

**Company Registration No. 3936134**

**Cabot Financial Debt Recovery  
Services Limited  
Report and Financial Statements**

**Year ended 31 October 2010**

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# **Cabot Financial Debt Recovery Services Limited**

## **Report and financial statements 2010**

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# **Cabot Financial Debt Recovery Services Limited**

## **Report and financial statements 2010**

### **Officers and professional advisers**

#### **Directors**

G P Crawford  
K W Maynard  
J D Randall

#### **Secretary**

J D Randall

#### **Registered office**

1 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent ME19 4UA

#### **Bankers**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

#### **Solicitors**

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ

#### **Auditors**

Deloitte LLP  
London United Kingdom

# **Cabot Financial Debt Recovery Services Limited**

## **Directors' report**

The Directors present their annual report on the affairs of Cabot Financial Debt Recovery Services Limited (the Company ) together with the financial statements and auditors' report, for the year ended 31 October 2010

### **Principal activities and business review**

The principal activity of the Company is the funding and management of other companies within the Cabot Financial Holdings Group Limited group of companies

The Directors consider that the Company performed its obligations to manage the interests of other companies in the Group in accordance with the business plan, and will continue to do so. The company made a profit in the year as set out in the Results and Dividends section below, due to the tax credit generated by the group relief of tax losses for this and the previous year

### **Possible sale of the Group**

The Directors have been informed by Pall Mall Finance Limited, the majority shareholder of Cabot Financial Group Limited (the Group's parent company) that they intend to sell the Group in the near future and that they have received offers for the Group. Each of the minority shareholders of Cabot Financial Group Limited have indicated that they are in agreement with the proposed transaction

### **Financial risk management objectives and policies**

#### *Cash flow and credit risk*

As described in note 16 to the financial statements, the Company is a member of the Cabot Financial Group (the 'Group'). Consolidated accounts for the Group are drawn up for Cabot Financial Holdings Group Limited and Cabot Financial Group Limited. The Company provides funding and management to the Group and receives dividend income from these related parties. Therefore the majority of the risks it faces are related to the performance of the rest of the Group. The principal activity of the Group is the purchase and recovery of non-performing consumer loans and the principal risks attached are explained in the accounts of the Group. The dividends received are from its foreign investments and therefore the level of income will be directly affected by foreign exchange movements

To mitigate these risks the Group has developed and continues to refine detailed management reporting on individual portfolio performance and re-forecasts future collections on each portfolio on a monthly basis

Due to the long-term nature of the collection strategies employed, the Company will continue to be exposed to possible changes in legislation and economic trends

To mitigate these risks senior employees of the Group play an active role in trade and industry bodies to ensure that any changes in the legislative collections environment are monitored and assessed as soon as practically possible. To mitigate economic risk the Group does not generally enter into long-term fixed-price purchasing arrangements with a duration of more than one year

#### *Price risk*

The Company assesses the collection costs of each portfolio it services on behalf of related parties and agrees service fees accordingly. The market within which the Company operates is highly competitive with a large number of buyers tendering for portfolios that come to market. In order to mitigate this risk the Group continues to invest in pricing models and methodologies in order that segmented sub-portfolios can be accurately priced so that those parts of portfolios with the highest chance of meeting collections expectations are purchased. The Directors consider that substantial ongoing investment in this area will be key to the future success of the business

# **Cabot Financial Debt Recovery Services Limited**

## **Directors' report (continued)**

### *Going concern and liquidity risk*

The Company's business activities together with factors likely to affect its future development performance and position are set out in the business review of this report. The financial position of the Company and liquidity position are described in these accounts. The Company made an operating loss of £5,417 (2009 loss of £14,422), had net current liabilities of £14,623,558 (2009 net current liabilities of £14,696,973) and had a net surplus on shareholders' funds of £2,583,332 (2009 net surplus of £2,509,917).

The Company's business is the funding and management of the wider group of companies and is therefore dependent on the financial well-being of the Group for its own financial security. However, the Company's parent undertaking has confirmed it will continue to support the Company for the foreseeable future.

The Group meets its day to day working capital requirements through a £155m senior loan facility. The renewal date of this bank loan facility is 17 December 2011. As of the balance sheet date the senior loan facility was drawn down to £101m. The Directors have already commenced discussions with the banking syndicate regarding the extension of the loan facility and each member of the syndicate has verbally indicated that they expect to continue to provide the facility on terms similar to the current position.

The Group's latest forecasts and cash flow projections have been reviewed in comparison to the loan facility terms and covenants and this has not indicated any significant uncertainty over the Group's ability to operate within the requirements of the renewed facility and therefore to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has 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.

### **Results and dividends**

The audited financial statements for the year ended 31 October 2010 are set out on pages 7 to 15. The Company's result for the year after taxation was a profit of £73,415 (2009 profit of £10,184). The Directors do not recommend the payment of a dividend (2009 £nil).

The Directors expect the level of business activity of the Company to remain constant throughout the coming year.

### **Directors**

The Directors who held office throughout the year were as follows:

K W Maynard  
G P Crawford  
J D Randall

### **Supplier payment policy**

It is the Company's policy to abide by the terms of payment agreed with suppliers.

# Cabot Financial Debt Recovery Services Limited

## Directors' report (continued)

### 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 auditors are unaware and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappointment them will be proposed at the forthcoming Annual General Meeting

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



J D Randall  
Director

20 January 2011

# **Cabot Financial Debt Recovery Services Limited**

## **Statement of 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 the law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepting 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 those financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 auditors' report to the members of Cabot Financial Debt Recovery Services Limited**

We have audited the financial statements of Cabot Financial Debt Recovery Services Limited for the year ended 31 October 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 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 auditors' 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **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 October 2010 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 matter 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.

### **Matters on which we have 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.



**Andrew Downes (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

21 January 2011



## Cabot Financial Debt Recovery Services Limited

### Profit and loss account

For the year ended 31 October 2010

	Notes	2010 £	2009 £
Administration expenses		(5,417)	(14,422)
<b>Operating loss</b>		<b>(5,417)</b>	<b>(14,422)</b>
Loss on sale of fixed asset investment	8	-	(102)
Interest receivable and similar income	2	2,839	-
Interest payable and similar charges	3	(104,822)	(155,572)
Income from shares in group undertakings	4	-	176,472
Other income		-	3,808
<b>(Loss)/Profit on ordinary activities before taxation</b>	5	<b>(107,400)</b>	<b>10,184</b>
Tax on (loss)/profit on ordinary activities	6	180,815	-
<b>Profit for the year after taxation</b>		<b>73,415</b>	<b>10,184</b>

All the above arises from continuing operations. There are no other gains or losses other than the profit recognised in the profit and loss account for the current and preceding year and accordingly no statement of total recognised gains and losses is given.

The accompanying notes are an integral part of this profit and loss account.

# Cabot Financial Debt Recovery Services Limited

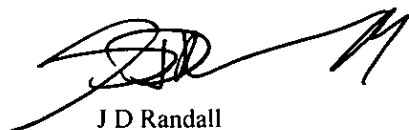
## Balance sheet As at 31 October 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Investments	8	17,206,890	17,206,890
		<u>17,206,890</u>	<u>17,206,890</u>
<b>Current assets</b>			
Debtors, amounts falling due within one year	9	13,993,507	13,993,265
Cash at bank and in hand		-	-
		<u>13,993,507</u>	<u>13,993,265</u>
<b>Creditors, amounts falling due within one year</b>	10	(28,617,065)	(28,690,238)
<b>Net current liabilities</b>		<u>(14,623,558)</u>	<u>(14,696,973)</u>
<b>Total assets less current liabilities</b>		<u>2,583,332</u>	<u>2,509,917</u>
<b>Capital and reserves</b>			
Called up share capital	11	924,001	924,001
Profit and loss account	12	1,659,331	1,585,916
<b>Equity shareholders' funds</b>	13	<u>2,583,332</u>	<u>2,509,917</u>

The accompanying notes are an integral part of this balance sheet

These financial statements of Cabot Financial Debt Recovery Services Limited with registered number 3936134 were approved by the Board of Directors and authorised for issue on 20 January 2011

Signed on behalf of the Board of Directors



J D Randall

Director

# **Cabot Financial Debt Recovery Services Limited**

## **Notes to the financial statements For the year ended 31 October 2010**

### **1. Accounting policies**

The particular accounting policies adopted are described below. These have been applied consistently throughout the year and the preceding year.

#### **Accounting convention**

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

#### **Going concern**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the business review of this report. The financial position of the Company and liquidity position are described in these accounts. The Company made an operating loss of £5,417 (2009: loss of £14,422), had net current liabilities of £14,623,558 (2009: net current liabilities of £14,696,973) and had a net surplus on shareholders' funds of £2,583,332 (2009: net surplus of £2,509,917).

The Company's business is the funding and management of the wider group of companies and is therefore dependent on the financial well-being of the Group for its own financial security. However, the Company's parent undertaking has confirmed it will continue to support the Company for the foreseeable future.

The Group meets its day-to-day working capital requirements through a £155m senior loan facility. The renewal date of this bank loan facility is 17 December 2011. As of the balance sheet date the senior loan facility was drawn down to £101m. The Directors have already commenced discussions with the banking syndicate regarding the extension of the loan facility and each member of the syndicate has verbally indicated that they expect to continue to provide the facility on terms similar to the current position.

The Group's latest forecasts and cash flow projections have been reviewed in comparison to the loan facility terms and covenants and this has not indicated any significant uncertainty over the Group's ability to operate within the requirements of the renewed facility and therefore to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has 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.

#### **Interest**

Interest receivable and payable are recognised on an accruals basis.

#### **Income from shares in group undertakings**

Income from shares in group undertakings represents dividends from group undertakings recognised on a received basis.

# **Cabot Financial Debt Recovery Services Limited**

## **Notes to the financial statements (continued)** **For the year ended 31 October 2010**

### **1 Accounting policies (continued)**

#### **Taxation**

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 balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

#### **Foreign exchange**

Transactions in foreign currencies are recorded at the rates of exchange for sterling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All other exchange differences are included in the profit and loss account

#### **Investments**

Fixed asset investments are shown at cost less any provision for impairment

#### **Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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)

#### **Cash flow statement**

Under the provisions of FRS 1 (Revised) 'Cash flow statements' the Company has not provided a cash flow statement. This is because the Company is a wholly-owned subsidiary of Cabot Financial Holdings Group Limited which prepares such a statement

#### **Consolidation**

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

# Cabot Financial Debt Recovery Services Limited

## Notes to the financial statements (continued) For the year ended 31 October 2010

### 2. Interest receivable and similar income

	2010 £	2009 £
Interest receivable from group companies	2,839	-

### 3 Interest payable and similar charges

	2010 £	2009 £
Interest payable to group companies	104,822	155,572

### 4 Income from shares in group undertakings

The dividend of £nil (2009 £176,472) has been paid by Cabot Services (Europe) SAS a wholly owned subsidiary of this Company that is incorporated in France

### 5 Loss on ordinary activities before taxation

	2010 £	2009 £
Loss on ordinary activities is stated after charging Foreign exchange losses	(2,555)	(558)

The auditors' remuneration with respect to the Company's audit fees for the year of £6 000 (2009 £6 000) was borne by the Company's intermediate holding company, Cabot Financial Holdings Group Limited

### 6 Tax on profit/(loss) on ordinary activities

The tax credit comprises

	2010 £	2009 £
<b>Current tax</b>		
Adjustments in respect of prior years	151 537	-
Group relief - current period	29 278	-
Foreign tax	-	-
Tax credit on (loss)/profit on ordinary activities	180,815	-

The adjustment to the tax credit in respect of previous periods represents the reallocation of group relief across the Cabot Financial Group. Therefore at the Cabot Financial Group Limited consolidation level the adjustment is £nil

# Cabot Financial Debt Recovery Services Limited

## Notes to the financial statements (continued) For the year ended 31 October 2010

### 6 Tax on profit/(loss) on ordinary activities (continued)

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2010 £	2009 £
(Loss)/Profit on ordinary activities before taxation	<u>(107,400)</u>	<u>10,184</u>
Tax on (loss)/profit on ordinary activities at standard UK corporation tax at 28% (2009 - 28%)	30,072	(2,851)
Effects of		
Non-utilisation of losses	-	(17,974)
Expenses not deductible for tax purposes	(794)	(3,881)
Expense relief for foreign tax	-	24,706
Adjustments in respect of prior year	<u>151,537</u>	<u>-</u>
Current tax credit for year	<u>180,815</u>	<u>-</u>

The potential deferred tax asset currently amounts to £nil (2009 £77,786). There are no significant factors, which are anticipated to affect the tax charges shown above.

### 7. Staff costs

There were no employees of the Company during the year ended 31 October 2010 (2009 none). The Directors received no remuneration in the year (2009 £nil).

### 8 Fixed asset investments

	2010 £	2009 £
Subsidiary undertakings at 31 October	<u>17,206,890</u>	<u>17,206,890</u>

# Cabot Financial Debt Recovery Services Limited

## Notes to the financial statements (continued) For the year ended 31 October 2010

### 8. Fixed asset investments (continued)

The Company has direct investments in the following subsidiary undertakings which principally affected the financial statements of the Company

Subsidiary undertakings	Date of acquisition	Country of incorporation and operation	Principal activity	Ordinary shares held	% shares held
Cabot Financial (Europe) Limited	27 April 2000	Great Britain	Collection of UK consumer debt	12 104 790	100
Cabot Financial (UK) Limited	27 April 2000	Great Britain	UK consumer debt purchase and recovery	10,000,000	100
Financial Investigations and Recoveries (Europe) Limited	27 April 2000	Great Britain	Servicing of UK consumer debt	1	100
Kings Hill Capital Limited	30 August 2000	Great Britain	Dormant	1	100
Cabot Services (Europe) SAS	27 April 2000	France	French consumer debt purchase and recovery	2 500	100
Cabot Financial (Ireland) Limited	17 January 2007	Ireland	Irish debt collection	369 114	93
Cabot Spain SL	27 December 2006	Spain	Spanish consumer debt purchase and recovery	3,000	100

The Company has 100% voting rights on shares held in each of the subsidiary undertakings

### 9. Debtors: amounts falling due within one year

	2010 £	2009 £
Loans to subsidiary undertakings	13 820,992	13 820,992
Amounts due from group undertakings	171,766	171,524
Other debtors and prepayments	749	749
	<u>13,993,507</u>	<u>13,993,265</u>

### 10 Creditors: amounts falling due within one year

	2010 £	2009 £
Loans from group companies	24 158,599	24,158,599
Amounts owed to group undertakings	4 456,294	4,531 639
Accruals and other creditors	2 172	-
	<u>28 617,065</u>	<u>28,690,238</u>

# Cabot Financial Debt Recovery Services Limited

## Notes to the financial statements (continued) For the year ended 31 October 2010

### 11. Called up share capital

	2010 £	2009 £
<b>Authorised:</b>		
1,000,000 (2009 - 1,000,000) ordinary shares of £1 each	1,000,000	1,000,000
<b>Allotted, called up, and fully paid:</b>		
924,001 (2009 - 924,001) ordinary shares of £1 each	924,001	924,001

### 12. Profit and loss account

	2010 £	2009 £
At beginning of year	1,585,916	1,575,732
Profit/(loss) for the year	73,415	10,184
At end of year	1,659,331	1,585,916

### 13. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit/(Loss) for the financial year	73,415	10,184
Net addition/(reduction) to shareholders' funds	73,415	10,184
Opening shareholders' funds	2,509,917	2,499,733
Closing shareholders' funds	2,583,332	2,509,917

### 14. Contingent liabilities

The Company is party to a guarantee in favour of the Group's bankers in relation to loans drawn down by other Group companies. Amounts outstanding at 31 October 2010 were £100,966,241 (2009: £107,776,326).

### 15. Related party transactions

The Company has taken advantage of the exemption in paragraph 3(c) of FRS 8 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. During the year to 31 October 2010 professional fees of £nil (2009: £13,681) were recharged to the Company in respect of its 93% ownership of Cabot Financial Ireland Limited. The Company also held a loan of £2,158,669 (2009: £2,158,669) due from Cabot Financial Ireland Limited throughout the year. The net balance due from Cabot Financial Ireland at the balance sheet date was £2,158,669 (2009: £2,136,453).



## **Cabot Financial Debt Recovery Services Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 October 2010**

#### **16. Ultimate parent company**

The Company's immediate parent company is Cabot Financial Holdings Limited. The smallest group of which the Company is a member and for which group financial statements are drawn up is Cabot Financial Holdings Group Limited.

Cabot Financial Holdings Group Limited is wholly owned by Cabot Financial Limited, a company wholly owned by Cabot Financial Group Limited, a company incorporated in Great Britain and registered in England and Wales. The results of the Company are included in the consolidated financial statements of Cabot Financial Group Limited. The largest group in which the Company is consolidated is Citigroup Hold Co Limited. The ultimate controlling party is Citigroup Inc, a company incorporated in the United States and listed on the New York Stock Exchange. Copies of the financial statements are available from Citigroup Inc, 399 Park Avenue, New York, NY 10043.