



Cabot Financial Debt Recovery Services Limited

Consolidated financial statements for the year ended
31 December 2001 together with directors' and auditors' reports

Registered number: 3936134



Directors' report

For the year ended 31 December 2001

The directors present their report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities and business review

The principal activities of the group comprise the purchase and recovery of non-performing consumer loans in the UK and Europe.

The subsidiary undertakings principally affecting the losses or net liabilities of the group in the year are listed in note 11 to the financial statements.

Results and dividends

The audited financial statements for the period ended 31 December 2001 are set out on pages 5 to 21. The group loss for the period, after taxation, was £4,667,332 (2000 - loss of £3,030,244).

The directors do not recommend payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

James R. Clark

Glen P. Crawford

Kenneth W. Maynard (appointed 30 January 2001)

The directors who held office during the year do not have any interests in the shares of the company or other undertakings in the group headed by Cabot Financial Debt Recovery Services Limited.

The directors expect the level of business activity within the group to rise steadily throughout the coming year.

Supplier payment policy

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

Charitable and political contributions

During the year the group made charitable donations of £150 (2000 - £nil). There were no political contributions (2000 - £nil).

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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 accounting standards 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.

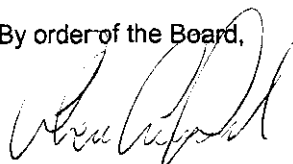
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

10 Kings Hill Avenue
Kings Hill
West Malling
Kent ME19 4LT

By order of the Board,



Glen P. Crawford
Director

30 April 2002

To the shareholder 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 December 2001 which comprise the Consolidated profit and loss account, the Consolidated balance sheet, the Balance sheet, the Consolidated cash flow statement and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1a) to the financial statements concerning the preparation of the financial statements on the going concern basis. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

30 April 2002

Consolidated profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	2	14,638,992	6,952,275
Recovered loan cost	1e	(12,083,887)	(5,417,116)
Gross profit		2,555,105	1,535,159
Administrative expenses		(6,050,676)	(4,852,489)
Other income		1,141,409	1,709,286
Operating loss	3	(2,354,162)	(1,608,044)
Interest payable and similar charges	4	(2,217,964)	(1,289,133)
Interest receivable and similar income	5	109,338	16,554
Loss on ordinary activities before taxation		(4,462,788)	(2,880,623)
Tax on loss on ordinary activities	6	(204,544)	(149,621)
Loss on ordinary activities after taxation		(4,667,332)	(3,030,244)

All turnover arises from continuing operations. There are no other gains or losses other than the losses recognised in the profit and loss account for the year.

A reconciliation of movements in shareholders' funds is given in note 17.

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

Consolidated balance sheet

As at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Intangible assets	9	1,520,195	1,603,114
Tangible assets	10	1,200,898	770,151
		<u>2,721,093</u>	<u>2,373,265</u>
Current assets			
Unrecovered loan cost		26,099,089	15,161,788
Debtors	12	475,466	637,203
Cash at bank and in hand		2,980,227	4,657,464
		<u>29,554,782</u>	<u>20,456,455</u>
Creditors: Amounts falling due within one year	13	<u>(39,049,450)</u>	<u>(22,135,963)</u>
Net current liabilities		<u>(9,494,668)</u>	<u>(1,679,508)</u>
Total assets less current liabilities		<u>(6,773,575)</u>	<u>693,757</u>
Creditors: Amounts falling due after more than one year	14	<u>-</u>	<u>(2,800,000)</u>
Net liabilities		<u>(6,773,575)</u>	<u>(2,106,243)</u>
Capital and reserves			
Called-up share capital	15	924,001	924,001
Profit and loss account	16	(7,697,576)	(3,030,244)
Equity shareholders' funds	17	<u>(6,773,575)</u>	<u>(2,106,243)</u>

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

As at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Investments	11	22,195	22,195
		<u>22,195</u>	<u>22,195</u>
Current assets			
Debtors	12	22,721,700	14,474,069
Cash at bank and in hand		2,276,173	4,385,475
		<u>24,997,873</u>	<u>18,859,544</u>
Creditors: Amounts falling due within one year	13	(23,145,408)	(17,856,671)
Net current assets		<u>1,852,465</u>	<u>1,002,873</u>
Net assets		<u>1,874,660</u>	<u>1,025,068</u>
Capital and reserves			
Called-up share capital	15	924,001	924,001
Profit and loss account	16	950,659	101,067
Equity shareholders' funds	17	<u>1,874,660</u>	<u>1,025,068</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors and signed on its behalf by:



Glen P. Crawford
Director

30 April 2002

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Net cash outflow from operating activities	18	(10,042,010)	(7,432,557)
Returns on investments and servicing of finance	19	(2,151,354)	(1,035,734)
Taxation	19	(180,298)	-
Capital expenditure and financial investment	19	(916,548)	(261,691)
Acquisitions and disposals	19	-	232,531
Net cash outflow before management of liquid resources and financing		<u>(13,290,210)</u>	<u>(8,497,451)</u>
Financing	19	<u>11,612,973</u>	<u>13,154,915</u>
(Decrease)/increase in cash		<u>(1,677,237)</u>	<u>4,657,464</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to the financial statements

For the year ended 31 December 2001

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

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

Cabot Financial Holdings Limited provides a loan facility and agrees pursuant to such a facility to subordinate repayment of the loan to the extent that they will not demand repayment of all or part of the loan at any time when the making of such payment by the company would cause the company to be unable to discharge its liabilities to any other party.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

b) Basis of consolidation

The group financial statements consolidate the financial statements of Cabot Financial Debt Recovery Services Limited and its subsidiary undertakings drawn up to 31 December 2001. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

c) Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess, or shortfall, of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

d) Turnover

Turnover represents amounts collected from customers and fees receivable from servicing of loans.

e) Income recognition on loan portfolios

Income is recognised using a yield basis described below.

Total collections are estimated on a prudent basis reflecting the characteristics and quality of the portfolio on acquisition together with the collection experience since acquisition. A yield on each portfolio is calculated using total estimated collections by portfolio. The yield percentage is applied to allocate amounts collected from customers between profit and the cost of the loan portfolio.

Notes to the financial statements (continued)

1 Accounting policies (continued)

f) *Loan portfolios*

Non-performing loan portfolios are purchased from financial institutions at a substantial discount from their face amounts and are recorded at the group's cost to acquire the portfolio.

g) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment in value. Depreciation is provided on all tangible fixed assets on a straight-line basis in order to write off the cost, less estimated residual value, of each asset over its expected useful economic life. The rates used per annum are as follows:

Office equipment	4 years
Computer hardware/software	3 years
Fixtures and fittings	5 years
Short leasehold property	3 years

h) *Investments*

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

i) *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.

j) *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange 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.

The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves. All other exchange differences are included in the profit and loss account.

k) *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Notes to the financial statements (continued)

2 Turnover

Turnover is attributable to the group's continuing operations as follows:

	2001 £	2000 £
Servicing fees	16,700	-
Collections	14,622,292	6,952,275
	<u>14,638,992</u>	<u>6,952,275</u>

3 Operating loss

This is stated after charging:

	2001 £	2000 £
Staff costs (including directors)	2,595,475	1,701,890
Auditors' remuneration	61,000	77,000
Auditors' remuneration (non audit work)	-	52,890
Depreciation	485,801	392,167
Amortisation of goodwill	82,919	55,265
Loss on disposal of fixed assets	-	14,650
Operating lease rentals - land and buildings	<u>204,475</u>	<u>196,666</u>

4 Interest payable and similar charges

	2001 £	2000 £
Interest payable	524,226	-
Interest payable to group companies	1,693,738	1,289,133
	<u>2,217,964</u>	<u>1,289,133</u>

5 Interest receivable and similar income

	2001 £	2000 £
Interest receivable	<u>109,338</u>	<u>16,554</u>

Notes to the financial statements (continued)

6 Tax on ordinary activities

	2001 £	2000 £
French corporation tax	<u>204,544</u>	<u>149,621</u>

7 Information regarding directors and employees

a) The average monthly number of employees (including directors) was:

	2001	2000
Administration	23	18
Collections	<u>61</u>	<u>50</u>
	<u>84</u>	<u>68</u>

b) Staff costs (including directors)

	2001 £	2000 £
Salaries	2,307,533	1,506,432
Social security	226,735	149,532
Pension contributions	<u>61,207</u>	<u>45,926</u>
	<u>2,595,475</u>	<u>1,701,890</u>

c) Directors' remuneration

The remuneration of the directors was as follows:

	2001 £	2000 £
Services as directors	302,749	411,323
Directors' fees	5,900	-
Pension contributions	<u>15,000</u>	<u>10,321</u>
	<u>323,649</u>	<u>421,644</u>

The number of directors who were members of pension schemes was as following:

	2001 £	2000 £
Money purchase schemes	2	3
Defined benefit schemes	<u>-</u>	<u>-</u>
	<u>2</u>	<u>3</u>

Notes to the financial statements (continued)

7 Information regarding directors and employees (continued)

d) Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director.

	2001 £	2000 £
Services as director	151,598	175,323
Pension contributions	7,500	1,561
	<u>159,098</u>	<u>176,884</u>

8 Profit attributable to Cabot Financial Debt Recovery Services Limited ('CFDRS')

The profit for the financial year dealt with in the financial statements of the parent company, CFDRS, was £851,354.

As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of CFDRS.

9 Intangible fixed assets - goodwill

	£
Cost	
At 1 January 2001	<u>1,658,379</u>
At 31 December 2001	<u>1,658,379</u>
Amortisation	
At 1 January 2001	55,265
Charge for the year	<u>82,919</u>
At 31 December 2001	<u>138,184</u>
Net book value	
At 31 December 2001	<u>1,520,195</u>
At 31 December 2000	<u>1,603,114</u>

Notes to the financial statements (continued)

10 Tangible fixed assets

Group	Office equipment £	Computer hardware/ software £	Furniture and fittings £	Leasehold property £	Total £
Cost					
At 1 January 2001	379,890	414,643	191,822	175,963	1,162,318
Additions	73,357	750,113	54,473	38,605	916,548
At 31 December 2001	<u>453,247</u>	<u>1,164,756</u>	<u>246,295</u>	<u>214,568</u>	<u>2,078,866</u>
Depreciation					
At 1 January 2001	88,968	153,803	38,214	111,182	392,167
Charge for the year	152,149	203,047	60,613	69,992	485,801
At 31 December 2001	<u>241,117</u>	<u>356,850</u>	<u>98,827</u>	<u>181,174</u>	<u>877,968</u>
Net book value					
At 31 December 2001	<u>212,130</u>	<u>807,906</u>	<u>147,468</u>	<u>33,394</u>	<u>1,200,898</u>
At 31 December 2000	<u>290,922</u>	<u>260,840</u>	<u>153,608</u>	<u>64,781</u>	<u>770,151</u>

Notes to the financial statements (continued)

11 Fixed asset investments

	Group		Company	
	2000 £	2001 £	2000 £	2001 £
Subsidiary undertakings	-	-	22,195	22,195
	-	-	22,195	22,195

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings which principally affected the losses or net liabilities of the group:

	Date of acquisition	Country of incorporation and operation	Principal activity	Ordinary shares held	%
<i>Subsidiary undertakings</i>					
Cabot Financial (Europe) Limited	27 April 2000	England	Collection of UK consumer debt	£7,223,165	100
Kings Hill (No. 1) Limited	27 April 2000	England	UK consumer debt purchase and recovery	£1	100
Cabot Services (Europe) SAS	27 April 2000	France	French consumer debt purchase and recovery	FRF 250,000	100
Kings Hill (No. 2) Limited	27 April 2000	England	UK consumer debt purchase and recovery	£1	100
Kings Hill Capital Ltd	30 August 2000	England	UK consumer debt purchase and recovery	£1	100
Morley Limited	30 August 2000	England	Trustee of portfolio of loans	£2	100
Morley Funding Limited	30 August 2000	England	Administration of portfolio of loans	£2	100

Notes to the financial statements (continued)

Fixed asset investments (continued)

<i>Subsidiary undertakings</i>	£
Cost	
At 1 January 2001	22,195
Additions	-
Disposals	-
At 31 December 2001	<u>22,195</u>
Amounts written off	
At 1 January 2001	-
Written off	-
Written back	-
Disposals	-
At 31 December 2001	<u>-</u>
Net book value	
At 31 December 2001	<u>22,195</u>

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Amounts falling due within one year:				
Loans to subsidiary undertakings	-	-	22,459,811	14,474,069
Amount due from group companies	20,451	-	261,889	-
Other debtors and prepayments	455,015	637,203	-	-
	<u>475,466</u>	<u>637,203</u>	<u>22,721,700</u>	<u>14,474,069</u>

Notes to the financial statements (continued)

13 Creditors: Amounts falling due within one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts falling due within one year:				
Bank loans and overdrafts	12,483,313	2,500,000	-	-
Trade creditors	253,975	43,812	-	-
Taxation	174,111	149,621	-	-
Loans from group companies	23,215,631	18,785,971	22,955,626	17,642,995
Other interco creditors	194,135	-	-	-
Other creditors	2,331,820	215,795	185,775	212,176
Accruals	396,465	440,764	4,007	1,500
	<u>39,049,450</u>	<u>22,135,963</u>	<u>23,145,408</u>	<u>17,856,671</u>

14 Creditors: Amounts falling due after one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts falling due after one year:				
Bank loans and overdrafts	-	2,800,000	-	-
	<u>-</u>	<u>2,800,000</u>	<u>-</u>	<u>-</u>

The group has granted a fixed charge over certain loan assets including all cash flows, net of servicing charges, received from those assets to secure a bank loan of £12,483,313 during the period. The loan is repayable within one year.

15 Called-up share capital

	2001 £	2000 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
924,001 ordinary shares of £1 each	<u>924,001</u>	<u>924,001</u>

Notes to the financial statements (continued)

16 Profit and loss account

	Group £	Company £
At 31 December 2000	(3,030,244)	101,067
Retained (loss)/profit for the period	<u>(4,667,332)</u>	<u>849,592</u>
At 31 December 2001	<u>(7,697,576)</u>	<u>950,659</u>

17 Reconciliation of movements in shareholders' funds

	Group 2001 £	Company 2001 £
(Loss)/profit for the financial year	<u>(4,667,332)</u>	<u>851,354</u>
Net addition to shareholders' funds	<u>(4,667,332)</u>	<u>851,354</u>
Opening shareholders' funds	<u>(2,106,243)</u>	<u>1,025,068</u>
Closing shareholders' funds	<u>(6,773,575)</u>	<u>1,876,422</u>

18 Reconciliation of operating loss to operating cash flows

	2001 £	2000 £
Operating loss	(2,354,162)	(1,608,044)
Depreciation charges	485,801	392,167
Profit on disposal of fixed asset	-	14,650
Amortisation of goodwill	82,919	55,265
Decrease in unrecovered loan cost	(10,937,301)	(6,084,054)
Decrease/(increase) in debtors	161,737	(392,167)
Increase in creditors	<u>2,518,996</u>	<u>189,626</u>
Net cash outflow from operating activities	<u>(10,042,010)</u>	<u>(7,432,557)</u>

Notes to the financial statements (continued)

19 Analysis of cash flows

	2001 £	2000 £
<i>Returns on investments and servicing of finance</i>		
Interest received	109,338	16,554
Interest paid	(2,260,692)	(1,052,288)
Net cash outflow	(2,151,354)	(1,035,734)
<i>Taxation</i>		
UK corporation tax paid		
French corporation tax paid	(180,298)	-
Net cash outflow	(180,298)	-
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(916,548)	(261,691)
Net cash outflow	(916,548)	(261,691)
<i>Acquisitions and disposals</i>		
Purchase of subsidiary undertakings	-	(23,195)
Net cash acquired with subsidiary undertakings	-	255,726
Net cash inflow	-	232,531
<i>Financing</i>		
Issue of ordinary share capital	-	924,001
Bank loans	7,183,313	5,300,000
Other loans	4,429,660	6,930,914
Net cash inflow	11,612,973	13,154,915
<i>Other income</i>		
Administrative fees from Morley Funding Ltd	1,092,840	1,610,000
Morley Ltd	7,047	8,000
Cabot Financial (Europe) Ltd recharges	41,522	96,179
Net cash inflow	1,141,409	1,714,179

Notes to the financial statements (continued)

20 Analysis and reconciliation of net debt

	1 January 2001 £	Cash flow £	31 December 2001 £
Cash at bank and in hand	4,657,464	(1,677,237)	2,980,227
Debt due within 1 year	(21,285,971)	(14,412,973)	(35,698,944)
Debt due after more than 1 year	(2,800,000)	2,800,000	-
Net debt	<u>(19,428,507)</u>	<u>(13,290,210)</u>	<u>(32,718,717)</u>

* Excluding cash and overdrafts.

	2001 £
Decrease in cash in the period	(1,677,237)
Cash inflow from increase in debt	(11,612,973)
Change in net debt resulting from cash flows	<u>(13,290,210)</u>
Movement in net debt in the year	(13,290,210)
Net debt at 1 January 2001	<u>(19,428,507)</u>
Net debt at 31 December 2001	<u>(32,718,717)</u>

21 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 Land and buildings		2000 Land and buildings	
	Group £	Company £	Group £	Company £
Expiry date				
- after five years	<u>262,371</u>	<u>-</u>	<u>203,936</u>	<u>-</u>
	<u>262,371</u>	<u>-</u>	<u>203,936</u>	<u>-</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Notes to the financial statements (continued)

22 Ultimate parent company and related party transactions

Cabot Financial Debt Recovery Services Limited is a wholly owned subsidiary of Cabot Financial Holdings Limited (formerly Platform Group Holdings Limited) and its results are included in the consolidated financial statements of Cabot Financial Holdings Limited. Consequently, the company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Cabot Financial Holdings Limited group for the year ended 31 December 2001.

There were no material transactions with the Cabot Financial Holdings Limited between 27 December 2000 and 31 December 2001. Loans held at 31 December 2001 from Cabot Financial Holdings Limited were £23,215,631.

The Company's ultimate parent company is CS Structured Credit Fund Ltd., a company incorporated in the Cayman Islands. Cabot Financial Debt Recovery Services Limited is the smallest group in which the results are consolidated.