

Company Registration No. 3958421

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

Report and Financial Statements

Year ended 31 October 2010



Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2010

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Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2010

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

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 2010

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 for the year to 31 October 2010 increased from £420,630 in the year ended 31 October 2009 to £483,569 in the year ended 31 October 2010 due to the 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

Possible sale of the Group

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

Financial risk management objectives and policies

Cash flow and credit risk

As described in note 13 to the financial statements, the Company is a member of the Cabot Financial Group (the "Group"). Consolidated accounts for the Group are drawn up for Cabot Financial Holdings Group Limited and Cabot Financial Group Limited. The Company provides 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 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 £249,044 (2009 loss of £238,539), had net current liabilities and net deficit on shareholders' funds of £369,098 (2009 net current liabilities and net deficit of £283,700)

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

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

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Results and dividends

The audited financial statements for the year ended 31 October 2010 are set out on pages 7 to 13. The Company's result for the year after taxation was a loss of £85,397 (2009: loss of £239,979). The Directors do not recommend payment of a dividend (2009: £nil).

Directors

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

K W Maynard
G P Crawford
J D Randall

Supplier payment policy

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

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 s418 of the Companies Act 2006

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

20 January 2011

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 and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of 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 2010 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 to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 October 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we 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 Auditors
London, United Kingdom

2011

21 January

Financial Investigations and Recoveries (Europe) Limited

Profit and loss account For the year ended 31 October 2010

	Notes	2010 £	2009 £
Turnover		483 569	420 630
Gross profit		483,569	420 630
Administration expenses		(732,613)	(659,169)
Operating loss		(249,044)	(238 539)
Interest receivable and similar income	2	1,747	-
Interest payable and similar charges	3	(3,781)	(1,440)
Loss on ordinary activities before taxation	4	(251,078)	(239,979)
Tax on loss on ordinary activities	6	165,681	-
Loss on ordinary activities after taxation		(85,397)	(239,979)

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 October 2010

	Notes	2010 £	2009 £
Current assets			
Cash at bank and in hand		43 816	45,896
Debtors amounts falling due within one year	7	417 233	365 453
		<u>461,049</u>	<u>411,349</u>
Creditors: amounts falling due within one year	8	<u>(830,147)</u>	<u>(695 049)</u>
Net current liabilities		<u>(369,098)</u>	<u>(283,700)</u>
Total assets less current liabilities		<u>(369,098)</u>	<u>(283,700)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	<u>(369 099)</u>	<u>(283 701)</u>
Shareholders' deficit	11	<u>(369,098)</u>	<u>(283,700)</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 3958421, were approved by the Board of Directors and authorised for issue on 20 January 2011

Signed on behalf of the Board of Directors



J D Randall
Director

Financial Investigations and Recoveries (Europe) Limited

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

1 Accounting policies

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

Accounting convention

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

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business review of the Directors' report. The financial position of the Company and liquidity position are described in these accounts. The Company made an operating loss of £249,044 (2009: loss of £238,539), had net current liabilities and net deficit on shareholders' funds of £369,098 (2009: net current liabilities and net deficit of £283,700).

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

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

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 year ended 31 October 2010 (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

	2010 £	2009 £
Interest receivable from group companies	1,747	-

3. Interest payable and similar charges

	2010 £	2009 £
Interest payable to group companies	3,781	1,440

4. Loss on ordinary activities before taxation

The auditors' remuneration with respect to the Company's audit fees for the year of £14,000 (2009: £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 year ended 31 October 2010 (continued)

5. Staff costs

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

	2010 £	2009 £
Current tax		
Adjustments to prior year	95,379	-
Group relief at 28%	70,302	-
	<u>165,681</u>	<u>-</u>

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

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:

	2010 £	2009 £
Loss on ordinary activities before taxation	(251,078)	(239,979)
Tax on loss on ordinary activities at standard UK corporation tax at 28% (2009 - 28%)	70,302	67,194
Effects of:		
Non-utilisation of losses	-	(67,194)
Adjustments to prior year	95,379	-
Current tax credit for the year	<u>165,681</u>	<u>-</u>

The potential deferred tax asset currently amounts to £nil (2009 - £103,410). There are no significant factors, which are anticipated to affect the tax charges shown above.

7. Debtors, amounts falling due within one year

	2010 £	2009 £
Amounts owed by group companies	<u>417,233</u>	<u>365,453</u>

Financial Investigations and Recoveries (Europe) Limited

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

8. Creditors, amounts falling due within one year

	2010 £	2009 £
Trade creditors	631	631
Amounts owed to group companies	826 739	694,418
Accruals	2,777	-
	<u>830,147</u>	<u>695,049</u>

9. Called up share capital

	2010 £	2009 £
Authorised:		
100 (2009 - 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and paid:		
1 (2009 - 1) ordinary share of £1	<u>1</u>	<u>1</u>

10 Profit and loss account

	2010 £	2009 £
Deficit at beginning of year	(283 701)	(43,722)
Loss for the year	(85,397)	(239 979)
At end of year	<u>(369,098)</u>	<u>(283,701)</u>

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

	2010 £	2009 £
Loss for the financial year	<u>(85 397)</u>	<u>(239 979)</u>
Net increase to shareholders deficit	(85,397)	(239 979)
Opening shareholders deficit	(283,700)	(43,721)
Closing shareholders deficit	<u>(369 097)</u>	<u>(283 700)</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 year ended 31 October 2010 (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 Financial Group Limited, a company incorporated in Great Britain and registered in England and Wales. The results of the Company are included in the consolidated financial statements of Cabot Financial Group Limited. The largest group in which the Company is consolidated is Citigroup Hold Co Limited. The ultimate controlling party is Citigroup Inc, a company incorporated in the United States and listed on the New York Stock Exchange. Copies of the financial statements are available from Citigroup Inc, 399 Park Avenue, New York, NY 10043.