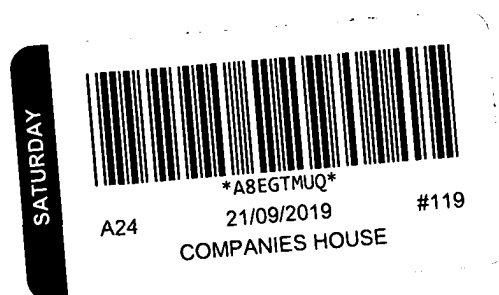


Company Registration No. 08346249

Marlin Financial Intermediate II Limited

**Annual Report and Financial Statements
For the year ended 31 December 2018**



Marlin Financial Intermediate II Limited

Contents

For the year ended 31 December 2018

Officers and Professional Advisors	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12

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

S Whiteley

Auditor

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 Princes Street
London
EC2R 8BP

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 2018

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 2018.

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

Business review and results

The profit before tax for the year amounts to £311,000 (2017 - profit of £284,000).

As the performance of Marlin Financial Intermediate II Limited is linked to the performance of Cabot Credit Management Limited, Key Performance Indicators relating to the Company's trading which are appropriate for an understanding of the development, performance or position of the business can be found in the financial statements of Cabot Credit Management Limited.

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.

Cash flow and credit risk

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

Credit risk is the risk that a customer or counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal activity is the acquisition and management of underperforming consumer loan portfolios; therefore, the Group are exposed to significant credit risk. Most portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types. A pricing review process is in place which includes at least two members of the Board of Directors as well as other key members from all areas of the business. This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Marlin Financial Intermediate II Limited

Strategic Report For the year ended 31 December 2018

Capital risk

The Company monitors "adjusted capital" which comprises all components of equity i.e. share capital, capital contribution reserve and retained earnings.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Going concern and liquidity risk

The Company's core business is that of a holding company. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

The Group has long-term debt financing through Senior Secured Loan notes totalling £872.4 million (2017: £900.5 million). The first tranche of these notes was due for repayment in April 2021.* The Group also has two Asset Backed Senior Facilities totalling £350.0 million (2017: one of £290.0 million). These facilities are secured until September 2023. The Group has a revolving credit facility of £385.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2018 £233.9 million had been drawn on this facility (2017: £132.5 million). £375.0 million of this facility is secured until September 2022, and the remaining £10.0 million is secured until September 2021.

* On 14 June 2019, the Group issued a floating rate, Euro-denominated, senior secured bond for €400 million, with maturity in 2024. These funds were used to repay the £80 million Senior Secured Note and €310 million Floating Rate Note.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes, Asset Backed Senior Facilities, and the Senior Secured revolving credit facility. In the year to 31 December 2018, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

Management have reviewed the Group forecast performance models, covenant projections 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

17 SEP

2019

Marlin Financial Intermediate II Limited

Directors' Report For the year ended 31 December 2018

The Directors present their report for the year ended 31 December 2018.

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2018 are set out on pages 9 to 16. The Company's result for the year after taxation was a profit of £252,000 (2017: £229,000).

The Directors do not recommend payment of a dividend (2017: £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 (2017: £nil).

Future developments

The directors are monitoring the discussions associated with the Brexit process, and whilst they do not consider this will have a material impact on the Group's operations, are monitoring the impact of any associated macro economic changes on customer payment behaviours. The directors believe that any such macro economic changes may increase the demand for credit management services from the Group.



Auditor

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

17 SEP 2019

Marlin Financial Intermediate II Limited

Statement of Directors' responsibilities For the year ended 31 December 2018

The directors are responsible for preparing the strategic report, the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). 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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

Marlin Financial Intermediate II Limited

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

Opinion

We have audited the financial statements of Marlin Financial Intermediate II Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Marlin Financial Intermediate II Limited

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 has 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 and Director's Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Marlin Financial Intermediate II Limited

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Neil Fung On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

17 September 2019

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 2018

	Notes	2018 £000	2017 £000
Interest receivable and similar income	4	338	302
Interest payable and similar charges	5	(27)	(18)
Profit on ordinary activities before taxation	3	311	284
Tax expense	6	(59)	(55)
Total comprehensive income for the financial period		252	229

All of the above results are derived from continuing operations. There is no other comprehensive income.

Marlin Financial Intermediate II Limited

Statement of Financial Position For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Investments	7	41,512	41,512
		<u>41,512</u>	<u>41,512</u>
Current assets			
Trade and other receivables	8	7,524	7,168
		<u>7,524</u>	<u>7,168</u>
Creditors: amounts falling due within one year			
Trade and other payables	9	(670)	(566)
		<u>(670)</u>	<u>(566)</u>
Net current assets		<u>6,854</u>	<u>6,602</u>
Total assets less current liabilities		<u>48,366</u>	<u>48,114</u>
Net assets		<u>48,366</u>	<u>48,114</u>
Equity			
Called up share capital	10	763	763
Capital contribution reserve		50,015	50,015
Retained earnings		(2,412)	(2,664)
Total shareholders' funds		<u>48,366</u>	<u>48,114</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 17 SEP 2019.

Signed on behalf of the Board of Directors by:


C Buick
Director

2019

Marlin Financial Intermediate II Limited

Statement of changes in equity As at 31 December 2018

	Called up Share Capital £000	Capital contribution reserve £000	Retained Earnings/ (losses) £000	Total £000
As at 1 January 2017	763	50,015	(2,893)	47,885
<i>Comprehensive income for the year ended:</i>				
Profit for the year ended	-	-	229	229
Profit and total comprehensive income	-	-	229	229
As at 31 December 2017	763	50,015	(2,664)	48,114
<i>Comprehensive income for the year ended:</i>				
Profit for the year ended	-	-	252	252
Profit and total comprehensive income	-	-	252	252
As at 31 December 2018	763	50,015	(2,412)	48,366

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2018

1. General 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.

2. Basis of preparation and 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 financial statements are presented in UK pounds sterling (£), which is the company's functional currency.

The Company has taken advantage of the following reduced 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) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of 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.

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 Credit Management 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.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The results of Marlin Financial Intermediate II Limited are included in the consolidated financial statements of Cabot Credit Management Limited which are available from 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA.

2.2. Going concern

The Company's core business is the holding of investments in fellow Group companies. 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 2018

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.

Interest receivable and interest payable

There are interest receivable and payable to parent and other Group undertakings.

Investments

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

Summary of significant accounting policies (continued)

Financial instruments

IFRS 9

The Group applied the simplified approach and recorded lifetime expected losses on all trade receivables and intercompany borrowings.

Intercompany borrowings Management have deemed that loans to other group undertakings are at a market rate and therefore the carrying value of the loans are an accurate approximation of fair value. Management determine impairment based on the borrowers' historically observed data, adjusted for forward-looking information. With regard to lifetime expected losses Management have assessed that any such losses are immaterial.

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.

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2018

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging auditor's remuneration of £nil (2017: £nil). Auditor's remuneration of £8,500 (2017: £5,800) with respect to the Company's audit fees for the year was borne by a fellow group company.

The Company employs no staff directly and the directors of the Company did not receive any remuneration in the period.

4. Interest receivable and similar income

	2018 £000	2017 £000
Interest income from parent and other Group undertakings ^(a)	<u>338</u>	<u>302</u>

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

5. Interest Payable and similar charges

	2018 £000	2017 £000
Interest expense due to parent and other Group undertakings ^(a)	<u>27</u>	<u>18</u>

^(a) 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 expense

The income tax expense comprises:

	2018 £000	2017 £000
Corporation tax	<u>59</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:

	2018 £000	2017 £000
Profit before tax	<u>311</u>	<u>229</u>
Income tax expense calculated at standard UK corporation tax rate of 19.00% (2017: 19.25%)	<u>59</u>	<u>55</u>
Total income tax expense	<u>59</u>	<u>55</u>

The Finance Act 2016, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 6 September 2016. Subsequent Finance Acts have not resulted in any further changes to the main rate of UK corporation tax and therefore deferred tax assets and liabilities at 31 December 2018 are reflected accordingly.

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2018

7. Investments

£000

At 1 January 2018 and 31 December 2018

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

	2018 £000	2017 £000
Amounts owed by Group undertakings	7,524	7,168
	7,524	7,168

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

	2018 £000	2017 £000
Amounts owed to Group undertakings	670	566
	670	566

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 2018

10. Share capital

	2018 £	2017 £
Allotted, called up and fully paid:		
762,986 class Ordinary shares of £1 each	<u>762,986</u>	<u>762,986</u>

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 £872.4 million at 31 December 2018 (2017: £900.5 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

12. 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 consolidated financial statements are drawn up is Cabot Credit Management 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.

13. Events after the balance sheet date

There are no post balance sheet events to report.