

**Company Registration No. 08346249**

**Marlin Financial Intermediate II Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2016**



# **Marlin Financial Intermediate II Limited**

## **Contents**

<b>Officers and professional advisors</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Statement of financial position</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **Marlin Financial Intermediate II Limited**

## **Officers and professional advisors**

The officers and professional advisors of the Company at the date of this report are as follows:

### **Directors**

K Stannard  
P Richardson  
C Buick

### **Secretary**

C Taggart

### **Auditors**

BDO LLP  
Chartered Accountants and Statutory Auditor  
55 Baker Street  
London  
W1U 7EU

### **Bankers**

National Westminster Bank PLC  
City of London Office  
PO BOX 12258  
1 Princess Street  
London  
EC2R 8PA

### **Registered office**

Marlin House  
16-22 Grafton Road  
Worthing  
West Sussex  
BN11 1QP

# Marlin Financial Intermediate II Limited

## Strategic Report

For the year ended 31 December 2016

### Overview

The Directors present the Strategic Report, Directors' Report and the financial statements of Marlin Financial Intermediate II Limited (the "Company") for the year ended 31 December 2016.

The Company's principal activity is the holding of investment in fellow Group companies of the Cabot Financial Limited Group of companies (the "Group"), of which the Company is a member.

### Business review and results

The following tables summarise the key performance indicators used by the Directors to assess the performance of the Company as of the dates and periods indicated.

(£ in thousands, except for percentages)			
	2016 £000	2015 £000	Change %
Profit on ordinary activities before taxation	277	273	1

### Principal risks and uncertainties

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

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

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

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

### Principal financial instruments

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

- Trade and other receivables; and
- Trade and other payables;

A summary of the financial instruments held by category is provided below:

#### Financial assets

(£000)	Cash and receivables	
	2016	2015
Trade and other receivables (note 8)	6,884	6,587
Total financial assets	6,884	6,587

# Marlin Financial Intermediate II Limited

## Strategic Report For the year ended 31 December 2016

### Principal risks and uncertainties (continued)

### Principal financial instruments (continued)

#### Financial liabilities

(£000)	Financial liabilities at amortised cost	
	2016	2015
Trade and other payables (note 9)	511	436
<b>Total financial liabilities</b>	<b>511</b>	<b>436</b>

### Cash flow and credit risk

The Company is a member of the Cabot Financial Limited Group (the "Group") and therefore its financial risk management objectives and policies are intrinsically linked to those of the Group.

### Going concern and liquidity risk

The Company's core business is the holding of investment in fellow Group companies of the Cabot Financial Limited Group of companies. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

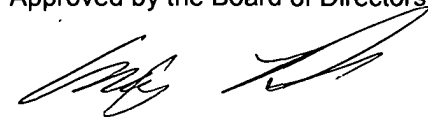
The Group to which the Company belongs has long-term debt financing through Senior Secured Loan notes totalling £1,040.6 million (2015: £917.7 million). The first tranche of these notes is due for repayment in August 2020. The Group has a revolving credit facility of £250.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2016 £27.0 million had been drawn on this facility (2015: £36.5 million). This facility is secured until September 2019.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes and the senior secured revolving credit facility. The Group has remained compliant during the year to 31 December 2016 with all the covenants contained in the notes issued and senior credit facility.

Management have reviewed the forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

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



C Buick  
Director  
3 May 2017

# **Marlin Financial Intermediate II Limited**

## **Directors' Report For the year ended 31 December 2016**

The Directors present their report for the year ended 31 December 2016.

### **Results and dividends**

The audited financial statements and related notes for the year ended 31 December 2016 are set out on pages 8 to 15. The Company's result for the year after taxation was a profit of £0.2 million (2015: £0.2 million).

The Directors do not recommend payment of a dividend (2015: £nil).

### **Directors**

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

- K Stannard
- P Richardson
- C Buick

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

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

### **Political donations**

The Company made no political contributions (2015: £nil).

### **Future developments**

There are no significant future developments affecting the Company anticipated at the date of signing this report.

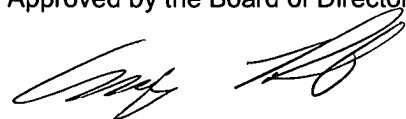
### **Directors' statement as to disclosure of information to auditors**

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

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

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

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



C Buick  
Director

3 May

2017

## **Marlin Financial Intermediate II Limited**

### **Statement of Directors' responsibilities For the year ended 31 December 2016**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and with 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 the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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 Intermediate II Limited**

We have audited the financial statements of Marlin Financial Intermediate II Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 auditor**

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.

### **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.




## **Independent auditor's report to the members of Marlin Financial Intermediate II Limited**

### **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.



**Matthew Hopkins (Senior Statutory Auditor)**  
**for and on behalf of BDO LLP, statutory auditor**  
55 Baker Street  
London

3 MAY 2017

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

## Marlin Financial Intermediate II Limited

### Statement of comprehensive income For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Interest receivable and similar income	4	296	312
Interest payable and similar charges	5	(19)	(39)
<b>Profit on ordinary activities before taxation</b>	3	<b>277</b>	<b>273</b>
Tax expense	6	(55)	(55)
<b>Profit and total comprehensive income for the financial period</b>		<b>222</b>	<b>218</b>

All of the above results are derived from continuing operations.

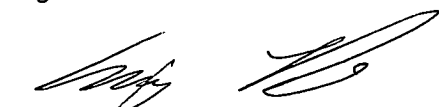
# Marlin Financial Intermediate II Limited

## Statement of financial position As at 31 December 2016

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Investments	7	41,512	41,512
		<u>41,512</u>	<u>41,512</u>
<b>Current assets</b>			
Trade and other receivables	8	6,884	6,587
		<u>6,884</u>	<u>6,587</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	9	(511)	(436)
		<u>(511)</u>	<u>(436)</u>
<b>Net current assets</b>		<u>6,373</u>	<u>6,151</u>
<b>Total assets less current liabilities</b>		<u>47,885</u>	<u>47,663</u>
<b>Net assets</b>		<u>47,885</u>	<u>47,663</u>
<b>Equity</b>			
Called up share capital	10	763	763
Share premium		50,015	50,015
Retained earnings		(2,893)	(3,115)
<b>Total shareholders' funds</b>		<u>47,885</u>	<u>47,663</u>

These financial statements of Marlin Financial Intermediate II Limited, with registered number 08346249, were approved by the Board of Directors and authorised for issue on 3 May 2017.

Signed on behalf of the Board of Directors by:



C Buick  
Director

**Marlin Financial Intermediate II Limited**

**Statement of changes in equity  
As at 31 December 2016**

	Share Capital	Accumulated losses	Total
	£000	£000	£000
<b>As at 1 January 2015</b>	50,778	(3,333)	47,445
<i>Comprehensive income for the period:</i>			
Profit for the period	-	218	218
Total comprehensive income	-	218	218
<b>As at 31 December 2015</b>	<b>50,778</b>	<b>(3,115)</b>	<b>47,663</b>
<i>Comprehensive income for the period:</i>			
Profit for the period	-	222	222
Total comprehensive income	-	222	222
<b>As at 31 December 2016</b>	<b>50,778</b>	<b>(2,893)</b>	<b>47,885</b>

# **Marlin Financial Intermediate II Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

### **1. Corporate information**

Marlin Financial Intermediate II Limited is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is located at Marlin House, 16-22 Grafton Road, Worthing, West Sussex, BN11 1QP.

The principal activities of the Company comprise the holding of investments in other group companies.

### **2. Significant accounting policies**

#### **2.1. Basis of preparation**

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

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraph 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly owned indirect subsidiary of Cabot Financial Limited and its results are included in the consolidated financial statements of that company. These financial statements therefore present information about the Company as an individual entity alone.

#### **2.2. Going Concern**

The Company's core business is that of a holding company with an indirect investment in the Cabot Financial Limited Group. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group 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 accounts.

# **Marlin Financial Intermediate II Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

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

#### **Taxation**

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

#### ***Current tax***

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

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

#### **Finance income and costs**

Finance income and costs include interest receivable and payable to parent and other Group undertakings.

#### **Investments in subsidiaries**

Investments in subsidiaries are recognised at cost less provision for impairment.

#### **Financial instruments**

##### ***Financial assets***

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

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

Financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, they are carried at amortised cost.

#### **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

# Marlin Financial Intermediate II Limited

## Notes to the financial statements For the year ended 31 December 2016

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging auditor's remuneration of £nil (2015: £nil). Auditor's remuneration with respect to the Company's audit fees for the year was borne by a fellow group company.

### 4. Finance income

	2016 £000	2015 £000
Interest income from parent and other Group undertakings <sup>(a)</sup>	<u>296</u>	<u>312</u>

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

### 5. Finance expense

	2016 £000	2015 £000
Interest expense due to parent and other Group undertakings <sup>(a)</sup>	<u>19</u>	<u>39</u>

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

### 6. Tax

The income tax expense comprises:

	2016 £000	2015 £000
Corporation tax	<u>55</u>	<u>55</u>

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the accounting profit are as follows:

	2016 £000	2015 £000
Profit before tax	<u>277</u>	<u>273</u>
Income tax expense calculated at standard UK hybrid corporation tax rate of 20% (2015: 20.25%)	<u>55</u>	<u>55</u>
<b>Total income tax expense</b>	<u><b>55</b></u>	<u><b>55</b></u>

# Marlin Financial Intermediate II Limited

## Notes to the financial statements For the year ended 31 December 2016

### 7. Investment in subsidiaries

£000

At 1 January 2016 and 31 December 2016

**41,512**

The principal subsidiary undertakings of the Company are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	% shares held
Marlin Intermediate Holdings Plc	Great Britain	Holding company	100

The above company's registered office is located at Marlin House, 16-22 Grafton Road, Worthing, West Sussex, BN11 1QP.

### 8. Trade and other receivables

	2016 £000	2015 £000
Amounts owed by parent undertakings	6,859	6,563
Amounts owed by other Group undertakings	25	24
	<b>6,884</b>	<b>6,587</b>

Loans and amounts due from parent and other Group undertakings are unsecured, have no fixed repayment date, are repayable on demand and interest on such balances is accrued on an arm's length basis.

The Company considers that the carrying amounts of the financial assets included above are a reasonable approximation of their fair value due to their short term nature.

### 9. Trade and other payables

	2016 £000	2015 £000
Amounts owed to parent undertakings	55	-
Amounts owed to other Group undertakings	456	436
	<b>511</b>	<b>436</b>

Interest accrued on amounts owed to parent and other Group undertakings is at an arm's length basis and is accrued, not paid.

The Company considers that the carrying amounts of the financial liabilities included above are a reasonable approximation of their fair value due to their short term nature.



# Marlin Financial Intermediate II Limited

## Notes to the financial statements For the year ended 31 December 2016

### 10. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid:		
762,986 class "A" Ordinary shares of £1 each, subscription price of £66.55	50,778	50,778

### 11. Contingent liabilities

The Company is party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow Group company and the Senior Secured Notes due 2020, 2021 and 2023. Amounts outstanding on such borrowings were £1,067.6 million at 31 December 2016 (2015: £954.2 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

### 12. Related party transactions

The Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of that Group.

### 13. Ultimate parent company

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