

CCUK Finance Limited

Report and Financial Statements

Year Ended

31 December 2013

Company Number 6032187



CCUK Finance Limited

Report and financial statements for the year ended 31 December 2013

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Directors

J A Howard
W R McCamey
D G Dierker
B J Lass
J D Putnam

Secretary and registered office

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

Company number

6032187

Auditors

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

CCUK Finance Limited

Report of the directors for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Results

The profit and loss account is set out on page 6 and shows the profit for the year.

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

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

CCUK currently receives sub-servicing income from CCIS for servicing both a UK purchased portfolio as well as an originated portfolio. The sub-servicing income is based on a cost-plus methodology for costs associated with servicing activities for the purchased portfolio. The profit and loss account set out on page 6 shows profit for the period after taxation of £1.4m (2012: £0.7m) and turnover of £16.4m (2012: £10.4m). In addition to providing servicing support to CCIS, CCUK has also undertaken a number of initiatives to effectively manage the existing portfolio of receivables as well as investigate and create new business opportunities. These new business opportunity initiatives and associated costs have offset the £1.4m profit and are undertaken to create a UK portfolio servicing and product offering similar to offerings that exist in the US under the ownership of Atlanticus Holdings Corporation (formerly CompuCredit Holdings Corporation). These initiatives currently include the issuance of general purpose credit cards to prospective customers as well as instalment loan products. All necessary capital needed to fund these initiatives in 2013 and 2012 were provided through excess cash reserves generated by CCUK as part of its servicing operations. CCUK also provides credit card and collection services to Jefferson Capital International Acquisition LLC (JCIA) for accounts generated through the "Balance Transfer Programme" and the collection of acquired charged-off debt. JCIA was a former subsidiary of Atlanticus Holdings Corporation prior to its sale in August 2012 to an unrelated third party. In return for these services, CCUK also receives servicing income from JCIA based on a cost-plus methodology under the terms of a transfer and servicing agreement entered into upon the sale of JCIA.

Going forward, CCUK, in partnership with its ultimate US parent company, continues to believe its portfolio optimization model capitalizes on its global expertise in servicing portfolios with various objectives in order to tailor servicing to the individual client's needs for servicing organically grown and purchased portfolios. The expertise incorporates functional capabilities such as:

- Proprietary analytics;
- Account actions and servicing strategies;
- Augmentation of traditional credit bureau scores; and
- Economic value assessment of various sub-portfolios such as performing assets, high-risk performing assets, liquidating assets, and previously charged-off accounts and receivables.

To help ensure the robustness of the servicing offering, CCUK has continued its focus around a robust regulatory infrastructure including Treating the Customer Fairly (TCF), Know Your Customer (KYC), credit policy framework and compliance with the CCA (including CCA 2006) and now Financial Conduct Authority.

The principal risk to the sub-servicing business is the continuation of cash inflows under our sub-servicing arrangement, which is only minimally dependent upon the cash flows received on the credit card receivables as servicing is the first cash disbursed in the priority of distributions out of collections on the credit card receivables. The company will continue to monitor its incoming sub-servicing cash flows as part of its day-to-day control procedures and will take appropriate steps to reduce costs where applicable, ensuring there is sufficient cash to support its core sub-servicing business, whilst building an infrastructure to support the company's future strategic plans to provide debt management services for new near-prime and sub-prime credit card portfolios.

CCUK Finance Limited

Report of the directors for the year ended 31 December 2013 (*continued*)

Financial instruments

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

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

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

Directors

The directors of the company during the year were:

J A Howard
W R McCamey
D G Dierker
B J Lass
J D Putnam

Directors' responsibilities

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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

CCUK Finance Limited

Report of the directors
for the year ended 31 December 2013 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the Board



D G Dierker
Director

26 September 2014

CCUK Finance Limited

Independent auditor's report

TO THE MEMBERS OF CCUK FINANCE LIMITED

We have audited the financial statements of CCUK Finance Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

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 2013 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.

Emphasis of matter – ongoing enquiry by HM Revenue and Customs

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 14 to the financial statements concerning the uncertain outcome of an ongoing enquiry by HM Revenue and Customs into the company's VAT status and the impact this may have over the recoverability of a debtor in the financial statements amounting to £574,695. We understand the company, based on previous professional 3rd party advice, is confident on the appropriateness of its VAT status. The ultimate outcome of the enquiry cannot presently be determined, and no provision for any liability or irrecoverable debtor that may result has been made in the financial statements.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CCUK Finance Limited

Independent auditor's report (*continued*)

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, or
- the directors are not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



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

30 September 2014

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

CCUK Finance Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	1	16,352,843	10,364,530
Cost of sales		13,885,854	8,420,270
Gross profit		2,466,989	1,944,260
Administrative expenses		1,579,621	1,177,604
Operating profit	2	887,368	766,656
Interest payable and similar charges	5	(53,044)	(70,969)
Profit on ordinary activities before taxation		834,324	695,687
Taxation on profit from ordinary activities	6	563,129	-
Profit on ordinary activities after taxation	11	1,397,453	695,687

All amounts relate to continuing activities.


The notes on pages 8 to 14 form part of these financial statements

CCUK Finance Limited

Balance sheet at 31 December 2013

<i>Company number 6032187</i>	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	7		831,463		326,462
Current assets					
Debtors	8	2,596,139		1,701,961	
Cash at bank and in hand		796,008		1,131,884	
		<u>3,392,147</u>		<u>2,833,845</u>	
Creditors: amounts falling due within one year	9	(1,317,906)		(1,652,056)	
Net current assets			2,074,241		1,181,789
Total assets less current liabilities			2,905,704		1,508,251
Capital and reserves					
Called up share capital	10		10,897,545		10,897,545
Capital contribution	11		2,122,677		2,122,677
Profit and loss account	11		(10,114,518)		(11,511,971)
Shareholders' funds	12		2,905,704		1,508,251

The financial statements were approved by the board of directors and authorised for issue on 26 September 2014.


 D G Dierker
 Director

The notes on pages 8 to 14 form part of these financial statements.

CCUK Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on the going concern basis as the ultimate parent undertaking, Atlanticus Holdings Corporation, has informed the company of its intention to continue to provide such financial support as is necessary to enable it to meet its liabilities as they fall due, and to carry on its business without significant curtailment of operations for the foreseeable future and at least the next twelve months from the signing of these financial statements.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Atlanticus Holdings Corporation and the company is included in Atlanticus Holdings Corporation's consolidated financial statements.

Turnover

Turnover primarily represents the sub-servicing income from CCIS and US affiliated companies for servicing the UK credit card and debt portfolios. Sub-servicing income accrues monthly and is based on a percentage of the average monthly receivable with a true up at the year-end under a cost-plus methodology. The true-up at the year-end relates to portfolio servicing costs only. The monthly income and annual true up is recorded as "Servicing Revenue" of the company and arises solely in the United Kingdom.

Tangible fixed assets

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

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

Foreign currency

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

CCUK Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

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

Pension costs

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

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Atlanticus Holdings Corporation, on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in Atlanticus Holdings Corporation's consolidated financial statements.

2 Operating profit

	2013	2012
	£	£
This is arrived at after charging:		
Depreciation of tangible fixed assets	313,741	86,940
Land and buildings - operating leases	139,253	384,646
Auditor's remuneration - fees payable to the company's auditors for the audit of the company	21,200	20,000
	<u> </u>	<u> </u>

CCUK Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

3 Employees

	2013 £	2012 £
Staff costs (including directors) consist of:		
Wages and salaries	2,438,937	2,331,913
Social security costs	187,919	194,844
Other pension costs	77,809	76,910
	<u>2,704,665</u>	<u>2,603,667</u>

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

	2013 Number	2012 Number
Operations and collections	49	34
Administration	1	14
	<u>50</u>	<u>48</u>

4 Directors' remuneration

	2013 £	2012 £
Directors' emoluments	728,545	673,673
Company contributions to money purchase pension schemes	2,105	2,077
	<u>730,650</u>	<u>675,750</u>

There is one director to whom the company paid individual money purchase pension schemes on their behalf (2012 - one).

The total amount payable to the highest paid director in respect of emoluments was £728,545 (2012 - £673,673). Company pension contributions of £2,105 (2012 - £2,077) were made to a money purchase scheme on their behalf.

CCUK Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

5 Interest payable and similar charges	2013 £	2012 £
Bank charges	53,044	70,969
	<u> </u>	<u> </u>
6 Taxation on profit from ordinary activities	2013 £	2012 £
<i>UK corporation tax</i>		
UK Corporation tax on profits of the period	513	-
Adjustments in respect of the prior year	120	-
	<u> </u>	<u> </u>
	633	-
<i>Deferred tax</i>		
Origination of timing differences (see note 8)	(563,762)	-
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	(563,129)	-
	<u> </u>	<u> </u>
The tax assess for the year is lower (2012 – lower) than the standard rate of corporation tax in the UK. The differences are explained below.		
	2013 £	2012 £
Profit on ordinary activities before taxation	834,324	696,687
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of Corporation tax in the UK of 23.25% (2012 – 24.5%)	193,980	170,443
Effects of:		
Expenses not deductible for tax purposes	7,088	5,266
Capital allowances in excess of depreciation	(84,051)	(82,679)
Tax losses utilised in the year	(108,506)	(93,020)
Other timing differences	(7,998)	-
Adjustments in respect of prior year	120	-
	<u> </u>	<u> </u>
Current tax charge for the year	633	-
	<u> </u>	<u> </u>

The company has an unprovided deferred tax asset of £Nil (2012 - £840,549) in relation to trading losses carried forward and other timing differences which do not meet the recognition criteria under FRS 19.

CCUK Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

7 Tangible fixed assets

	Leasehold improve- ments £	Software £	Computer equipment £	Total £
<i>Cost</i>				
At 31 December 2012	60,206	317,600	646,692	1,024,498
Additions	-	663,821	166,596	830,417
Disposals	-	-	(11,675)	(11,675)
	<u>60,206</u>	<u>981,421</u>	<u>801,613</u>	<u>1,843,240</u>
<i>Depreciation</i>				
At 31 December 2012	60,206	180,905	456,925	698,036
Provided for the year	-	210,652	103,089	313,741
	<u>60,206</u>	<u>391,557</u>	<u>560,014</u>	<u>1,011,777</u>
<i>Net book value</i>				
At 31 December 2013	-	589,864	241,599	831,463
At 31 December 2012	-	136,695	189,767	326,462

8 Debtors

	2013 £	2012 £
Amounts owed by group undertakings	807,585	1,109,914
Other debtors	737,054	153,651
Prepayments and accrued income	487,738	438,396
Deferred tax asset	563,762	-
	<u>2,596,139</u>	<u>1,701,961</u>

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

CCUK Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

8 Debtors (<i>continued</i>)		Deferred taxation £
At 1 January 2013		-
Credited to profit and loss account		563,762
		<hr/>
At 31 December 2013		563,762
		<hr/> <hr/>
<i>Deferred taxation</i>	2013	2012
	£	£
Decelerated capital allowances	220,672	-
Tax losses	343,090	-
	<hr/>	<hr/>
	563,762	-
	<hr/> <hr/>	<hr/> <hr/>
9 Creditors: amounts falling due within one year	2013	2012
	£	£
Trade creditors	251,822	414,497
Amounts owed to group undertakings	418,446	-
Taxation and social security	60,932	54,413
Accruals and deferred income	586,706	1,183,146
	<hr/>	<hr/>
	1,317,906	1,652,056
	<hr/> <hr/>	<hr/> <hr/>
10 Share capital	2013	2012
	£	£
<i>Allotted, called up and fully paid</i>		
10,897,545 ordinary shares of £1 each	10,897,545	10,897,545
	<hr/> <hr/>	<hr/> <hr/>

CCUK Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

12 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Balance at start of the year	1,508,251	812,564
Profit for the year	1,397,453	695,687
	<u>2,905,704</u>	<u>1,508,251</u>

13 Commitments

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2013 £	Other 2013 £	Land and buildings 2012 £	Other 2012 £
Operating leases which expire: Within one year	<u>288,166</u>	<u>1,650,000</u>	<u>260,249</u>	<u>945,000</u>

14 Contingent liability

The company is currently responding to an enquiry by HM Revenue and Customs ("HMRC") into the company's VAT status and the way output tax is accounted in its supplies and the eligibility to reclaim input tax. Whilst the company, based on previous professional advice, is confident on the appropriateness of its VAT status, given the nature and current early stage of the enquiry, it cannot currently confirm there will be no material impact on the company's results, cash flows and/or balance sheet position. It is also impracticable to give an estimate of the financial effect or timing of any potential payment at this stage. Furthermore, included within other debtors (see note 8) are amounts due from HMRC amounting to £574,695, which are unlikely to be received until the conclusion of the enquiry and therefore a risk exists over full recovery of this amount.

15 Ultimate parent company

The directors regard Atlanticus Holdings Corporation a company incorporated in the USA, as the ultimate parent company and ultimate controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Atlanticus Holdings Corporation. Copies of the group accounts may be obtained from Atlanticus Holdings Corporation, Five Concourse Parkway, Suite 400, Atlanta, GA 30328, USA.

The company's immediate parent company is CCUK Holdings Limited, incorporated in the UK.