

Company Registration No. 3958421

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

Report and Financial Statements

Year ended 31 October 2008

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Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2008

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Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2008

Officers and professional advisers

Directors

K W Maynard
G P Crawford
J D Randall

Secretary

J D Randall

Registered office

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

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

Financial Investigations and Recoveries (Europe) Limited

Directors' report (continued)

The directors present their annual report on the affairs of Financial Investigations and Recoveries (Europe) Limited (the "Company"), together with the financial statements and auditors' report, for the year ended 31 October 2008.

Principal activities and business review

The Company's principal business activity is the servicing of defaulted consumer receivables on behalf of the owners of the debt.

Turnover for the year to October 2008 fell short of expectations as the average payment received has reduced despite the increase in debt available for servicing. The Directors expect this to improve in the coming year.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

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 Financial Group (the "Group") and therefore its financial risk management and objectives and policies are intrinsically linked to those of the Group. Consolidated accounts for the Group are drawn up for Cabot Financial Holdings Group Limited. The collection of non-performing consumer receivables carries a substantial amount of cash risk due to the underlying volatility in the collection characteristics of these assets.

To mitigate these risks the Group controlled by the Company's immediate holding company 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 Company 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.

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 £100,503 (2007: £32,051), net current liabilities and net deficit on shareholders funds of £43,721 (2007: net current assets and net surplus £56,938).

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.

Financial Investigations and Recoveries (Europe) Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Going concern and liquidity risk (continued)

The Group meets its day to day working capital requirements through a £140m senior loan facility which is over due for renewal. The renewal date of the existing bank loan facility was extended to 30 September 2009. As of the balance sheet date the senior loan facility was drawn down to £131m, since the balance sheet date repayments made under the facility have reduced the balance drawn to £110m as at the date of approving the financial statements.

The negotiations for the replacement of this facility with a £125m senior loan facility are at a very advanced stage, and initial credit approval has been obtained by both of the funding institutions involved with the expectation that the new facility agreement will be signed in the near future.

The Group's latest forecasts and cash flow projections have been reviewed in comparison to the proposed new 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 and the Group have 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 2008 are set out on pages 7 to 12. The Company's result for the year after taxation was £100,659 (2007 – loss £21,660). The directors do not recommend payment of a dividend (2007 - £nil).

Directors and their interests

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

K W Maynard
G P Crawford
J D Randall

The interests in the group held by the directors during the year relate to Cabot Financial Group Limited and are disclosed in that company's financial statements.

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)

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 s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors 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

28 August 2009

Financial Investigations and Recoveries (Europe) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. 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 proper accounting records which 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 1985. 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 Financial Investigations and Recoveries (Europe) Limited

We have audited the financial statements of Financial Investigations and Recoveries (Europe) Limited for the year ended 31 October 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2007).

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether, in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Company's affairs as at 31 October 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

28 August 2009

Financial Investigations and Recoveries (Europe) Limited

Profit and loss account For the year ended 31 October 2008

	Notes	2008 £	2007 £
Turnover		<u>380,601</u>	<u>271,514</u>
Gross profit		380,601	271,514
Administration expenses		<u>(481,104)</u>	<u>(303,565)</u>
Operating loss		(100,503)	(32,051)
Interest receivable and similar income	2	3,206	3,400
Interest payable and similar charges	3	<u>(3,362)</u>	<u>(2,292)</u>
Loss on ordinary activities before taxation	4	(100,659)	(30,943)
Tax on loss on ordinary activities	6	-	9,283
Loss on ordinary activities after taxation		<u><u>(100,659)</u></u>	<u><u>(21,660)</u></u>

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 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 October 2008

	Notes	2008 £	2007 £
Current assets			
Cash at bank and in hand		23,071	12,853
Debtors: falling due within one year	7	280,234	251,552
		<u>303,305</u>	<u>264,405</u>
Creditors: amounts falling due within one year	8	<u>(347,026)</u>	<u>(207,467)</u>
Net current (liabilities)/assets		<u>(43,721)</u>	<u>56,938</u>
Total assets less current liabilities		<u>(43,721)</u>	<u>56,938</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	(43,722)	56,937
Shareholders' (deficit)/funds	11	<u>(43,721)</u>	<u>56,938</u>

These financial statements have been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

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

These financial statements were approved by the Board of Directors on *28 August* 2009.

Signed on behalf of the Board of Directors



J D Randall
Director

Financial Investigations and Recoveries (Europe) Limited

Notes to the financial statements (continued)

Year ended 31 October 2008

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards applicable and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2007). The particular accounting policies adopted are described below. These have been applied consistently throughout the year and the preceding year.

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 £100,503 (2007: £32,051), net current liabilities and net deficit on shareholders funds of £43,721 (2007: net current assets and net surplus £56,938).

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 £140m senior loan facility which is over due for renewal. The renewal date of the existing bank loan facility was extended to 30 September 2009 (see note 8). As of the balance sheet date the senior loan facility was drawn down to £131m, since the balance sheet date repayments made under the facility have reduced the balance drawn to £110m as at the date of approving the financial statements.

The negotiations for the replacement of this facility with a £125m senior loan facility are at a very advanced stage, and credit approval has been obtained by both of the funding institutions involved with the expectation that the new facility agreement will be signed in the near future.

The Group's latest forecasts and cash flow projections have been reviewed in comparison to the proposed new 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 and the Group have 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.

Accounting convention

The financial statements are prepared under the historical cost convention.

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 (continued) Year ended 31 October 2008

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

	2008 £	2007 £
Interest receivable from group companies	3,206	3,400

3. Interest payable and similar charges

	2008 £	2007 £
Interest payable to group companies	3,362	2,292

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging auditors' remuneration.

The auditors' remuneration with respect to the Company's audit fees for the year of £14,000 (2007 - £12,000) was borne by the Company's intermediate holding company, Cabot Financial Holdings Group Limited.

5. Staff costs

There were no employees of the Company during the year ended 31 October 2008 (2007 - none). The directors received no remuneration in the year (2007 - £nil). All of the costs associated with the operation are borne by a fellow subsidiary of the ultimate parent undertaking with an inter-group service fee charged to the Company.

Financial Investigations and Recoveries (Europe) Limited

Notes to the financial statements (continued) Year ended 31 October 2008

6. Tax on loss on ordinary activities

	2008 £	2007 £
Current tax		
Group relief at 30%	-	(9,283)
	<u> </u>	<u> </u>

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:

	2008 £	2007 £
Loss on ordinary activities before taxation	(100,659)	(30,943)
Tax on loss on ordinary activities at standard UK corporation tax at 28% (2007 – 30%)	28,184	9,283
Effects of:		
Non utilisation of losses	(36,215)	-
Movement in short-term timing differences	8,031	-
Current tax charge for the year	<u> </u>	<u>9,283</u>

Deferred tax asset has not been recognised in respect of unutilised tax losses as the current expectation is that there will not be sufficient taxable profits from which the losses could be deducted. The potential deferred tax asset currently amounts to £36,215 (2007: £nil). There are no significant factors which are anticipated to affect the tax charges shown above.

7. Debtors: amounts falling due within one year

	2008 £	2007 £
Amounts owed by group companies	280,234	251,552
	<u> </u>	<u> </u>

8. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	631	4,991
Amounts owed to group companies	346,395	202,476
	<u> </u>	<u> </u>
	<u>347,026</u>	<u>207,467</u>

Financial Investigations and Recoveries (Europe) Limited

Notes to the financial statements (continued) Year ended 31 October 2008

9. Called up share capital

	2008 £	2007 £
Authorised:		
100 (2007 - 100) ordinary shares of £1 each	100	100
Allotted, called up and paid:		
1 (2007 - 1) ordinary share of £1	1	1

10. Profit and loss account

	2008 £	2007 £
At beginning of year	56,937	78,597
Loss for the year	(100,659)	(21,660)
At end of year	(43,722)	56,937

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

	2008 £	2007 £
Loss for financial year	(100,659)	(21,660)
Net reduction to shareholders' funds	(100,659)	(21,660)
Opening shareholders' funds	56,938	78,598
Closing shareholders' (deficit)/funds	(43,721)	56,938

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, as it is a wholly owned subsidiary. There were no other related party transactions or balances requiring disclosures.

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 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 ultimate UK parent undertaking is NPIL Hold Co Limited and the directors believe that consolidated accounts will be prepared by this company. The ultimate parent undertaking is Citigroup Inc, a company listed on the New York Stock Exchange in the United States, making it the largest group of which the Company is a member. Copies of the financial statements are available from Citigroup Inc. 399 Park Avenue, New York, NY 10043.