

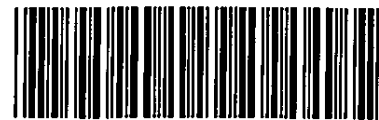
Company Registration No. 03958421

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

Report and Financial Statements

for the year ended 31 December 2012

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Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2012

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Financial Investigations and Recoveries (Europe) Limited

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Officers and professional advisers

Directors

N Clyne
G P Crawford
S N Mound
C Ross-Roberts (appointed 24 July 2012)

Secretary

W Wellnghoff (appointed 5 December 2012)

Registered office

27 Arden Street
Stratford –Upon-Avon
Warwickshire
CV37 6NW

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Financial Investigations and Recoveries (Europe) Limited

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Directors' report

The Directors present their annual report on the affairs of Financial Investigations and Recoveries (Europe) Limited (the "Company"), together with the financial statements and auditor's report, for the year ended 31 December 2012

Principal activities and business review

The Company's core business is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom on behalf of fellow group companies for which it receives a service fee

Turnover for the year ended 31 December 2012 was £438,000 (14 months ended 31 December 2011 £589,000) reflecting a shorter accounting period of 12 months and a reduction in collections made on behalf of fellow group companies

Results and dividends

The audited financial statements and related notes for the period ended 31 December 2012 are set out on pages 7 to 13. The Company made a loss on ordinary activities before taxation for the year to 31 December 2012 of £176,000 (14 months to 31 December 2011 £211,000). The Directors do not recommend the payment of a dividend (2011 nil).

Financial risk management objectives and policies

Cash flow and credit risk

As described in note 11 to the financial statements, the Company is a member of the Cabot Credit Management group of companies (the "Group"). Consolidated accounts for the Group are drawn up for Cabot Financial Limited and Cabot Credit Management Limited. The Company provides collections services to the Group and receives consumer accounts to collect from these related parties. Therefore the majority of the risks it faces are related to the performance of the rest of the Group.

The principal activity of the Group is the purchase and recovery of defaulted 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 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 on behalf of fellow group undertakings continues to invest in pricing models and methodologies to ensure that segmented sub-portfolios can be accurately priced so that those parts of portfolios with the highest chance of meeting collections expectations are purchased.

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 the financial statements on pages 7 to 13. The Company made a loss on ordinary activities before taxation for the year to 31 December 2012 of £176,000 (14 months to 31 December 2011 £211,000), had net current liabilities and deficit on shareholders' funds at 31 December 2012 of £656,000 (31 December 2011 £523,000).

Financial Investigations and Recoveries (Europe) Limited

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Directors' report (continued)

Financial risk management objectives and policies (continued)

Going concern and liquidity risk (continued)

The Company's core business is providing recovery services in respect of defaulted consumer loans to the wider group of companies and is therefore dependent on the financial condition and support of the Group. The Company's ultimate parent undertaking has confirmed it will continue to support the Company for the foreseeable future.

During the year to 31 December 2012 the Group completed a fundamental restructuring of its financing arrangements to benefit from an increase in the long-term funding available to the Group. In September 2012 the Group issued £265 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50 million which is not due for renewal until September 2017. The senior committed revolving credit facility is repaid at intervals of between one and three months or rolled forward at the discretion of the Group.

The proceeds from issue of the £265 million of Senior Secured Loan Notes due 2019 were used in part to repay the senior credit facilities in place at 31 December 2011 which were due to mature in February 2016. The amount repaid in September 2012 was £155.5 million and the facility was cancelled at that date.

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2012 with all the covenants contained in the loan notes issued and senior credit facilities, and the Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to operate within the requirements of the financing arrangements in place 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.

Directors

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

N Clyne

G P Crawford

S N Mound

J D Randall (resigned 1 August 2012)

C Ross-Roberts (appointed 24 July 2012)

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

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Directors' report (continued)

Auditor

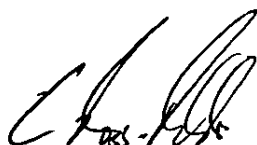
Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors on 14 February 2013 and signed on behalf of the Board



C Ross-Roberts

Director

25th March 2013

Financial Investigations and Recoveries (Europe) Limited

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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 Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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

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

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

Financial Investigations and Recoveries (Europe) Limited

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

We have audited the financial statements of Financial Investigations and Recoveries (Europe) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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 Auditor
London, United Kingdom

26 March 2013

Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2012

Profit and loss account

		12 months to 31 December 2012 £000	14 months to 31 December 2011 £000
	Notes		
Turnover		438	589
Administration expenses		(576)	(785)
Operating loss		(138)	(196)
Interest payable and similar charges	2	(38)	(15)
Loss on ordinary activities before taxation	3	(176)	(211)
Tax on loss on ordinary activities	4	43	56
Loss on ordinary activities after taxation		(133)	(155)

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 year or preceding period and accordingly no statement of total recognised gains and losses is given.

The notes on pages 9 to 13 form part of these financial statements.

Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2012

Balance sheet

		31 December 2012 £000	31 December 2011 £000
	Notes		
Current assets			
Cash at bank and in hand		49	51
Debtors amounts falling due within one year	5	517	474
		<u>566</u>	<u>525</u>
Creditors' amounts falling due within one year	6	<u>(1,222)</u>	<u>(1,048)</u>
Net current liabilities		<u>(656)</u>	<u>(523)</u>
Total assets less current liabilities		<u>(656)</u>	<u>(523)</u>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	(656)	(523)
Shareholders' deficit	8	<u>(656)</u>	<u>(523)</u>

The notes on pages 9 to 13 form part of these financial statements

These financial statements, of Financial Investigations and Recoveries (Europe) Limited with registered number 03958421, were approved by the Board of Directors and authorised for issue on 14 February 2013

Signed on behalf of the Board of Directors



C Ross-Roberts

Director

25th March 2013

Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2012

Notes to the financial statements

1. Accounting policies

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

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 this report. The financial position of the Company and liquidity position are described in the financial statements on pages 7 to 13. The Company made a loss on ordinary activities before taxation for the year to 31 December 2012 of £176,000 (14 months to 31 December 2011: £211,000), had net current liabilities and deficit on shareholders' funds at 31 December 2012 of £656,000 (31 December 2011: £523,000).

The Company's core business is providing recovery services in respect of defaulted consumer loans to the wider group of companies and is therefore dependent on the financial condition and support of the Group. The Company's ultimate parent undertaking has confirmed it will continue to support the Company for the foreseeable future.

During the year to 31 December 2012 the Group completed a fundamental restructuring of its financing arrangements to benefit from an increase in the long-term funding available to the Group. In September 2012 the Group issued £265 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50 million which is not due for renewal until September 2017. The senior committed revolving credit facility is repaid at intervals of between one and three months or rolled forward at the discretion of the Group.

The proceeds from issue of the £265 million of Senior Secured Loan Notes due 2019 were used in part to repay the senior credit facilities in place at 31 December 2011 which were due to mature in February 2016. The amount repaid in September 2012 was £155.5 million and the facility was cancelled at that date.

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2012 with all the covenants contained in the loan notes issued and senior credit facilities, and the Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to operate within the requirements of the financing arrangements in place 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 receivable and payable is recognised on an accruals basis.

Financial Investigations and Recoveries (Europe) Limited

Report and financial statements 2012

Notes to the financial statements (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 payable and similar charges

	12 months to 31 December 2012 £000	14 months to 31 December 2011 £000
Interest payable to group companies	38	15

3. Loss on ordinary activities before taxation and Staff costs

The remuneration of the auditors with respect to the audit of the financial statements of the Company was borne by Cabot Credit Management Limited, the ultimate parent undertaking of the Company

There were no employees of the Company during the period ended 31 December 2012 (2011: none). The Directors received no remuneration in the period from the Company (2011: £nil)

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Notes to the financial statements (continued)

4. Tax on loss on ordinary activities

The tax credit comprises

	12 months to 31 December 2012 £000	14 months to 31 December 2011 £000
Current tax		
Group relief at 24.5% (2011: 26.7%)	43	56
Total current tax	43	56

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

	12 months to 31 December 2012 £000	14 months to 31 December 2011 £000
Loss on ordinary activities before taxation	(176)	(211)
Tax on loss on ordinary activities at standard UK corporation tax at 24.5% (2011: 26.7%)	43	56
Current tax credit for the period	43	56

The potential deferred tax asset currently amounts to £nil (2011: £nil). There are no significant factors which are anticipated to affect the tax charges shown above.

The Finance Act 2012, which reduced the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 17 July 2012. As this change in rate was substantively enacted prior to 31 December 2012 it has been reflected in the deferred tax assets and liabilities at 31 December 2012.

The UK Government has also indicated that it intends to enact future reductions in the main rate of UK corporation tax of 1% each year down to 22% by 2014. These changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The estimated financial effect of these changes is not significant.

5. Debtors: amounts falling due within one year

	31 December 2012 £000	31 December 2011 £000
Amounts owed by group companies	517	474

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

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Notes to the financial statements (continued)

6. Creditors: amounts falling due within one year

	31 December 2012 £000	31 December 2011 £000
Trade creditors	1	-
Amounts owed to group companies	1,221	1,043
Accruals	-	5
	<u>1,222</u>	<u>1,048</u>

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

7. Share capital

	31 December 2012 £	31 December 2011 £
Authorised:		
100 (2010 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and paid:		
1 (2010 1) ordinary share of £1	<u>1</u>	<u>1</u>

8. Profit and loss account

	31 December 2012 £000	31 December 2011 £000
At beginning of period	(523)	(369)
Loss for the financial period	<u>(133)</u>	<u>(154)</u>
At end of period	<u>(656)</u>	<u>(523)</u>

9. Reconciliation of movement in shareholders' deficit

	31 December 2012 £000	31 December 2011 £000
Loss for the financial period	<u>(133)</u>	<u>(155)</u>
Net increase to shareholders' deficit	<u>(133)</u>	<u>(155)</u>
Opening shareholders' deficit	<u>(523)</u>	<u>(360)</u>
Closing shareholders' deficit	<u>(656)</u>	<u>(523)</u>

10. 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.

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Notes to the financial statements (continued)

11. Contingent liabilities

The Company and some of its subsidiaries are party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow group company, and the Senior Secured Loan Notes due 2019. Amounts outstanding on such borrowings were £275.0 million at 31 December 2012 (31 December 2011 Nil). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future. The Company and some of its subsidiaries were party to guarantees in respect of bank loans drawn by fellow group companies amounting to £155.5 million at 31 December 2011. These bank loans were repaid on 20 September 2012.

12. Ultimate parent company and ultimate controlling party

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 Limited. Cabot Financial Limited is wholly owned by Cabot Credit Management Limited which is the largest group for which consolidated financial statements are prepared.

Until 6 April 2011 the ultimate controlling party was Citigroup Inc, a company listed on the New York Stock Exchange in the United States. Since 6 April 2011 the Company's ultimate controlling party has been AnaCap Calcium L.P. a partnership registered in Guernsey.