

**Company Registration No. 08467547**

**Cabot (Group Holdings) Limited**

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



# **Cabot (Group Holdings) Limited**

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# **Cabot (Group Holdings) Limited**

## **Officers and professional advisors**

The officers and professional advisors of the Company at the date of this report are as follows:

### **Directors**

C Buick  
K Stannard

### **Secretary**

C Taggart

### **Bankers**

National Westminster Bank PLC  
City of London Office  
PO BOX 12258  
1 Princess Street  
London  
EC2R 8PA

### **Registered office**

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

# **Cabot (Group Holdings) Limited**

## **Strategic Report For the year ended 31 December 2017**

### **Overview**

The Directors present the Strategic Report, Directors' Report and the financial statements of Cabot (Group Holdings) Limited (the "Company") for the year ended 31 December 2017.

The Company's principal activity was that of a holding company in fellow Group companies of the Cabot Credit Management plc Group. During the year, as part of a group reorganisation investment in Cabot Credit Management plc was passed up to Cabot UK Holdco Limited. The Company now no longer holds any investments.

### **Business review and results**

The profit before tax for the year amounts to £764,000 (2016 - £42,000), an increase 1,700%.

As the performance of Cabot (Group Holdings) 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;
- 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;
- Cash and cash equivalents; and
- Trade and other payables.

### **Going concern and liquidity risk**

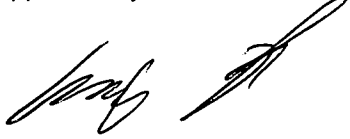
Management have reviewed the forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

# **Cabot (Group Holdings) Limited**

## **Strategic Report For the year ended 31 December 2017**

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

A handwritten signature in black ink, appearing to be 'C Buick', written over a horizontal line.

C Buick  
Director

18<sup>th</sup> September 2018

# **Cabot (Group Holdings) 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 financial statements and related notes for the year ended 31 December 2017 are set out on pages 9 to 13. The Company's result for the year after taxation was a profit of £615 thousand (2016: £253 thousand). A dividend of £227,910 thousand was paid during the year (2016: £nil).

During the year, as part of a group reorganisation investment in Cabot Credit Management plc was passed up to Cabot UK Holdco Limited.

### **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
- C Buick
- P Crook (resigned 8 September 2017)
- B Gilligan (appointed 5 December 2017; resigned 1 February 2018)
- P Grinberg (resigned 1 February 2018)
- T Hanford (resigned 1 February 2018)
- A Masih (appointed 30 May 2017; resigned 1 February 2018)
- W Mesdag (resigned 30 January 2018)
- J Oros (resigned 1 February 2018)
- N Sorensen (resigned 1 February 2018)
- K Vecchione (resigned 29 May 2017)

### **Qualifying third party indemnity provisions**

The Company has arranged qualifying third party indemnity for all of its Directors.

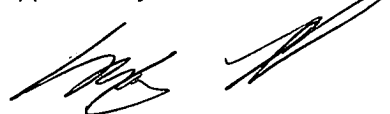
### **Political donations**

The Company made no political contributions (2016: £nil).

### **Future developments**

Any future developments affecting the Company are set out in the Strategic Report on pages 2 to 3.

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



C Buick  
Director

18<sup>th</sup> September 2018

## **Cabot (Group Holdings) 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.

## Cabot (Group Holdings) Limited

### Statement of comprehensive income For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Administration expenses		-	(2)
<b>Operating loss</b>		<b>-</b>	<b>(2)</b>
Finance income	4	79	98
Finance expense	5	-	(54)
Dividends received		685	-
<b>Profit on ordinary activities before taxation</b>	3	<b>764</b>	<b>42</b>
Tax expense	6	(149)	(295)
<b>Profit/(loss) after tax and total comprehensive income for the financial period</b>		<b>615</b>	<b>(253)</b>

All of the above results are derived from continuing operations.





# Cabot (Group Holdings) Limited

## Statement of financial position As at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Investments	7	-	170,510
		<u>-</u>	<u>170,510</u>
<b>Current assets</b>			
Trade and other receivables	8	-	48,767
Cash in bank and on hand		1	14
		<u>1</u>	<u>48,781</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	9	(149)	(1,556)
		<u>(149)</u>	<u>(1,556)</u>
<b>Net current (liabilities)/assets</b>		<u>(148)</u>	<u>47,225</u>
<b>Net (liabilities)/assets</b>		<u>(148)</u>	<u>217,735</u>
<b>Equity</b>			
Called up share capital	10	1	202,346
Capital contribution reserve		8,574	16,918
Retained earnings		(8,723)	(1,529)
<b>Total shareholders' (deficit)/funds</b>		<u>(148)</u>	<u>217,735</u>

These financial statements of Cabot (Group Holdings) Limited, with registered number 08467547, were approved by the Board of Directors and authorised for issue on 18<sup>th</sup> September 2018.

Signed on behalf of the Board of Directors by:

C Buick  
Director

**Cabot (Group Holdings) Limited**

**Statement of changes in equity  
As at 31 December 2017**

	Share Capital	Capital contribution reserve	Accumulated losses	Total
	£000	£000	£000	£000
<b>As at 1 January 2016</b>	202,346	16,918	(1,276)	217,988
<i>Comprehensive income for the period:</i>				
Loss for the period	-	-	(253)	(253)
Total comprehensive income	-	-	(1,529)	(217,735)
<b>As at 31 December 2016</b>	<b>202,346</b>	<b>16,918</b>	<b>(1,529)</b>	<b>217,735</b>
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	615	615
Total comprehensive income	-	-	615	615
Share Capital reduction	(202,345)	(8,344)	220,101	9,412
Dividends paid	-	-	(227,910)	(227,910)
<b>As at 31 December 2017</b>	<b>1</b>	<b>8,574</b>	<b>(8,723)</b>	<b>(148)</b>

# Cabot (Group Holdings) Limited

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

### 1. General information

Cabot (Group Holdings) Limited is a company limited by shares incorporated and domiciled in England and Wales. The registered office is located at 1 Kings Hill, West Malling, ME19 4UA.

The principal activity of the Company is that of a holding company.

### 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 subsidiary of Cabot UK Holdco Limited, formally known as Carat UK Holdco Limited and its results are included in the consolidated financial statements of that company. These financial statements therefore present information about the Company as an individual entity alone.

#### 2.2. Going concern

The Company's core business was formerly that of a holding company of the Cabot Credit Management plc Group of Companies. During the year, as part of a group reorganisation investment in Cabot Credit Management plc was passed up to Cabot UK Holdco Limited. Since the Company's immediate parent remains Carat UK Midco Limited the Company's financial position is therefore partly dependent on the financial condition of that Group.

The Cabot Credit Management Group has long-term debt financing through Senior Secured Loan notes. 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 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.

# **Cabot (Group Holdings) Limited**

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

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.

### **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.

#### **Finance income and costs**

Interest income, and interest and expenses are recognised using the effective interest rate method.

Finance costs include facility fees on bank loans and similar costs.

#### **Investments in subsidiaries**

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

#### **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible 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).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

# Cabot (Group Holdings) Limited

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

### Financial instruments

#### Financial assets

Trade and other receivables are classified as loans and receivables and 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 using the effective interest rate method.

### 3. Profit on ordinary activities before taxation

Operating loss is stated after charging/ (crediting) the following:

	2017 £000	2016 £000
Auditors remuneration for the audit of the company's financial statements	-	(2)

The Company was not subject to an audit during the year.

### 4. Finance income

	2017 £000	2016 £000
Interest income from parent and other Group undertakings <sup>(a)</sup>	79	98

<sup>(a)</sup> Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances and at a rate of 0.2% on loans.

### 5. Finance expense

	2017 £000	2016 £000
Interest expense due to parent and other Group undertakings <sup>(a)</sup>	-	54

<sup>(a)</sup> Interest payable to parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances.

# Cabot (Group Holdings) Limited

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

### 6. Tax expense

The income tax expense comprises:

	2017 £000	2016 £000
<b>Current tax</b>		
Corporation tax	149	295
<b>Total current tax</b>	<b>149</b>	<b>295</b>

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	764	42
Income tax expense calculated at standard UK hybrid corporation tax rate of 19.25% (2016: 20%)	147	8
Effects of:		
Expenses not deductible for tax purposes	136	-
Transfer pricing adjustment	(134)	287
<b>Total income tax expense</b>	<b>149</b>	<b>295</b>

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

	Investment in subsidiary undertakings £000
At 1 January 2017	170,510
Disposal of subsidiaries	(170,510)
<b>At 31 December 2017</b>	<b>-</b>

During the year, as part of a group reorganisation investment in Cabot Credit Management plc was passed up to Cabot UK Holdco Limited. The disposal was at book value and settled by intragroup dividends of £227,226,232 and decreases in intercompany payables.

# Cabot (Group Holdings) Limited

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

### 8. Trade and other receivables

	2017 £000	2016 £000
Loans to Group undertakings	-	48,767

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	149	1,556
	<u>149</u>	<u>1,556</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. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
1 Ordinary shares of £1 each, subscription price of £1	<u>1</u>	<u>202,346</u>

### 11. Ultimate parent Company

The Company's immediate parent company is Carat UK Midco 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.

### 12. Events after the balance sheet date

On 24 July 2018, Encore Capital Group Inc completed the purchase of the non-controlling interests held by JC Flowers & Co and company management and took 100% ownership of the Cabot Credit Management Limited Group.