

Company Registration No. 3936135

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**Cabot Financial Debt Recovery
Services Limited
Report and Financial Statements**

Year ended 31 October 2006

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Cabot Financial Debt Recovery Services Limited

Report and financial statements 2006

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Cabot Financial Debt Recovery Services Limited

Report and financial statements 2006

Officers and professional advisers

Directors

G P Crawford
K W Maynard
J D Randall

Secretary

J D Randall

Registered office

10 Kings Hill Avenue
Kings Hill
West Malling
Kent ME19 4LT

Bankers

Barclays Bank Plc
54 Lombard Street
London
EC3V 9EX

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Auditors

Deloitte & Touche LLP
London

Cabot Financial Debt Recovery Services Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 October 2006

Principal activities and business review

The principal activity of the Company is the funding and management of other companies within the Cabot Financial Holdings Group Limited group of companies

The directors consider that the company performed its obligations to manage the interests of other companies in the group in accordance with the business plan

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

Results and dividends

The audited financial statements for the year ended 31 October 2006 are set out on pages 6 to 14. The profit for the year after taxation was £156,188 (2005 - £223,500). The directors do not recommend the payment of a dividend (2005 - £nil).

The directors expect the level of business activity of the Company to remain constant throughout the coming year.

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 directors during the period from 1 November 2005 until 7 April 2006 relate only to Cabot Financial Holdings Group Limited and are disclosed in that company's financial statements. The interests in the group held by directors since 7 April 2006 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.

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 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 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.

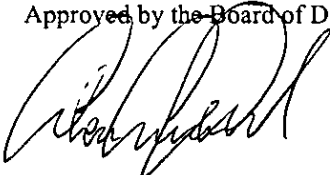
Cabot Financial Debt Recovery Services Limited

Directors' report

Auditors (continued)

A resolution to reappoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

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



G P Crawford
Director

26 February 2007

Cabot Financial Debt Recovery Services 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 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 Cabot Financial Debt Recovery Services Limited

We have audited the financial statements of Cabot Financial Debt Recovery Services Limited for the year ending 31 October 2006 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

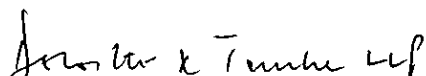
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, of the state of the Company's affairs as at 31 October 2006 and of its profit 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 & Touche LLP

Chartered Accountants and Registered Auditors

London

28 February 2007

Cabot Financial Debt Recovery Services Limited

Profit and loss account Year ended 31 October 2006

	Notes	2006 £	2005 £
Administration expenses	5	1,022	6,195
Operating profit		1,022	6,195
Interest receivable and similar income	2	51,513	14,750
Interest payable and similar charges	3	(24,343)	(2,219)
Income from shares in group undertakings	4	204,680	315,588
Profit on ordinary activities before taxation	5	232,872	334,314
Tax on profit on ordinary activities	6	(76,684)	(110,814)
Profit for the year after taxation		156,188	223,500

A reconciliation of movements in shareholders' funds is given in note 13

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 and 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.

Cabot Financial Debt Recovery Services Limited

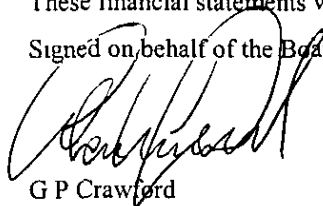
Balance sheet As at 31 October 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	8	14,903,824	14,903,824
		<u>14,903,824</u>	<u>14,903,824</u>
Current assets			
Debtors	9	12,483,190	12,431,838
		<u>12,483,190</u>	<u>12,431,838</u>
Creditors: amounts falling due within one year	10	(24,600,423)	(24,705,259)
Net current liabilities		<u>(12,117,233)</u>	<u>(12,273,421)</u>
Total assets less current liabilities		<u>2,786,591</u>	<u>2,630,403</u>
Capital and reserves			
Called up share capital	11	924,001	924,001
Profit and loss account	12	1,862,590	1,706,402
Equity shareholders' funds	13	<u>2,786,591</u>	<u>2,630,403</u>

The accompanying notes are an integral part of this balance sheet

These financial statements were approved by the Board of Directors on 28 February 2007

Signed on behalf of the Board of Directors



G P Crawford

Director

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements **Year ended 31 October 2006**

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. 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.

Interest

Interest receivable and payable are recognised on an accruals basis.

Income from shares in group undertakings

Income from shares in group undertakings represents dividends from group undertakings recognised on a received basis.

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.

Foreign exchange

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All other exchange differences are included in the profit and loss account.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

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.

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements Year ended 31 October 2006

1. Accounting policies (continued)

Consolidation

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act as it is a wholly owned subsidiary of Cabot Financial Group Limited and its results are included in the consolidated financial statements of Cabot Financial Group Limited. These financial statements therefore present information about the Company as an individual entity alone.

2. Interest receivable and similar income

	2006 £	2005 £
Interest receivable from group companies	<u>51,513</u>	<u>14,750</u>

3. Interest payable and similar charges

	2006 £	2005 £
Interest payable to group companies	<u>24,343</u>	<u>2,219</u>

4. Income from shares in group undertakings

The dividend has been paid by Cabot Services (Europe) SAS, a wholly owned subsidiary of this Company that is incorporated in France.

5. Profit on ordinary activities before taxation

	2006 £	2005 £
Profit on ordinary activities is stated after crediting Foreign exchange gains	<u>1,022</u>	<u>6,195</u>

The auditors' remuneration with respect to audit fees for the year of £4,700 (2005 - £4,700) was borne by the Company's intermediate holding company, Cabot Financial Group Limited.

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements Year ended 31 October 2006

6. Tax on profit on ordinary activities

The tax charge comprises

	2006 £	2005 £
Current tax		
Group relief - current period	8,457	5,618
Foreign tax	68,227	105,196
	<u>76,684</u>	<u>110,814</u>
Tax on profit on ordinary activities	<u>76,684</u>	<u>110,814</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

Profit on ordinary activities before taxation	232,872	334,314
	<u>232,872</u>	<u>334,314</u>
Tax on profit on ordinary activities at standard UK corporation tax at 30% (2005 - 30%)	(69,862)	(100,294)
Effects of Higher tax rates on overseas earnings	(6,822)	(10,520)
	<u>(76,684)</u>	<u>(110,814)</u>
Current tax charge for year	<u>(76,684)</u>	<u>(110,814)</u>

The Company has no provided or un-provided deferred tax

7. Staff costs

There were no employees of the Company during the year ended 31 October 2006 (2005 - none) The directors received no remuneration in the year (2005 - £nil)

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements Year ended 31 October 2006

8. Fixed asset investments

	2006 £	2005 £
Cost and net book value of investments in subsidiary undertakings at beginning and end of year	14,903,824	14,903,824

The Company has direct investments in the following subsidiary undertakings which principally affected the financial statements of the Company

Subsidiary undertakings	Date of acquisition	Country of incorporation and operation	Principal activity	Ordinary shares held	% shares held
Cabot Financial (Europe) Limited	27 April 2000	Great Britain	Collection of UK consumer debt	12,104,790	100
Cabot Financial (UK) Limited (formerly Kings Hill (No 1) Limited)	27 April 2000	Great Britain	UK consumer debt purchase and recovery	10,000,000	100
Financial Investigations and Recoveries (Europe) Limited	27 April 2000	Great Britain	Servicing of UK consumer debt	1	100
Kings Hill Capital Limited	30 August 2000	Great Britain	Dormant	1	100
Cabot Services (Europe) SAS	27 April 2000	France	French consumer debt purchase and recovery	2,500	100

9. Debtors

	2006 £	2005 £
Loans to subsidiary undertakings	11,662,323	11,662,323
Amount owed by other group companies	820,867	769,515
	<u>12,483,190</u>	<u>12,431,838</u>

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements Year ended 31 October 2006

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Loans from group companies	24,158,599	24,158,599
Amounts owed to group undertakings	441,824	546,660
	<u>24,600,423</u>	<u>24,705,259</u>

11. Called up share capital

	2006 £	2005 £
Authorised:		
1,000,000 (2005 - 1,000,000) ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up, and fully paid:		
924,001 (2005 - 924,001) ordinary shares of £1 each	<u>924,001</u>	<u>924,001</u>

12. Profit and loss account

	2006 £	2005 £
At beginning of year	1,706,402	1,482,902
Retained profit for the year	<u>156,188</u>	<u>223,500</u>
At end of year	<u>1,862,590</u>	<u>1,706,402</u>

13. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	<u>156,188</u>	<u>223,500</u>
Net addition to shareholders' funds	156,188	223,500
Opening shareholders' funds	<u>2,630,403</u>	<u>2,406,903</u>
Closing shareholders' funds	<u>2,786,591</u>	<u>2,630,403</u>

14. Contingent liabilities

The Company is party to a guarantee in favour of the Group's bankers in relation to loans drawn down by other Group companies. Amounts outstanding at 31 October 2006 were £94,877,152 (2005 - £68,646,747)

15. 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 disclosure.

Cabot Financial Debt Recovery Services Limited

Notes to the financial statements Year ended 31 October 2006

16. Ultimate parent company

The Company's immediate parent company is Cabot Financial Holdings 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.

For the period from 1 November 2005 to 7 April 2006, the directors regarded Cabot Financial Holdings Group Limited, a company incorporated in the UK, as the ultimate parent company and the ultimate controlling party and its results are included in the consolidated financial statements of that company, as the largest group of which the Company was a member. Copies of the financial statements of Cabot Financial Holdings Group Limited are available from Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.

On 7 April 2006, Cabot Financial Holdings Group Limited was acquired by Cabot Financial Limited, a company wholly owned by Cabot Financial Group Limited, a company incorporated in the UK. The results of the Company are included in the consolidated financial statements of Cabot Financial Group Limited. Since 7 April 2006 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 Nikko Cordial Corporation, a company listed on the Tokyo Stock Exchange in Japan, and the directors believe that consolidated accounts will be prepared for this company, making it the largest group of which the Company was a member post 7 April 2006. Copies of the financial statements are available from www.nikko.jp.

17. Post-balance sheet event

On 27 December 2006 the Company acquired a 20% stake in Spanish Debt collector Gescobro at a cost of £732,250. The acquisition was funded in cash, from existing resources.

On 22 January 2007 the Company acquired a 93% stake in Kelly Systems Limited, an Irish Debt Collector. The final cost of this investment is expected to be £4,600,000. The acquisition was funded in cash from existing resources.