

**Company Registration No. 03958421**

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

**Annual Report and Financial Statements  
for the year ended 31 December 2013**

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

## **Officers and professional advisers for the year ended 31 December 2013**

The Officers and professional advisers of the Company at the date of this report are as follows:

### **Directors**

C Ross-Roberts  
K Stannard

### **Secretary**

W Wellinghoff

### **Registered office**

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

### **Auditor**

BDO LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

# Financial Investigations and Recoveries (Europe) Limited

## Strategic report for the year ended 31 December 2013

### Overview

The Directors present the Strategic Report, Directors' Report and the financial statements of Financial Investigations and Recoveries (Europe) Limited (the "Company") for the year ended 31 December 2013.

The principal activity of the Company 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.

The Directors consider that the Company performed its obligations to manage the interests of other companies in the Group. The company made a profit in the year as described in the Results and dividends section of the Directors' Report below.

### Recent Acquisitions

On 15 May 2013 AnaCap Calcium L.P., the former ultimate controlling party of the Company, sold their holding in the Group to JCF Associates III Limited ("JCF"). On 1 July 2013 JCF sold 50.1% of its equity holding to Encore Capital Group Inc ("Encore").

JCF has a substantial background in investing in the financial services sector. Encore is a leading provider of debt management and recovery solutions for consumers and property owners across a broad range of assets. Encore and JCF sought to acquire Cabot to gain a strong platform in the UK debt purchase and debt contingency markets.

On the 10 February 2014 the Group acquired Marlin Financial Group Limited, a market leading acquirer of non performing debt.

### Future Developments

Following the group acquisition by Encore and JCF together with the purchase of Marlin, the Cabot group hopes to build on its newly formed complimentary capabilities to strengthen their combined position in the market place. By leveraging each other's core strengths, the group will expand their ability to grow revenues across a broad range of debt types and create further operational efficiencies by applying industry expertise and sharing best practices.

### Business Review and Results

The following table summarises the key performance indicators used by the directors to assess the performance of the Company as of the dates and periods indicated.

<b>(£ in thousands, except for percentages)</b>			
	<b>2013</b>	<b>2012</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	
Turnover <sup>(a)</sup>	404	438	- 8%
Administrative expenses <sup>(b)</sup>	107	576	- 81%
Operating profit/(loss)	297	(138)	+ 315%
Shareholders' deficit	(445)	(656)	+ 32%
Staff turnover	18.7%	25.7%	- 7%

(a) Turnover reflects the reduction in collections made on behalf of other group companies.

(b) Administrative expenses reflect a reduction in Intra-group management charges.

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

## **Strategic report (continued) for the year ended 31 December 2013**

### **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 Credit Management group of companies (the "Group") and its financial risk management and objectives and policies are intrinsically linked to those of the Group. Consolidated accounts for the Group are drawn up for Cabot Financial Limited and Cabot Credit Management Limited.

The principal activity of the Group is the purchase and recovery of defaulted consumer loans. The collection of defaulted consumer loans carries a substantial amount of cash risk due to the underlying volatility in the collection characteristics of these assets. To mitigate these risks the Group 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.

#### *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 which requires cost-effective collection operations performed by the Company in respect of the portfolios owned by Group companies. The Company assesses the collection costs of each portfolio it services on behalf of related parties and agrees service fees accordingly. 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 core business is providing recovery services in respect of defaulted loans to the wider group of companies and is therefore, given its financial position, dependent on the financial condition of the rest of the Group for its own financial security.

The financial position of the Company and liquidity position are described in the financial statements on pages 9 to 15. The Company made a profit on ordinary activities before taxation of £0.3 million (2012: loss on ordinary activities before taxation £0.2 million), had net current liabilities and deficit on shareholders' funds at 31 December 2013 of £0.4 million (2012: £0.7 million).

The Group to which the Company belongs (see note 13) meets its day to day working capital requirements through senior credit facilities. 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 £265.0 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50.0 million maturing in September 2017. This loan facility was subsequently increased on 28 June 2013 to £85.0 million, and a further Senior Secured Loan Note due 2020 of £100.0 million was issued in August 2013. A senior secured bridge facility of £105.0 million was also acquired during February 2014 to fund the acquisition of the Marlin Group. After the year end, an additional Senior Secured Note due 1 October 2021 of £175.0 million was issued on 27 March 2014 at a fixed interest rate of 6.500%.

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019 and 2020 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2013 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.

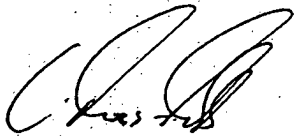
# Financial Investigations and Recoveries (Europe) Limited

## Strategic report (continued) for the year ended 31 December 2013

### *Going concern and liquidity risk (continued)*

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 financial statements.

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



C Ross-Roberts

Director

10 July 2014

# Financial Investigations and Recoveries (Europe) Limited

## Directors' report for the year ended 31 December 2013

The Directors present their annual report and financial statements of Financial Investigations and Recoveries (Europe) Limited (the "Company") for the year ended 31 December 2013.

### Results and dividends

The audited financial statements and related notes for the period ended 31 December 2013 are set out on pages 9 to 15. The Company made a profit on ordinary activities before taxation for the year to 31 December 2013 of £0.3 million (2012: loss on ordinary activities before taxation £0.2 million). The Directors do not recommend the payment of a dividend (2012: nil).

### Directors

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

N Clyne (resigned 13 February 2014)  
G P Crawford (resigned 15 May 2013)  
S N Mound (resigned 13 May 2014)  
C Ross-Roberts  
K Stannard (appointed 13 February 2014)

### Political donations

The Company made no political contributions (2012: £nil).

### Auditor

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

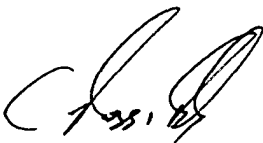
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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 resigned as statutory auditors with effect from 1 October 2013 and BDO LLP were appointed as auditors with effect from 30 October 2013.

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board Meeting.

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



C Ross-Roberts  
Director

10 July, 2014

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

### **Statement of Directors' responsibilities for the year ended 31 December 2013**

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 (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 2013 which comprise the profit and loss account, the balance sheet and the related notes. 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 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.

#### **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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2013 and of its profit 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

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

#### **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.

*Brown*

**Daniel Taylor (senior statutory auditor)**  
**For and on behalf of BDO LLP, statutory auditor**  
London

*10 July* 2014

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

# Financial Investigations and Recoveries (Europe) Limited

## Profit and loss account for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover		404	438
Administration expenses		(107)	(576)
<b>Operating profit/(loss)</b>		<b>297</b>	<b>(138)</b>
Other interest receivable and similar income	2	21	-
Interest payable and similar charges	3	(43)	(38)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<b>275</b>	<b>(176)</b>
Tax on profit/(loss) on ordinary activities	5	(64)	43
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>211</b>	<b>(133)</b>

All the above arises from continuing operations. There are no other gains or losses other than the profit/(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 11 to 15 form part of these financial statements.

# Financial Investigations and Recoveries (Europe) Limited

## Balance sheet as at 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
<b>Current assets</b>			
Cash at bank and in hand		6	49
Debtors: amounts falling due within one year	6	495	517
		<u>501</u>	<u>566</u>
<b>Creditors: amounts falling due within one year</b>	7	(946)	(1,222)
<b>Net current liabilities</b>		<u>(445)</u>	<u>(656)</u>
<b>Total assets less current liabilities</b>		<u>(445)</u>	<u>(656)</u>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	(445)	(656)
<b>Shareholders' deficit</b>	10	<u>(445)</u>	<u>(656)</u>

The notes on pages 11 to 15 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 10 July 2014.

Signed on behalf of the Board of Directors



C Ross-Roberts

Director

10 July 2014

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

## **Notes to the financial statements (continued) for the year ended 31 December 2013**

### **1. Accounting policies**

The particular accounting policies adopted are described below. These have been applied consistently throughout the current and 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 Strategic report on page 2. The financial position of the Company and liquidity position are described in these financial statements. The Company made a profit on ordinary activities before taxation of £0.3 million (2012: loss on ordinary activities before taxation £0.2 million), had net current liabilities and deficit on shareholders' funds at 31 December 2013 of £0.4 million (2012: £0.7 million).

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.

The Group to which the company belongs (see note 13) meets its day to day working capital requirements through senior credit facilities. 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 £265.0 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50.0 million maturing in September 2017. This loan facility was subsequently increased on 28 June 2013 to £85.0 million, and a further Senior Secured Loan Note due 2020 of £100.0 million was issued in August 2013. After the year end, an additional Senior Secured Note due 1 October 2021 of £175.0 million was issued on 27 March 2014 at a fixed interest rate of 6.500%.

The assets of the Company have been pledged as security for the Senior Secured Loan Notes due 2019 and 2020 and the senior secured revolving credit facility.

The Group has remained compliant during the year to 31 December 2013 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 financial statements.

#### **Financial liabilities**

All financial liabilities are carried at amortised cost using the effective interest rate method.

#### **Turnover**

Turnover represents fees receivable from the servicing of loans on behalf of third parties.

Turnover is attributable to the Company's continuing operations and arises solely in the UK.

## Financial Investigations and Recoveries (Europe) Limited

### Notes to the financial statements (continued) for the year ended 31 December 2013

#### Interest

Interest receivable and payable is recognised on an accruals 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.

#### 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

	2013	2012
	£000	£000
Interest receivable from group companies	<u>21</u>	<u>-</u>

#### 3. Interest payable and similar charges

	2013	2012
	£000	£000
Interest payable to group companies	<u>43</u>	<u>38</u>

#### 4. Loss on ordinary activities before taxation and Staff costs

The remuneration of the auditors of £3,600 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 2013 (2012: none). The Directors received no remuneration in the period from the Company (2012: £nil).

# Financial Investigations and Recoveries (Europe) Limited

## Notes to the financial statements (continued) for the year ended 31 December 2013

### 5. Tax on profit on ordinary activities

The tax charge comprises:

	2013	2012
	£000	£000
<b>Current tax</b>		
Corporation tax	64	(43)
<b>Total current tax</b>	<u>64</u>	<u>(43)</u>

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:

	2013	2012
	£000	£000
Profit/(loss) on ordinary activities before taxation	<u>275</u>	<u>(176)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax at 23.25% (2012: 24.5%)	64	(43)
<b>Current tax charge/(credit) for the period</b>	<u>64</u>	<u>(43)</u>

There are no significant factors which are anticipated to affect the tax charges shown above.

### 6. Debtors: amounts falling due within one year

	31 December 2013	31 December 2012
	£000	£000
Amounts owed by group companies	<u>495</u>	<u>517</u>

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

# Financial Investigations and Recoveries (Europe) Limited

## Notes to the financial statements (continued) for the year ended 31 December 2013

### 7. Creditors: amounts falling due within one year

	31 December 2013	31 December 2012
	£000	£000
Trade creditors	-	1
Amounts owed to group companies	946	1,221
	<u>946</u>	<u>1,222</u>

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

### 8. Share capital

	31 December 2013	31 December 2012
	£	£
<b>Authorised:</b>		
100 (2012: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and paid:</b>		
1 (2012: 1) ordinary share of £1	<u>1</u>	<u>1</u>

### 9. Profit and loss account

	31 December 2013	31 December 2012
	£000	£000
At beginning of period	(656)	(523)
Profit/(loss) for the financial period	<u>211</u>	<u>(133)</u>
At end of period	<u>(445)</u>	<u>(656)</u>

### 10. Reconciliation of movement in shareholders' deficit

	31 December 2013	31 December 2012
	£000	£000
Profit/(loss) for the financial period	<u>211</u>	<u>(133)</u>
Net decrease/(increase) to shareholders' deficit	<u>211</u>	<u>(133)</u>
Opening shareholders' deficit	<u>(656)</u>	<u>(523)</u>
Closing shareholders' deficit	<u>(445)</u>	<u>(656)</u>

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

### **Notes to the financial statements (continued) for the year ended 31 December 2013**

#### **11. 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.

#### **12. 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 £365.0 million at 31 December 2013 (31 December 2012: £275.0 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

#### **13. Ultimate parent company and ultimate controlling party**

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 Financial Limited, a company incorporated in England and Wales.

Up until 15 May 2013 the Company's ultimate controlling party was AnaCap Calcium L.P., a partnership registered in Guernsey.

On 13 April 2013 Calcium Holdings S.a.r.l, a company controlled by AnaCap Calcium L.P, the former ultimate controlling party of the Company, entered into a Sale and Purchase Agreement ("the Agreement"), together with the Cabot management shareholders, to sell their shares in Cabot Credit Management Limited to Cabot (Group Holdings) Limited. Cabot management, together with JCF Associates III Limited ("JCF"), a company incorporated in the United States, have made a reinvestment into Cabot Holdings S.a.r.l which indirectly owns Cabot (Group Holdings) Limited.

The Agreement contained certain conditions prior to completion which were satisfied on 25 April 2013 at which time the Agreement became unconditional. Completion of the purchase occurred on 15 May 2013. At that point in time JCF became the ultimate controlling party.

Encore Capital Group Inc ("Encore"), a company incorporated in the United States announced its agreement to acquire 50.1% of the equity held by JCF. Prior to completion of the Encore acquisition, JCF transferred its ownership of Cabot Holdings S.a.r.l into Janus Holdings Luxembourg S.a.r.l ("Janus"), a company incorporated in Luxembourg. On 1 July 2013 JCF sold 50.1% of its stake in Janus to Encore. The Company's ultimate controlling party from this point is Encore Capital Group Inc ("Encore"), a company incorporated in the United States.