545 (2015 : 10,897,545) ordinary shares of £1 each	<u>10,897,545</u>	<u>10,897,545</u>

# CCUK Finance Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 13 Commitments

The company has contractual commitments with certain vendors for various services in the normal course of business. These contracts call for the following minimum payments as of 31 December 2016.

	2016 £	2015 £
Not later than 1 Year	<u>840,000</u>	<u>1,200,000</u>

### 14 Related party disclosures

The immediate parent company of CCUK Finance LTD is CCUK Holdings LTD. The ultimate controlling party of the company is Atlanticus Holdings Corporation, a company incorporated in the USA.

Atlanticus Holdings Corporation is the largest group of undertakings for which the group accounts are drawn up. Copies of the group accounts may be obtained from Atlanticus Holdings Corporation, Five Concourse Parkway, Suite 300, Atlanta, GA 30328, USA.

During the year CCUK Finance Ltd generated turnover of £3,118,768 (2015: £6,850,218) from CCIS LLC, a fellow group company.

The following receivable balances are included in the balance sheet:

	2016 £	2015 £
Trading balances	<u>1,198,388</u>	<u>1,028,811</u>
	<u>1,198,388</u>	<u>1,028,811</u>

The key management personnel are the UK directors. The total compensation paid to the directors is shown in note 5.