Company Registration No. 07195881

Marlin Financial Group Limited

Annual Report and Financial Statements

31 December 2013

Marlin Financial Group Limited

Annual report and financial statements 2013

Contents

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	10
Directors' responsibilities statement	11
Independent auditor's report	12
Consolidated profit and loss account	13
Consolidated balance sheet	14
Company balance sheet	15
Consolidated cash flow statement	16
Notes to the consolidated cash flow statement	17
Notes to the financial statements	18

Marlin Financial Group Limited

Annual report and financial statements 2013

Officers and professional advisers

Directors

P Richardson
K Stannard
C Ross-Roberts

Secretary

W Wellinghoff

Registered Office

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16 – 22 Grafton Road
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West Sussex
BN11 1QP

Bankers

Barclays Bank Plc
Chapel Road
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BN11 1EY

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City of London Office
P O Box 12258
1 Princes Street
London
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Independent auditor

Deloitte LLP
Chartered Accountants
Crawley
United Kingdom

Marlin Financial Group Limited

Strategic report

BUSINESS REVIEW

ERC and portfolio purchases

At 31 December 2013 84-month ERC and 120-month ERC, as defined on page 3, have increased to £318.8 million and £383.4 million respectively (31 December 2012 - £216.7 million and £255.1 million respectively). During the year ended 31 December 2013 on a pro forma[1] basis we acquired debt portfolios with a face value of £690.1 million for a purchase price of £67.6 million. On a UK GAAP basis the portfolio purchase price was £64.5million. We also acquired further portfolios of non-performing unsecured personal loans from Northern Rock Asset Management for £50 million and Lloyds Banking Group for £46 million which we immediately resold, but we continue to obtain commission revenues on these portfolio.

Revenue

During 2013 total revenue increased by 37% to £58.8 million (2012 - £42.8 million) driven by strong collections performance. On a pro forma[2] basis 2013 total collections increased by 46.2% to £62.7 million.

Operating profit

Operating profit before exceptionals increased to £13.6 million from £7.9 million in 2012 due to the increase in revenue driven by our core collections. Our collection costs ratio improved year on year delivering an increase in pro forma Adjusted EBITDA to £44.0 million (2012 - £29.4 million) with a pro forma Adjusted EBITDA ratio of 63.1% for the year (2012 - 68.7%). Adjusted EBITDA is defined on page 6.

Loss before tax

After finance costs of £32.0 million (2012 - £20.1 million) loss before tax for the year was £20.5 million (2012 - £13.0 million). Finance costs in the year to 31 December 2013 include £9.3m of refinancing costs on the issue of the 10.5% Senior Secured Notes.

Taxation

A tax credit of £1.4 million (2012 - £0.2 million) accrued during the year.

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[1] Pro forma debt portfolio acquisitions have been calculated by adding back £3.9million of receipts from the vendor of the Northern Rock portfolio acquired in 2013 and deducting £0.8m of interest added to the purchase price. The treatment adopted in the GAAP presentation is to net this amount against the purchase price for the portfolio but the Group believes that the pro forma presentation of showing these receipts as revenue provides a clearer picture of the performance in the period. The figure of £3.9million covers receipts for the period from the February valuation date for the portfolio through to the point at which the Group became preferred purchaser of the portfolio.

[2] Pro forma collections have been calculated treating the £3.9million of receipts discussed above as part of collections.

Marlin Financial Group Limited

Strategic report (continued)

Key performance indicators

The following table summarises the key financial data and key performance indicators used by the Directors to assess the performance of the Group.

£millions, except for percentages and ratios or unless otherwise noted	For the Year ended 31 December 2013	For the Year ended 31 December 2012
Operating		
84 month ERC (1)	318.8	216.7
120 month ERC (2)	383.4	255.1
Price paid for debt portfolios purchased in the period (3)	68.4	50.5
Number of live accounts held as at the period end (4)	350,543	201,985
Number of owned accounts held as at the period end (5)	516,791	279,736
Total number of debt purchase transactions completed as at the period end since January 1, 2006 (6)	41	36
Financial		
Owned Collections(7)	56.5	42.1
Pro-forma Owned Collections	60.4	42.1
Contingency Collections (8)	13.9	0.9
Pro-forma Revenue	62.7	42.8
Cost-to-Collect (9)	18.7	13.4
Cost-to-Collect % on Owned Pro-forma Portfolio Collections	31.0%	31.8%
Cost-to-Collect % on Pro-forma Revenue to date	29.8%	31.3%
Cost-to-Collect % on Total Pro-forma Collections	25.2%	31.1%
Direct Cost-to-Collect (10)	8.7	4.4
Direct Cost-to-Collect % on Owned Portfolio Collections	14.4%	10.4%
Direct Cost-to-Collect % on Total Pro forma Collections	11.7%	10.2%
EBITDA	38.0	28.5
Adjusted EBITDA (11)	44.0	29.4
Adjusted EBITDA as a % of Pro-Forma Revenue	70.2%	68.7%
Adjusted Net Debt (12)	135.6	66.7

(1) 84 Month ERC represents our expected gross cash proceeds over an 84 month period from our purchased debt portfolios assuming no additional purchases are made and on an undiscounted basis.

(2) 120 Month ERC represents our expected gross cash proceeds over an 120 month period from our purchased debt portfolios assuming no additional purchases are made and on an undiscounted basis.

(3) Price paid for debt portfolios purchased represents the purchase price of debt portfolios purchased in the period based on our operational records. This is before any GAP cash is received.

(4) A live account is an individual customer debt held by us that is not closed, i.e., paid off, settled or written off in full.

(5) An owned account is an individual customer debt held by us including statute-barred accounts.

(6) Debt portfolio purchase transaction refers to the purchase of one or more debt portfolios under a single debt sale agreement.

Marlin Financial Group Limited

Strategic report (continued)

Key performance indicators (continued)

(7) Owned Collections represents actual gross collections on our purchased debt portfolios, plus put backs (portions of debt portfolios re-assigned to the vendor), plus disposal proceeds on portfolio account sales.

(8) Contingency Collections represents actual gross collections on portfolios which we service for third parties.

(9) Cost-to-Collect represents cost of sales plus operating expenses (net) adjusted to exclude amortisation of purchased debt portfolios, depreciation of tangible fixed assets, amortisation of intangible assets and other exceptional costs. Cost-to-Collect is calculated as follows:

	For the Year ended 31 December 2013 £millions	For the Year ended 31 December 2012 £millions
Cost of sales	32.5	23.8
Operating expenses (net)	14.8	11.9
Less:		
Amortisation of purchased debt portfolios	(25.8)	(20.8)
Depreciation of tangible fixed assets and amortisation of intangible assets	(0.7)	(0.6)
Exceptional costs [(a)]	(2.1)	(0.9)
Cost-to-Collect	18.7	13.4

(a) Exceptional costs include items that are identified internally for management reporting purposes that, by virtue of their nature, are not considered to be representative of the performance of the business and may impact year-on-year comparability. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. Exceptional costs in the year ended 31 December 2013 relate to costs associated with the sale of the business and consultancy costs associated with group restructurings and disposal of the business which were not implemented by year end. Exceptional costs in the year ended 31 December 2012 related primarily to restructuring costs in connection with a proposed organisational restructuring which we have not implemented to date. Items included within exceptional costs have occurred in prior periods, and may occur in the future.

Key performance indicators (continued)

10) Direct Cost-to-Collect represents cost of sales adjusted to exclude amortisation of purchased debt portfolios, and to include call centre and collection staff salaries and bonuses. Direct Cost-to-Collect is calculated as follows:

	For the Year ended 31 December 2013 £millions	For the Year ended 31 December 2012 £millions
Cost of sales	32.5	23.8
Less:		
Amortisation of purchased debt portfolios	(25.8)	(20.8)
Plus:		
Call centre and collection staff costs	2.0	1.4
Direct Cost-to-Collect	8.7	4.4

(11) We define Adjusted EBITDA as net cash outflow from operating activities adjusted to exclude the effects of working capital adjustments, debt portfolio acquisitions, exceptional costs and the pro forma. The following table sets forth a reconciliation of net cash outflow from operating activities to EBITDA and Adjusted EBITDA for the periods indicated:

	For the Year ended 31 December 2013 £millions	For the Year ended 31 December 2012 £millions
Net cash outflow from operating activities [a]	(29.0)	(12.5)
Working capital adjustments [b]	(3.0)	(2.7)
Debt portfolio acquisitions (net) [c]	70.0	43.7
EBITDA	38.0	28.5
Exceptional costs [d]	2.1	0.9
Pro forma adjustment [e]	3.9	-
Adjusted EBITDA	44.0	29.4

(a) Net cash outflow from operating activities includes cash flow relating to debt portfolio acquisitions, which represent the cost of all debt portfolios purchased in the period.

(b) Working capital adjustments represents the net movement on debtors and creditors, excluding the existing revolving credit facility and related issue costs, shareholder funding and related accrued interest, and corporation tax creditors or accruals.

Marlin Financial Group Limited

Strategic report (continued)

Key performance indicators (continued)

(c) Debt portfolio acquisitions (net) represents the cost of all debt portfolios purchased in the period as recorded in our financial statements. The aggregate purchase price of our debt portfolios for a period as recorded in our financial statements may vary from the purchase price as it appears in our operational records. These variations occur generally as a result of the timing delay between the execution of the purchase agreement for a debt portfolio (when the price is reflected in our operational records) and the final payment of the purchase price (when the price is reflected in our accounting records). Such delays can lead to purchases being recorded in different periods in our operational and accounting records, and as a result of such delays the actual purchase price paid may also be lower than the agreed price due to put backs of uncollectable accounts by us during such delays, which reduce the purchase price.

(d) Exceptional costs include items that are identified internally for management reporting purposes that, by virtue of their nature, are not considered to be representative of the performance of the business and may impact year-on-year comparability. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. Exceptional costs in the year ended 31 December 2013 relate to consultancy costs associated with group restructurings which have not yet been implemented. Exceptional costs in the year ended 31 December 2012 related primarily to restructuring costs in connection with a proposed organisational restructuring which we have not implemented to date. Items included within exceptional costs have occurred in prior periods, and may occur in the future.

(e) The pro forma adjustment represents cash received from the vendor of the Northern Rock portfolio between the period from the February valuation date through to the point at which the Group became the preferred purchaser of the portfolio.

For supplemental purposes, we have also included a reconciliation of loss for the financial period to EBITDA and Adjusted EBITDA. In this regard, Adjusted EBITDA represents the loss for the financial period adjusted to exclude the effects of tax on loss on ordinary activities, finance charges (net), depreciation of tangible fixed assets, amortisation of intangible assets, amortisation of purchased debt portfolios, exceptional costs and the pro forma adjustment. The following table provides a reconciliation of loss to Adjusted EBITDA for the period indicated.

	For the Year ended 31 December 2013 £millions	For the Year ended 31 December 2012 £millions
Loss for the financial period	(19.1)	(12.8)
Tax on loss on ordinary activities	(1.4)	(0.2)
Finance charges [a]	32.0	20.1
Depreciation of tangible fixed and amortisation of intangible assets [b]	0.7	0.6
Amortisation of purchased debt portfolios [c]	25.8	20.8
EBITDA	38.0	28.5
Exceptional costs [d]	2.1	0.9
Pro forma adjustment [e]	3.9	-
Adjusted EBITDA	44.0	29.4

Marlin Financial Group Limited

Strategic report (continued)

Key performance indicators (continued)

(a) Finance charges (net) include interest payable and similar charges, interest receivable and similar income, and other finance income. Interest payable and similar charges is comprised of finance lease interest, other loans interest, other interest, amortisation of loan issue costs, bank overdrafts and interest on corporation tax liability.

(b) Depreciation of tangible fixed assets and amortisation of intangible assets represents the write off of tangible fixed assets and the goodwill recognised at the time of the parent's acquisition of Black Tip Capital Holdings Limited (an indirect subsidiary of the Group) and Potomac Limited (which was wound up in June 2013).

(c) Amortisation of purchased debt portfolios represents the write off of the purchase price of a purchased debt portfolio over a 120 month period.

(d) Exceptional costs include items that are identified internally for management reporting purposes that, by virtue of their nature, are not considered to be representative of the performance of the business and may impact year-on-year comparability. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. Exceptional costs in the year ended 31 December 2013 relate to consultancy costs associated with group restructurings which have not yet been implemented. Exceptional costs in the year ended 31 December 2012 related primarily to restructuring costs in connection with a proposed organisational restructuring which we have not implemented to date. Items included within exceptional costs have occurred in prior periods, and may occur in the future.

(e) The pro forma adjustment represents cash received from the vendor of the Northern Rock portfolio between the period from the February valuation date through to the point at which the Group became the preferred purchaser of the portfolio.

(12) Adjusted Net Debt represents net debt excluding Shareholder Funding. Adjusted Net Debt is calculated as follows:

	As at 31 December 2013 £millions	**As at 31 December 2012 £millions**
Net debt [(a)]	173.3	121.1
HMRC Payment-in-kind ("PIK") notes [(b)]	2.5	1.5
Less:		
Shareholder Funding	(42.1)	(55.9)
Client cash	1.9	-
Adjusted Net Debt	135.6	66.7

(a) Net debt represents total debt net of cash at bank and in hand and bank overdrafts, and excludes unamortised debt issue costs.

(b) HMRC PIK notes represent PIK notes issued to HMRC in respect of withholding tax on interest payments on certain of our shareholder funding.

Principal risk and uncertainties

The Directors consider the principal risks and uncertainties to the business include insufficient availability of funding, a lack of adequate quality portfolios being offered to the market, the reduction of collection rates due to the economic environment and the potential for regulatory action being taken against the Group. The Directors believe that the Group is well placed to manage these risks. The Group benefits from the strong underlying performance of its portfolios under management, with collection rates remaining strong. These portfolios provide the Group with a source of long term cash flows. The Group has established appropriate internal controls to ensure its activities comply with best practice and continues to monitor areas of risk within its compliance team.

On 1 April 2014, responsibility for the regulation of consumer credit activities transfers from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA). All companies in the Marlin group currently holding a Consumer Credit Licence, granted by the OFT, have been granted an interim permission by the FCA to continue carrying on regulated consumer credit activities. From 1 April 2014 the FCA will invite each of these companies to apply for FCA authorisation.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The Group's activities expose it primarily to the risk of changes in interest rates. The Group's borrowings are at a range of fixed margins over short-term LIBOR.

While the majority of the Group's borrowings are in GBP the Group also has some USD and Euro denominated borrowings on which the Group is exposed to changes in foreign exchange rates. These have been repaid since the year end.

The Group ensures it has sufficient liquid funds available to manage any volatility in its loan repayments due to these risks. The Group has entered into a derivative contract to partially mitigate its interest rate exposure. Further details of these are given in note 25. This has been cancelled since the year end at no cost to the Group.

Credit risk

The Group's principal financial assets are bank balances, trade and other debtors. The Group's debt portfolios are recorded as Stocks: purchased debt portfolios and amortised according to the expected level of collections from each portfolio. They are therefore not considered to be financial assets. Further details of the accounting policy for these portfolios is set out in note 1 of the financial statements.

The Group's credit risk is primarily attributable to its trade and other debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The majority of the Group's borrowing is in the form of £150m 10.5% Senior Secured Notes with a fixed repayment date of 2020.

The remaining loans were provided by related parties as described in note 26. These loans have fixed repayment terms and the Group manages its financial resources to ensure it has sufficient liquidity to meet these loan repayments.

The additional equity funding provided to the Group by Duke Street in 2011, 2012 and 2013 and the availability of a £25m RCF means the Group has sufficient liquidity to allow it to acquire further debt portfolios.

Marlin Financial Group Limited

Strategic report (continued)

Future outlook

No material changes are expected in the activities of the Group although there has been a change in ownership of the Group as discussed below. Based on the Group's latest collection forecast the Directors expect substantial operating profits from the portfolios under management over the foreseeable future.

The purchase of the Group by Cabot Financial Holdings Group Limited post year will enable the Group to continue its growth by benefiting from operating synergies within the enlarged group.

Going concern

Since the year end the Group has been purchased by Cabot Financial Holdings Group Limited which is ultimately supported by Encore Capital Group Inc. Cabot has indicated its intention to continue to support the Group's growth and provide the financial support to achieve this. The combined group intends to continue the strategy of growth through the acquisition of portfolios and budgets and forecasts for the combined business have been prepared on this basis. On this basis the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Annual Report and Financial Statements.

Non adjusting events

Non adjusting events have been disclosed in note 22 to the Financial Statements.

Approved by the Board and signed on its behalf by:

K Stannard
Director
18th March 2014

Marlin Financial Group Limited

Directors' report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2013.

Dividends

The Directors do not propose a final dividend for the year (2012: £nil).

Directors' indemnity insurance

The Company has made qualifying third party indemnity provisions for the benefit of its directors.

Directors

The Directors who served throughout the year and up to the date of approval of the financial statements, and their dates of appointment, were as follows:

J Lawford	(resigned 10 February 2014)
M Dunphy	(resigned 10 February 2014)
J De Blocq van Kuffeler	(resigned 10 February 2014)
J B Sinclair	(resigned 10 February 2014)
P Richardson	
M Cresswell-Turner	(resigned 10 February 2014)
J S Telford (	resigned 8 April 2013)
K Stannard	
C Ross-Roberts	(appointed 10 February 2014)

Details of significant events since the balance sheet date are contained in note 22 to the financial statements. An indication of likely future developments in the business of the company is included in the strategic report.

Independent auditor and statement of provision of information to the independent auditor

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

K Stannard
Director

15th March 2014

Marlin Financial Group Limited

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Marlin Financial Group Limited

We have audited the Group and parent company financial statements of Marlin Financial Group Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the associated notes to the consolidated cash flow statement, and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and the auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2013 and of the loss of the Group for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ian Smith

Ian Smith
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
19th March 2014

Marlin Financial Group Limited

Consolidated profit and loss account
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Turnover	2	58,761,899	42,791,006
Cost of sales		(32,494,937)	(23,813,766)
Gross profit		26,266,962	18,977,240
Operating expenses		(12,668,174)	(11,031,619)
Exceptional costs		(2,144,514)	(859,639)
Total Operating expenses (net)	3	(14,812,688)	(11,891,258)
Operating profit		11,454,274	7,085,982
Finance charges (net)	6	(31,974,882)	(20,126,227)
Loss on ordinary activities before taxation	3	(20,520,608)	(13,040,245)
Tax on loss on ordinary activities	7	1,420,638	249,192
Loss for the financial year	19, 24	(19,099,970)	(12,791,053)

The results for the year derive from continuing operations.

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

Notes 1 to 26 form part of these financial statements.

Marlin Financial Group Limited

Consolidated balance sheet
As at 31 December 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Goodwill	9		7,244,435		7,697,212
Tangible fixed assets	10		884,833		494,795
			8,129,268		8,192,007
Current assets					
Stocks: Purchased debt portfolios	12	144,139,170		105,448,728	
Debtors: amounts falling due within one year	13	1,448,435		328,901	
Cash at bank and in hand - restricted		1,899,803		3,657,613	
- unrestricted		16,891,500		1,901,822	
		164,378,908		111,337,064	
Creditors: amounts falling due within one year	14	(17,274,436)		(54,031,735)	
Net current assets			147,104,472		57,305,329
Total assets less current liabilities			155,233,740		65,497,336
Creditors: amounts falling due after more than one year	15		(185,737,608)		(76,576,713)
Provisions for liabilities	16		(351,473)		(680,480)
Net liabilities			(30,855,341)		(11,759,857)
Capital and reserves					
Called up share capital	17		24,394		23,810
Share premium	19		5,550,083		5,550,074
Profit and loss account – deficit	19		(36,429,818)		(17,333,741)
Total shareholders' deficit	24		(30,855,341)		(11,759,857)

Notes 1 to 26 form part of these financial statements.

The financial statements of Marlin Financial Group Limited, registered number 07195881, were approved by the board of directors and authorised for issue on 18th March 2014.

They were signed on its behalf by:

K Stannard
Director

Marlin Financial Group Limited

Company balance sheet
As at 31 December 2013

	Note	2013	2013	2012	2012
		£	£	£	£
Fixed assets					
Investments	11		11,600		11,600
Current assets					
Debtors:					
- amounts falling due within one year	13	26,188		26,437	
- amounts falling due after more than one year	13	4,023,904		4,561,915	
Cash at bank and in hand		643		-	
		4,050,735		4,588,352	
Creditors: amounts falling due within one year	14	(38,855)		(102,725)	
Net current assets			4,011,880		4,485,627
Net assets			4,023,480		4,497,227
Capital and reserves					
Called up share capital	17		24,394		23,810
Share premium reserve	19		5,550,083		5,550,074
Profit and loss account - deficit	19		(1,550,997)		(1,076,657)
Total shareholders' funds	24		4,023,480		4,497,227

Notes 1 to 26 form part of these financial statements.

The financial statements of Marlin Financial Group Limited, registered number 07195881, were approved by the board of directors and authorised for issue on 18th March 2014.

They were signed on its behalf by:

K Stannard
Director

Marlin Financial Group Limited

Consolidated cash flow statement
For the year ended 31 December 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Net cash outflow from operating activities	A		(29,049,826)		(12,495,876)
Returns on investments and servicing of finance					
Interest received		14,670		319	
Interest paid		(9,160,613)		(7,850,292)	
Net cash outflow from returns on investments and servicing of finance			(9,145,943)		(7,849,973)
Taxation					
Tax paid			(581,130)		(632,383)
Capital expenditure					
Payments to acquire tangible fixed assets		(605,110)		(459,331)	
Net cash outflow from capital expenditure			(605,110)		(459,331)
Management in restricted cash					
Decrease/(increase) in restricted cash			1,757,810		(184,392)
Net cash outflow before financing			(37,624,199)		(21,621,955)
Issue of ordinary share capital		593		101,601	
New loans		184,271,144		107,715,721	
Loans repaid		(120,999,952)		(79,275,279)	
Loan issue costs paid		(10,657,908)		(6,603,476)	
Capital element of finance lease rental payments		-		(14,582)	
Net cash inflow from financing			52,613,877		21,923,985
Increase in cash	B,C		14,989,678		302,030

Notes 1 to 26 form part of these financial statements.

Marlin Financial Group Limited

Notes to the consolidated cash flow statement
For the year ended 31 December 2013

A. Reconciliation of operating profit to net cash inflow from operating activities

	2013 £	2012 £
Operating profit	11,454,274	7,085,983
Depreciation charges	215,070	134,720
Amortisation of intangible assets	452,777	452,777
Decrease in debtors	(734,689)	1,291,193
Increase in stocks: purchased debt portfolios	(44,251,210)	(22,853,524)
Increase in creditors	3,765,561	1,409,806
Foreign exchange	44,498	(38,561)
Equity settled share based payments	3,893	21,730
Net cash outflow from operating activities	(29,049,826)	(12,495,876)

B. Reconciliation of net cash flow to movements in net debt

	2013 £	2012 £
Increase in cash in the year	14,989,678	302,030
(Decrease)/increase in restricted cash in the year	(1,757,810)	184,392
New third party loans	(184,271,144)	(107,715,721)
Third party loans repaid	120,999,952	79,275,279
Repayment of hire purchase liabilities	-	14,582
Non-cash changes and foreign exchange	(2,144,103)	(12,535,438)
Net debt at 1 January	(121,110,547)	(80,635,671)
Net debt at 31 December	(173,293,974)	(121,110,547)

C. Analysis of changes in net debt

	1 January 2013 £	Cash flows £	Non Cash items £	31 December 2013 £
Net cash				
Cash in hand and at bank:				
– unrestricted	1,901,822	14,989,678	-	16,891,500
	1,901,822	14,989,678	-	16,891,500
Cash in hand and at bank – restricted	3,657,613	(1,757,810)	-	1,899,803
Debt				
Debt due within one year	(48,328,268)	42,811,954	5,516,314	-
Debt due after one year	(78,341,714)	(106,083,146)	(7,660,417)	(192,085,277)
Net debt	(121,110,547)	(50,037,748)	(2,144,103)	(173,293,974)

1. **Accounting policies**

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

Accounting convention

The Financial Statements are prepared under the historical cost convention.

Basis of consolidation

The Group Financial Statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The Group intends to continue its strategy of growth through the acquisition of portfolios and the Directors have prepared budgets and forecasts, which include the Company, on this basis. Since the year end the Group has been purchased by Cabot Financial Holdings Group Limited which is ultimately supported by Encore Capital Group Inc. Cabot has indicated its intention to continue to support the Group's growth and provide the financial support to achieve this. On this basis the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the Annual Report and Financial Statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	20% straight line
Fixtures and fittings	14% straight line
Computer equipment	20% straight line
Computer software	33% straight line

Taxation

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Turnover

Turnover from collections on owned portfolios represents the gross collection monies received and is recognised at the point of receipt.

Turnover from debt servicing for third parties is the commission receivable net of value added tax and is recognised at the point when the underlying collections are received.

The group starts to recognise collections on portfolios from the date at which it has effective control over the portfolio.

Pensions

The Group operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The resulting exchange differences are recorded in the profit and loss account.

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The fair value of these contracts is disclosed in note 25. This fair value is not recorded in the financial statements.

Financial liabilities and equity

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

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

Equity instruments

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

1. **Accounting policies (continued)**

Share-based payments

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

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

Litigation costs

Costs incurred in obtaining court orders and pursuing legal action against portfolio assets are expensed when incurred.

Cash at bank and in hand

Cash at bank and in hand comprises cash and bank deposits repayable on demand. Collections from debt servicing activities are held in client accounts. These amounts are distributed in accordance with the relevant inter-creditor agreement for that portfolio. Such amounts are classified as restricted cash.

Debt portfolios

Purchased debt portfolios are initially recorded as stocks at the fair value of the consideration paid. The portfolios are amortised over the expected useful lives. The amortisation is calculated based on the expected total collections over a fixed 10 year period from the purchase date, in order to provide a constant yield over the life of the portfolio. This amortisation is included in cost of sales. The portfolios are subject to an annual impairment review.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

Marlin Financial Group Limited

Notes to the financial statements
For the year ended 31 December 2013

2. Segmental information

All turnover relates to portfolios of UK debtors. The Group is engaged in recovering its own debt portfolios as well as servicing portfolios owned by third parties on a commission basis. An analysis of turnover by class of business is shown below:

	Collections from owned portfolios 2013 £	Collections from owned portfolios 2012 £	Debt servicing 2013 £	Debt servicing 2012 £	Total 2013 £	Total 2012 £
Turnover						
Total sales	56,519,676	42,179,613	17,346,032	10,265,138	73,865,708	52,444,751
Inter-segment sales	-	-	(15,103,809)	(9,653,745)	(15,103,809)	(9,653,745)
Sales to third parties	56,519,676	42,179,613	2,242,223	611,393	58,761,899	42,791,006

3. Loss on ordinary activities before taxation

	2013 £	2012 £
Loss on ordinary activities before taxation is stated after charging		
Depreciation	215,071	134,720
Amortisation of goodwill	452,777	452,777
Amortisation of debt portfolios	25,788,561	20,788,436
Operating lease rentals – other	150,325	206,442
Exceptional costs	2,144,514	859,639

In 2013 the Group incurred costs of £2,089,720 in connection with the sale of the business and related staff costs and a further £54,794 associated with group restructuring which has not been implemented.

In 2012 the Group recognised exceptional costs of £859,639 associated with group restructuring which has not been implemented.

Marlin Financial Group Limited

Notes to the financial statements
For the year ended 31 December 2013

3. Loss on ordinary activities before taxation (continued)

	2013 £	2012 £
Auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	11,032	10,608
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	162,968	122,102
Total audit fees	174,000	132,710
Corporate finance services	573,000	-
Audit related services	221,000	-
Other services in accordance with legislation	1,000	-
Tax services	86,000	78,950
Total non-audit fees	881,000	78,950

4. Information regarding directors and employees

	2013 £	2012 £
Directors' remuneration		
Emoluments	1,089,049	579,524
Company contributions to money purchase schemes	65,146	16,902
	1,154,195	596,426
Remuneration of the highest paid director	443,958	229,524
Company contributions to money purchase schemes	28,583	12,238
	472,541	241,762

	No.	No.
The number of directors who:		
Are members of a money purchase scheme	2	2
Had rewards receivable in the form of shares under a long-term incentive scheme	5	6

	No.	No.
Average number of persons employed (including directors)		
Collections	35	30
Administration	68	56
Legal	29	27
	132	113

Marlin Financial Group Limited

Notes to the financial statements
For the year ended 31 December 2013

5. Information regarding directors and employees (continued)

	2013 £	2012 £
Staff costs during the year (including directors)		
Wages and salaries	5,451,808	4,312,794
Social security costs	597,592	470,236
Pension costs	268,338	198,325
	6,317,738	4,981,355

6. Finance charges (net)

	2013 £	2012 £
Interest payable and similar charges	31,989,552	20,126,546
Interest receivable and similar charges	(14,670)	(319)
	31,974,882	20,126,227

Interest receivable relates to interest on funds held on deposit.

	2013 £	2012 £
Interest payable and similar charges		
Finance lease interest	-	2,563
Other loans	19,327,178	14,680,976
Other interest	259,222	161,493
Amortisation of loan issue costs	3,097,906	3,151,499
Refinancing costs	9,301,629	2,111,523
Interest on corporation tax liability	3,617	18,492
	31,989,552	20,126,546