

Company Registration No. 08346249

Marlin Financial Intermediate II Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**



Marlin Financial Intermediate II Limited

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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 2017

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 2017.

The Company's principal activity is the holding of investment in fellow Group companies of the Cabot Credit Management plc 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 £284,000 (2016 - profit of £277,000), an increase of 2.5%.

As the performance of Marlin Financial Intermediate II Limited is linked to the performance of Cabot Credit Management plc, 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 plc.

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 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 investments in the Group. 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 £900.5 million (2016: £1,040.6 million). The first tranche of these notes is due for repayment in August 2020. The Group also has an Asset Backed Senior Facility totalling £290.0 million (2016: Nil). This facility is secured until September 2022. The Group has a revolving credit facility of £295.0 million for funding working capital requirements

Marlin Financial Intermediate II Limited

Strategic Report For the year ended 31 December 2017

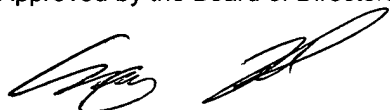
Going concern and liquidity risk (continued)

and portfolio purchases as required. At 31 December 2017 £132.5 million had been drawn on this facility (2016: £27.0 million). This facility is secured until September 2021.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes, Asset Backed Senior Facility, and the Senior Secured revolving credit facility. In the year to 31 December 2017, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

Management have reviewed the 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

15 May 2018

Marlin Financial Intermediate II Limited

Directors' Report For the year ended 31 December 2017

The Directors present their report for the year ended 31 December 2017.

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2017 are set out on pages 9 to 16. The Company's result for the year after taxation was a profit of £229,000 (2016: £222,000).

The Directors do not recommend payment of a dividend (2016: £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 (2016: £nil).

Future developments

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



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

15 May 2018

Marlin Financial Intermediate II Limited

Statement of Directors' responsibilities For the year ended 31 December 2017

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;
- 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

Opinion

We have audited the financial statements of Marlin Financial Intermediate II Limited ("the Company") for the year ended 31 December 2017 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 2017 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.

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.

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

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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report 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 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, and for such internal control as the Directors determines 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.

Auditor's responsibilities for the audit of the financial statements


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.

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.

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

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.



Neil Fung-On (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London

15 May 2018

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 2017

	Notes	2017 £000	2016 £000
Interest receivable and similar income	4	302	296
Interest payable and similar charges	5	(18)	(19)
Profit on ordinary activities before taxation	3	284	277
Tax expense	6	(55)	(55)
Profit and total comprehensive income for the financial period		229	222

All of the above results are derived from continuing operations.

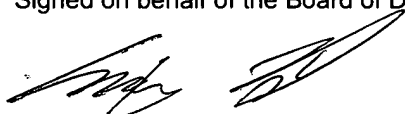
Marlin Financial Intermediate II Limited

Statement of financial position As at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Investments	7	41,512	41,512
		<u>41,512</u>	<u>41,512</u>
Current assets			
Trade and other receivables	8	7,168	6,884
		<u>7,168</u>	<u>6,884</u>
Creditors: amounts falling due within one year			
Trade and other payables	9	(566)	(511)
		<u>(566)</u>	<u>(511)</u>
Net current assets		<u>6,602</u>	<u>6,373</u>
Total assets less current liabilities		<u>48,114</u>	<u>47,885</u>
Net assets		<u>48,114</u>	<u>47,885</u>
Equity			
Called up share capital	10	763	763
Capital contribution reserve		50,015	50,015
Retained earnings		(2,664)	(2,893)
Total shareholders' funds		<u>48,114</u>	<u>47,885</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 15 May 2018.

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 2017**

	Called up Share Capital	Capital contribution reserve	Retained Earnings	Total
	£000	£000	£000	£000
As at 1 January 2016	763	50,015	(3,115)	47,663
<i>Comprehensive income for the year ended:</i>				
Profit for the year ended	-	-	222	222
Profit and total comprehensive income	-	-	222	222
As at 31 December 2016	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

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2017

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.

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

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 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 plc 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 in the 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 2017

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

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

Investments

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.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging auditor's remuneration of £nil (2016: £nil). Auditor's remuneration of £5,800 with respect to the Company's audit fees for the year was borne by a fellow group company.

4. Interest receivable and similar income

	2017 £000	2016 £000
Interest income from parent and other Group undertakings ^(a)	302	296

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

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2017

5. Interest Payable and similar charges

	2017 £000	2016 £000
Interest expense due to parent and other Group undertakings ^(a)	<u>18</u>	<u>19</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

The income tax expense comprises:

	2017 £000	2016 £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:

	2017 £000	2016 £000
Profit before tax	<u>229</u>	<u>277</u>
Income tax expense calculated at standard UK hybrid corporation tax rate of 19.25% (2016: 20.00%)	<u>55</u>	<u>55</u>
Total income tax expense	<u>55</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. As this change in rate was substantively enacted prior to 31 December 2016 it was reflected in the deferred tax assets and liabilities at 31 December 2016. The Finance Act 2017 has not resulted in any further changes to the main rate of UK corporation tax and therefore deferred tax assets and liabilities at 31 December 2017 are reflected accordingly.

7. Investments

	£000
At 1 January 2017 and 31 December 2017	<u>41,512</u>

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.

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2017

8. Trade and other receivables

	2017 £000	2016 £000
Amounts owed by Group undertakings	7,168	6,884
	<u>7,168</u>	<u>6,884</u>

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

	2017 £000	2016 £000
Amounts owed to Group undertakings	566	511
	<u>566</u>	<u>511</u>

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.

10. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid: 762,986 class Ordinary shares of £1 each	<u>763</u>	<u>763</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, the senior secured bridge facility and the Senior Secured Notes due 2020, 2021 and 2023. Amounts outstanding on such borrowings were £900.5 million at 31 December 2017 (2016: £1,040.6 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 group financial statements are drawn up is Cabot Credit Management plc. 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.

Marlin Financial Intermediate II Limited

Notes to the financial statements For the year ended 31 December 2017

13. Events after the balance sheet date

On 7 May 2018, Encore Capital Group Inc, the ultimate parent company and controlling shareholder of the Group, entered into an agreement to purchase the non-controlling interests held by JC Flowers & Co and company management. The transaction is expected to close within 90 days.