

Company Registration No. 01418063

Hillesden Securities Limited

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



Hillesden Securities Limited

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Hillesden Securities 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

Auditors

BDO LLP
Chartered Accountants and Statutory Auditor
55 Baker Street
London
W1U 7EU

Bankers

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

Registered office

Buckingham Road
Brackley
Northamptonshire
NN13 7DN

Hillesden Securities Limited

Strategic Report For the year ended 31 December 2017

Overview

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

The Company's principal activity is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom.

Business review and results

Restructuring

During 2015 a restructuring provision was established in relation to the Group closing the Apex office in Stratford and consolidating the servicing operations in Brackley. This provision is being utilised across the remaining life of the vacated property that the Group still holds the lease for.

Following the acquisition of Wescot, on 22 December 2017 the Group concluded a consultation process and announced a program impacting the servicing businesses operated from the site at Brackley, with c200 employees at the site placed at risk of redundancy.

The loss before tax for the year amounts to £10,490,000 (2016 – profit of £3,043,000), a decrease of 445%.

As the performance of Hillesden Securities 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; and
- 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.

Hillesden Securities Limited

Strategic Report For the year ended 31 December 2017

Cash flow and credit risk

The Company is a member of the Cabot Credit Management plc Group and therefore its financial risk management objectives and policies are intrinsically linked to those of the Group.

Going concern and liquidity risk


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.

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.

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

C Buick
Director


9 May 2018

Hillesden Securities 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 audited financial statements and related notes for the year ended 31 December 2017 are set out on pages 10 to 23. The Company's result for the year was a loss of £8,632,000 (2016: profit of £14,367,000).

The Directors do not recommend the payment of a dividend (2016: £nil).

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

Disabled employees

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that members of staff become disabled every effort is made to ensure that their employment with the Company continues.

It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests both informally and via the quarterly meetings of the "Association of Cabot Employees".

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.

Hillesden Securities Limited

Directors' Report For the year ended 31 December 2017

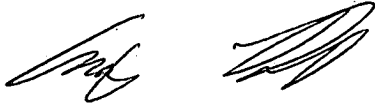
Auditors

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 auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself 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.

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



C Buick
 2018

Hillesden Securities 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.

Independent auditor's report to the members of Hillesden Securities Limited

Opinion

We have audited the financial statements of Hillesden Securities Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

Independent auditor's report to the members of Hillesden Securities Limited

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Hillesden Securities Limited

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of 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 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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Neil Fung-On (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London

9 May 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hillesden Securities Limited

Statement of comprehensive income For the year ended 31 December 2017

	Notes	31 December 2017 £000	31 December 2016 £000
Revenue	4	8,104	11,670
Cost of sales		(1,065)	(1,846)
Gross profit		7,039	9,824
Administration expenses		(23,433)	(12,301)
Operating loss		(16,394)	(2,477)
Interest receivable and similar income	6	5,930	5,520
Interest payable and similar charges	7	(26)	-
(Loss)/profit on ordinary activities before taxation	5	(10,490)	3,043
Tax income	8	1,858	11,324
(Loss)/profit and total comprehensive income for the financial period		(8,632)	14,367

All of the above results are derived from continuing operations.



Hillesden Securities Limited

Statement of financial position As at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	10	51	95
Tangible assets	11	-	250
Deferred tax assets	15	621	396
		<u>672</u>	<u>741</u>
Current assets			
Trade and other receivables	12	158,173	146,990
Cash in bank and on hand		2,494	2,523
		<u>160,667</u>	<u>149,513</u>
Creditors: amounts falling due within one year			
Trade and other payables	13	(18,577)	(7,900)
		<u>(18,577)</u>	<u>(7,900)</u>
Net current assets		<u>142,090</u>	<u>141,613</u>
Total assets less current liabilities		<u>142,762</u>	<u>142,354</u>
Creditors: amounts falling due after more than one year		-	-
Provisions	14	(9,007)	(133)
Net assets		<u>133,755</u>	<u>142,221</u>
Equity			
Called up share capital	16	10	10
Capital contribution reserve		166	
Retained earnings		133,579	142,211
Total shareholders' funds		<u>133,755</u>	<u>142,221</u>

These financial statements of Hillesden Securities Limited, with registered number 01418063, were approved by the Board of Directors and authorised for issue on 9 May 2018.

Signed on behalf of the Board of Directors by:

C Buick
Director

Hillesden Securities Limited

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

	Share Capital	Capital Contribution	Retained earnings	Total
	£000	£000	£000	£000
As at 1 January 2016	10	-	127,844	127,854
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	14,367	14,367
Total comprehensive income	-	-	14,367	14,367
As at 31 December 2016	10	-	142,211	142,221
<i>Comprehensive income for the year:</i>				
Profit for the period	-	-	(8,632)	(8,632)
Total comprehensive income	-	-	(8,632)	(8,632)
Capital contribution received	-	166	-	166
As at 31 December 2017	10	166	133,579	133,755

Hillesden Securities Limited

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

1. General information

Hillesden Securities Limited is a company limited by shares incorporated and domiciled in England and Wales. The registered office is located at Buckingham Road, Brackley, NN13 7DN.

The principal activity of the Company is the provision of recovery services in respect of defaulted consumer loans.

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 indirect subsidiary of Cabot Credit Management plc 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 business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Directors' Report on pages 2 to 6. The financial position of the Company and liquidity position are described in these financial statements.

After making enquiries, the Directors have a reasonable expectation that the Company 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.

Hillesden Securities Limited

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

2.3. Summary of significant accounting policies

Revenue

Servicing fees from the servicing of third party loans by the Company are recognised when the services are provided.

Pensions

The Company operates a defined contribution pension scheme. Pension contributions are charged to the statement of comprehensive income in the month that the liability for paying the contributions arises. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

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.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Hillesden Securities Limited

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

2.3. Summary of significant accounting policies (*continued*)

Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Finance income

Interest income is recognised on an accruals basis.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Computers	3 years
Fixtures and fittings	5 years
Short leasehold property	the minimum term of the lease

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years.

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.

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

2.3. Summary of significant accounting policies (*continued*)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.4. Changes in accounting policies and disclosures

Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, and the Company has adopted the new standard on the required effective date, 1 January 2018.

Following an assessment of the impact of adopting IFRS 15, management have concluded that IFRS 15 will not have a material impact on the results of the Company.

IFRS 16 Leases

IFRS 16 Leases applies to accounting periods beginning on or after 1 January 2019. It requires lessees to bring all leases within its scope on the statement of financial position, showing an asset for the right of use and a liability for the discounted amount of future payments. The Directors have not yet considered the impact of this standard.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that impact the reported amounts of revenue, expenses, assets and liabilities and the associated disclosures.

The following are the judgements that have been made in the process of applying the Company's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have the most significant effect on the amounts recognised in the financial statements.

Hillesden Securities Limited

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

4. Revenue

Revenue arises solely in the UK. An analysis of revenue by activity is as follows:

	31 December 2017 £000	31 December 2016 £000
Income on owned loan portfolios	-	4,385
Servicing fees	8,096	7,233
Other income	8	52
	<u>8,104</u>	<u>11,670</u>

5. (Loss)/profit on ordinary activities before taxation

Profit/(loss) on ordinary before tax is stated after charging the following:

	31 December 2017 £000	31 December 2016 £000
Depreciation of property, plant and equipment	125	121
Amortisation of intangible assets	76	253
Operating lease rentals - land and buildings	444	375
Movement in restructuring provision	9,007	-
Auditors remuneration for the audit of the company's financial statements	-	97
	<u></u>	<u></u>

Auditor's remuneration of £98,000 has been borne by another Group Company.

6. Interest receivable and similar income

	31 December 2017 £000	31 December 2016 £000
Interest income from parent and other Group undertakings ^(a)	<u>5,930</u>	<u>5,520</u>

^(a) 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 5% on loans.

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

7. Interest payable and similar charges

	31 December 2017 £000	31 December 2016 £000
Other finance costs	<u>26</u>	<u>-</u>

8. Tax income

The income tax expense comprises:

	31 December 2017 £000	31 December 2016 £000
Current tax		
Corporation tax	(1,632)	924
Prior period adjustments	<u>(1)</u>	<u>174</u>
Total current tax	(1,633)	1,098
Deferred tax	(225)	
Origination and reversal of timing differences		(12,443)
Impact of changes in tax laws and rates		<u>21</u>
Total income tax credit	<u>(1,858)</u>	<u>(11,324)</u>

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:

	31 December 2017 £000	31 December 2016 £000
Profit/(loss) before tax	<u>(10,490)</u>	<u>3,043</u>
Income tax expense calculated at standard UK hybrid corporation tax rate of 19.25% (2016: 20%)	(2,019)	609
Effects of:		
Expenses not deductible for tax purposes	161	3
Capital allowances in excess of depreciation	1	30
Adjustment in respect of prior periods	(1)	174
Origination and reversal of timing differences	-	(12,161)
Changes in income tax rate from 20% to 17% on deferred tax balances	-	21
Total income tax (credit)/expense	<u>(1,858)</u>	<u>(11,324)</u>

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

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

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.

9. Information regarding Directors and employees

	31 December 2017	31 December 2016
Average number of employees during the period (including executive Directors):	No.	No.
Administration	60	23
Collection	151	207
Total	<u>211</u>	<u>230</u>
Staff costs for the period included within administrative expenses (including executive Directors):	£000	£000
Wages and salaries	6,203	6,133
Social security costs	671	581
Pension contributions	328	325
Total	<u>7,202</u>	<u>7,039</u>

All directors are employed and remunerated by other group companies. No recharge is made to the company for their services.

10. Intangible assets

	Software and licences £000
Cost	
At 31 December 2016	5,055
Additions	51
Disposals	(19)
At 31 December 2017	<u>5,087</u>
Amortisation	
At 31 December 2016	4,960
Charge for the year	76
At 31 December 2017	<u>5,036</u>
Net book value	
At 31 December 2017	<u>51</u>
At 31 December 2016	<u>95</u>

Hillesden Securities Limited

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

11. Tangible assets

	Computers	Fixtures and fittings	Short Leasehold Property	Total
	£000	£000	£000	£000
Cost				
At 31 December 2016	1,084	1,139	124	2,347
Additions	21	8	-	29
Disposals	(51)	(30)	(103)	(184)
At 31 December 2017	1,054	1,117	21	2,192
Depreciation				
At 31 December 2016	975	1,109	13	2,097
Charge for the period	79	8	8	95
Disposals	-	-	-	-
At 31 December 2017	1,054	1,117	21	2,192
Net book value				
At 31 December 2017	-	-	-	-
At 31 December 2016	109	30	111	250

Hillesden Securities Limited

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

12. Trade and other receivables

	2017 £000	2016 £000
Trade receivables	966	623
Amounts owed by Group undertakings	156,603	145,699
Prepayments and accrued income	296	668
Other receivables	308	-
	<u>158,173</u>	<u>146,990</u>

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.

13. Trade and other payables

	2017 £000	2016 £000
Trade payables	2,640	2,614
Amounts owed to Group undertakings	14,443	4,199
Accruals and deferred income	955	769
Other tax and social security	219	87
Other payables	320	231
	<u>18,577</u>	<u>7,900</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.

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

14. Provisions

	Decommissioning £000
Brought forward as at 31 December 2016	133
Unwinding of discount and changes in the discount rate	(133)
Restructuring provision	9,007
As at 31 December 2017	<u>9,007</u>

Restructuring

During 2015 a restructuring provision was established in relation to the Group closing the Apex office in Stratford and consolidating the servicing operations in Brackley. This provision is being utilised across the remaining life of the vacated property that the Group still holds the lease for.

Following the acquisition of Wescot, on 22 December 2017 the Group concluded a consultation process and announced a program impacting the servicing businesses operated from the site at Brackley, with c300 employees at the site placed at risk of redundancy.

The total cost of the restructuring is expected to be £9 million. These provisions include amounts related to people, premises and IT decommissioning costs. The restructuring plan is due to be fully executed during 2018.

15. Deferred tax assets

Deferred tax liability

The deferred tax liability relates to the following:

	2017 £000	2016 £000
<u>Amounts provided for</u>		
IAS 39, loan portfolios	<u>-</u>	<u>-</u>

Deferred tax asset

The deferred tax asset relates to the following:

	2017 £000	2016 £000
<u>Amounts provided for</u>		
Capital allowances in excess of depreciation	<u>621</u>	<u>396</u>

The current year movement in respect of each of the above recognised deferred tax assets and liabilities were solely charged or credited to the statement of comprehensive income. The movement between the opening and closing deferred tax asset balances were not charged or credited directly in the statement of other comprehensive income.

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

16. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
10,000 Ordinary shares of £1 each, subscription price of £1	10	10
	<u>10</u>	<u>10</u>

17. Contingent liabilities

The Company is party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow Group company and the Senior Secured Notes due 2020, 2021 and 2023. Amounts outstanding on such borrowings were £900.5 million at 31 December 2017 (2016: £1,040.6 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

18. Lease Commitments

The Company has entered into leases on certain properties, with lease terms of 15 years including five yearly break clauses.

The Company's total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2017 £000	2016 £000
Within one year	444	375
After one year but not more than five years	2,220	2,456
More than five years	2,812	-
	<u>5,476</u>	<u>2,831</u>

19. Ultimate parent Company

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