

**Company Registration No. 03958421**

**Financial Investigations and  
Recoveries (Europe) Limited**

**Report and Financial Statements**

**Period ended 31 December 2011**

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# **Financial Investigations and Recoveries (Europe) Limited**

## **Report and financial statements 2011**

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# **Financial Investigations and Recoveries (Europe) Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

N Clyne  
G P Crawford  
S N Mound  
J D Randall

#### **Secretary**

J D Randall

#### **Registered office**

Unit 5, Mitchell Court  
Castle Mound Way  
Central Park  
Rugby  
CV23 0UY

#### **Bankers**

RBS Plc  
250 Bishopsgate  
London  
EC2M 3AA

#### **Solicitors**

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ

#### **Auditor**

Deloitte LLP  
London, United Kingdom

# Financial Investigations and Recoveries (Europe) Limited

## Directors' report

The Directors present their annual report on the affairs of Financial Investigations and Recoveries (Europe) Limited (the "Company"), together with the financial statements and auditor's report, for the period ended 31 December 2011

### Principal activities and business review

The Company's core business is the provision of recovery services in respect of non-performing consumer loans in the United Kingdom on behalf of related parties

Turnover increased from £483,569 in the year ended 31 October 2010 to £588,777 in the 14 months ended 31 December 2011 due to the additional months in the period and an increase in debt available for servicing. The Directors expect both the turnover and operating profits of the Company to grow in the coming years fuelled by cashflows from portfolios already being serviced plus a growing volume of debt expected to be purchased by the Group and made available to the Company for servicing

### Sale of the Group

On 6 April 2011 the entire share capital of the Cabot Financial Group Ltd was purchased for £90m by Calcium Holdings Sarl. As part of this process the Apex Credit Management group, a group of companies also owned by Calcium Holdings Sarl was purchased by the Cabot Financial Group. Cabot Financial Group Ltd subsequently changed its name to Cabot Credit Management Ltd. The combination of the Cabot and Apex groups gives the combined group the both the platform and the scale to develop rapidly to make the most of the opportunities in the market place

### Financial risk management objectives and policies

#### *Cash flow and credit risk*

As described in note 13 to the financial statements, the Company is a member of the Cabot Credit Management group of companies (the "Group"). Consolidated accounts for the Group are drawn up for Cabot Financial Holdings Group Limited and Cabot Credit Management Limited. The Company provides collections services to the Group and receives consumer accounts to collect 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

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 to ensure 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

#### *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 £196,009 (2010 loss of £249,044), had net current liabilities and net deficit on shareholders' funds of £523,731 (2010 net current liabilities and net deficit of £369,098)

# Financial Investigations and Recoveries (Europe) Limited

## Directors' report (continued)

### *Going concern and liquidity risk (continued)*

The Company's core business is providing recovery services in respect of non-performing loans to 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 £205m senior loan facility which was refinanced in February 2012 and matures in February 2016. As at the balance sheet date the senior loan facility was drawn down to £156m. The Group has granted a fixed and floating charge over assets with a carrying value in excess of £300m as at the balance sheet date as security for the bank loan. The facility is repaid each month with a set percentage of the amount recovered from the loan portfolios.

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 and related notes for the period ended 31 December 2011 are set out on pages 7 to 14. The Company's result for the period after taxation was a loss of £154,634 (2010 loss of £85,397). The Directors do not recommend payment of a dividend (2010 £nil).

### **Directors**

The Directors who held office throughout the period, except as noted, were as follows:

N Clyne (appointed 27 April 2011)  
G P Crawford  
K W Maynard (resigned 6 April 2011)  
S N Mound (appointed 28 April 2011)  
J D Randall

### **Supplier payment policy**

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

# Financial Investigations and Recoveries (Europe) Limited

## Directors' report (continued)

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/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 auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint 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

31 July 2012

# **Financial Investigations and Recoveries (Europe) 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 and Group 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 auditor's report to the members of Financial Investigations and Recoveries (Europe) Limited**

We have audited the financial statements of Financial Investigations and Recoveries (Europe) Limited for the period ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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 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 auditor**

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 Auditing Practices Board'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2011 and of its loss for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

### **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.



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

31 JULY 2012



# Financial Investigations and Recoveries (Europe) Limited

## Profit and loss account For the period ended 31 December 2011

	Notes	14 months to 31/12/2011 £	12 months to 31/10/2010 £
<b>Turnover</b>	1	588,777	483,569
<b>Gross profit</b>		588,777	483,569
Administration expenses		(784,786)	(732,613)
<b>Operating loss</b>		(196,009)	(249,044)
Interest receivable and similar income	2	-	1,747
Interest payable and similar charges	3	(14,993)	(3,781)
<b>Loss on ordinary activities before taxation</b>	4	(211,002)	(251,078)
Tax on loss on ordinary activities	6	56,368	165,681
<b>Loss on ordinary activities after taxation</b>		<u>(154,634)</u>	<u>(85,397)</u>

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

# Financial Investigations and Recoveries (Europe) Limited

## Balance sheet

As at 31 December 2011

	Notes	31 December 2011 £	31 October 2010 £
<b>Current assets</b>			
Cash at bank and in hand		50,916	43,816
Debtors amounts falling due within one year	7	473,600	417,233
		<u>524,516</u>	<u>461,049</u>
<b>Creditors' amounts falling due within one year</b>	8	(1,048,247)	(830,147)
<b>Net current liabilities</b>		<u>(523,731)</u>	<u>(369,098)</u>
<b>Total assets less current liabilities</b>		<u>(523,731)</u>	<u>(369,098)</u>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Profit and loss account	10	(523,732)	(369,099)
<b>Shareholders' deficit</b>	11	<u>(523,731)</u>	<u>(369,098)</u>

The accompanying notes are an integral part of this balance sheet

These financial statements, of Financial Investigations and Recoveries (Europe) Limited with registered number 03958421, were approved by the Board of Directors and authorised for issue on 31 July 2012

Signed on behalf of the Board of Directors



J D Randall  
Director

# Financial Investigations and Recoveries (Europe) Limited

## Notes to the financial statements For the period ended 31 December 2011

### 1 Accounting policies

The particular accounting policies adopted are described below. These have been applied consistently throughout the period 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 the Directors' report. The financial position of the Company and liquidity position are described in these accounts. The Company made an operating loss of £196,009 (2010 loss of £249,044), had net current liabilities and net deficit on shareholders' funds of £523,731 (2010 net current liabilities and net deficit of £369,098).

The Company's core business is providing recovery services in respect of non-performing loans to the wider Cabot Credit Management group of companies ("the Group") and is therefore dependent on the financial well-being of the Group for its own financial security. However, the Company's parent undertaking, Cabot Credit Management Limited, 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 £205m senior loan facility which was refinanced in February 2012 and matures in February 2016. As at the balance sheet date the senior loan facility was drawn down to £156m. The Group has granted a fixed and floating charge over assets with a carrying value in excess of £300m as at the balance sheet date as security for the bank loan. The facility is repaid each month with a set percentage of the amount recovered from the loan portfolios.

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.

#### Turnover

Turnover represents fees receivable from the servicing of loans on behalf of third parties.

#### Interest

Interest received and payable are recognised on an accruals basis.

# Financial Investigations and Recoveries (Europe) Limited

## Notes to the financial statements

### For the period ended 31 December 2011 (continued)

#### 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

##### 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

#### 2. Interest receivable and similar income

	14 months to 31/12/2011 £	12 months to 31/10/2010 £
Interest receivable from group companies	-	1,747

#### 3. Interest payable and similar charges

	14 months to 31/12/2011 £	12 months to 31/10/2010 £
Interest payable to group companies	14,993	3,781

#### 4. Loss on ordinary activities before taxation

The auditor's remuneration with respect to the Company's audit fees for the period of £14,000 (2010 £14,000) was borne by the Company's intermediate holding company, Cabot Financial Holdings Group Limited

# Financial Investigations and Recoveries (Europe) Limited

## Notes to the financial statements For the period ended 31 December 2011 (continued)

### 5 Staff costs

There were no employees of the Company during the period ended 31 December 2011 (2010 none) The Directors received no remuneration in the period (2010 £nil) All of the costs associated with the operation are borne by Cabot Financial (Europe) Limited, a fellow subsidiary of the ultimate parent undertaking with an inter-group service fee charged to the Company

### 6. Tax on loss on ordinary activities

The tax credit comprises

	14 months to 31/12/2011 £	12 months to 31/10/2010 £
<b>Current tax</b>		
Adjustments to prior year	-	95,379
Group relief at 26.7% (2010 28%)	56,368	70,302
<b>Total current tax</b>	<u>56,368</u>	<u>165,681</u>

The adjustment to the tax charge in respect of previous periods represents the reallocation of group relief across the Cabot Credit Management group of companies Therefore at the Cabot Credit Management Limited consolidation level the adjustment is £nil

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

	14 months to 31/12/2011 £	12 months to 31/10/2010 £
Loss on ordinary activities before taxation	<u>(211,002)</u>	<u>(251,078)</u>
Tax on loss on ordinary activities at standard UK corporation tax at 26.7% (2010 28%)	56,368	70,302
Effects of Adjustments to prior year	-	95,379
<b>Current tax credit for the period</b>	<u>56,368</u>	<u>165,681</u>

The potential deferred tax asset currently amounts to £nil (2010 £nil) There are no significant factors which are anticipated to affect the tax charges shown above

The Finance Act 2011, which reduced the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 5 July 2011 As this change in rate was substantively enacted prior to 31 December 2011, it has been reflected in the deferred tax assets and liabilities at 31 December 2011

## Financial Investigations and Recoveries (Europe) Limited

### Notes to the financial statements

#### For the period ended 31 December 2011 (continued)

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

A further reduction in the main rate of UK corporation tax to 24% was substantively enacted on 26 March 2012. However as this occurred post-balance sheet, it does not affect the deferred tax rate applied in these financial statements. The UK Government has also indicated that it intends to enact future reductions in the main rate of UK corporation tax of 1% each year down to 22% by 2014. These changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The estimated financial effect of these changes is not significant.

##### 7 Debtors: amounts falling due within one year

	31/12/2011	31/10/2010
	£	£
Amounts owed by group companies	473,600	417,233

The directors believe the balance sheet value of these assets is not materially different to their fair value.

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

	31/12/2011	31/10/2010
	£	£
Trade creditors	631	631
Amounts owed to group companies	1,043,035	826,739
Accruals	4,581	2,777
	<u>1,048,247</u>	<u>830,147</u>

The directors believe the balance sheet values of these liabilities is not materially different to their fair value.

##### 9 Called up share capital

	31/12/2011	31/10/2010
	£	£
<b>Authorised:</b>		
100 (2010 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and paid:</b>		
1 (2010 1) ordinary share of £1	<u>1</u>	<u>1</u>

## Financial Investigations and Recoveries (Europe) Limited

### Notes to the financial statements For the period ended 31 December 2011 (continued)

#### 10. Profit and loss account

	31/12/2011	31/10/2010
	£	£
Deficit at beginning of period	(369,098)	(283,701)
Loss for the period	(154,634)	(85,397)
At end of period	<u>(523,732)</u>	<u>(369,098)</u>

#### 11. Reconciliation of movement in shareholders' (deficit)/funds

	31/12/2011	31/10/2010
	£	£
Loss for the financial period	<u>(154,634)</u>	<u>(85,397)</u>
Net increase to shareholders' deficit	(154,634)	(85,397)
Opening shareholders' deficit	<u>(369,097)</u>	<u>(283,700)</u>
Closing shareholders' deficit	<u>(523,731)</u>	<u>(369,097)</u>

#### 12. 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 the group. There were no other related party transactions or balances requiring disclosures.

## **Financial Investigations and Recoveries (Europe) Limited**

### **Notes to the financial statements**

#### **For the period ended 31 December 2011 (continued)**

##### **13. Ultimate parent company**

The Company's immediate parent company is Cabot Financial Debt Recovery Services 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 Credit Management 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 Credit Management Limited.

Until 6 April 2011 the ultimate parent undertaking was Citigroup Inc and the largest group into which the Company consolidates was Citigroup Hold Co Limited (formerly called NPIL Hold Co Limited). The ultimate controlling party was Citigroup Inc, a company listed on the New York Stock Exchange in the United States. Copies of the financial statements are available from Citigroup Inc, 399 Park Avenue, New York, NY 10043.

Since 6 April 2011 the Company's immediate parent company is Calcium Holdings Sarl. The company's ultimate parent undertaking is AnaCap Calcium L P, a partnership registered in Guernsey.