Company Registration No 5754978

Cabot Financial Group Limited

Report and Financial Statements

Year ended 31 October 2009

Cabot Financial Group Limited

Report and financial statements 2009

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Officers and professional advisers

Directors

K W Maynard
G P Crawford
J F Soden
D C E Geer
P J Norris
J D Randall

Secretary

J D Randall

Registered office

1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Auditors

Deloitte LLP
London

Cabot Financial Group Limited

Directors' report

The Directors present their annual report and financial statements of Cabot Financial Group Limited (the 'Company") and its subsidiaries (the "Group') for the year ended 31 October 2009

Principal activities

The principal activity of the Company is to act as a holding company of a group comprising the purchase and recovery of non-performing consumer loans in the UK and Europe

The subsidiary and associated undertaking principally affecting the profits or net assets of the Group in the year are listed in note 11 to the financial statements

Business review

The debt purchase marketplace in the UK, the principal area of business activity for the Group, has suffered along with the rest of the economy but has still remained relatively buoyant During the year, the Group has actively considered purchasing debt with a face value in excess of £4 5 billion The Group made purchases costing in excess of £27m The level of purchases fell below the expectations of the Directors due to funding constraints put on the Group during renewal of its senior bank facility The senior facility was eventually renewed on 7 October 2009 with enhanced facilities signed on 18 December 2009

The prices paid for debt in the UK market have reduced significantly over the last eighteen months as the economic environment declined The Directors are confident that despite the worsening economic environment returns achieved on the portfolios acquired in the year to 31 October 2009 will, in aggregate be significantly ahead of the returns achieved in the last two to three years

The UK remained the dominant market accounting for over 95% of the portfolio purchases

Collections on portfolios for the year to 31 October 2009 fell short of expectations on the assets owned at the beginning of the financial year but were ahead of expectations on the assets acquired during the year Collections on the assets owned at the beginning of the year were adversely affected by the "credit crunch" with the Group's customers finding it increasingly difficult to raise the funds in order to make lump sum payments to settle the obligations with the Group The Group has always taken a long-term approach to helping the customer deal with their debt obligations and the Directors believe that this approach should continue in the current difficult economic circumstances Collections on the assets acquired in the year have exceeded expectations due to the decision to factor in significant reductions in expected customer settlements relative to the historic trend when forecasting the likely collections at the point of pricing The Directors expect both the turnover and operating profits of the Group to grow in the coming years fuelled by cashflows from portfolios currently owned plus the weakening of the price of debt in the UK market place

Financial risk management objectives and policies

Cash flow and credit risk

The purchase and collection of non-performing consumer receivables 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

Due to the long-term nature of the Group's collection strategies, the Group will continue to be exposed to possible changes in legislation and economic trends

To mitigate these risks, the Group's senior employees 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

Cabot Financial Group Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Price risk

The market within which the Group operates is highly competitive with a large number of buyers tendering for portfolios that come to market In order to mitigate this risk the Group continues to invest in pricing models and methodologies in order that segmented sub-portfolios can be accurately priced so that those parts of portfolios with the highest chance of meeting collections expectations are purchased The Directors consider that substantial ongoing investment in this area will be key to the success of the business

Foreign exchange risk

As at 31 October 2009 the net foreign exchange risk is assessed by the Directors to be immaterial in the context of the total assets of the Group with portfolios acquired in Euros being funded with senior debt drawn in Euros

Interest rate risk

All decisions in relation to the hedging of interest rate risk are made by the Board of Directors of the Group The Group holds a £100 million interest rate cap as a hedge against adverse movements on the cost of its senior bank facility This has been revalued in the balance sheet to fair value as required by FRS 26 Financial Instruments Recognition and Measurement The fair value of this derivative at 31 October 2009 was £144,000 (2008 £nil) The Group also holds a £20 million interest rate swap The fair value of this swap at 31 October 2009 was a liability of £159,456 (2008 £340 286)

Going concern and liquidity risk

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this report The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements The Group made an operating profit of £1,650,804 (2008 £4,148,100) and net cash inflow from operating activities increased to £30,547,745 (2008 outflow of £652,211) The Group currently has net current assets of £87,916,177 (2008 net current liabilities £745,798) and deficit on shareholders' funds of £66,527,024 (2008 £37,463,111) The deficit in net assets principally relates to goodwill amortisation and interest charges on loan notes The Group s long-term debt financing comprises of the £202 million loan notes due in 2016 Accrued interest on these loans notes of £78 million is, although included in current liabilities, due only on a "pay as you can basis" and otherwise not due until the loan notes are repaid at maturity (see note 15)

The Group meets its day to day working capital requirements through a £155m senior loan facility The renewal date of the bank loan facility is 17 December 2011 (see note 15) As of the balance sheet date the senior loan facility was drawn down to £111m

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

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

Cabot Financial Group Limited

Directors' report (continued)

Results and dividends

The audited financial statements and related notes for the year ended 31 October 2009 are set out on pages 8 to 29 The Group's result for the year, after taxation and before minority interests was a loss of £29,457,610 (2008 loss £26,938,962) The Directors do not recommend the payment of a dividend (2008 £nil)

Directors

The Directors who held office during the year, except as noted otherwise were as follows

K W Maynard
G P Crawford
D C E Geer
J D Randall
P J Norris
J F Soden

Supplier payment policy

It is the Group s policy to abide by the terms of payment agreed with suppliers

Charitable and political contributions

During the year the Group made charitable donations of £2,635 (2008 £1,482) There were no political contributions during the year (2008 £nil)

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 Group continues It is the policy of the Group 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 and the company magazine 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 "Communication and Consultative Committee"

Cabot Financial Group Limited

Directors' report (continued)

Auditors

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

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

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

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

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

J D Randall
Director
22 February 2010

Cabot Financial Group Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations Company law requires the Directors to prepare financial statements for each financial year Under the law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepting Accounting Practice and applicable law

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

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

The Directors are responsible for keeping proper 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 the Group 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 the Group 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 Group Limited

We have audited the Group and Parent Company financial statements (the financial statements') of Cabot Financial Group Limited for the year ended 31 October 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 27 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 auditors report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company s affairs as at 31 October 2009 and of the Group's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Andrew Downes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London United Kingdom

22 February 2010

Cabot Financial Group Limited

Consolidated profit and loss account
For the year ended 31 October 2009

	Notes	2009 £	2008 £
Turnover	2	89,070,141	87,639 985
Cost of sales		(49,744,915)	(49,128,079)
Gross profit		39,325,226	38,511,906
Administration expenses		(37,693,651)	(34,387,420)
Other operating income		19,229	23,614
Operating profit		1,650 804	4,148,100
Share of operating profit in associate		-	91,964
Loss on sale of fixed asset investment		(102)	(148,266)
Interest receivable and similar income	6	58,637	135,642
Interest payable and similar charges	7	(31,248,907)	(31,357,119)
Other income		-	37,229
Loss on ordinary activities before taxation	3	(29,539,568)	(27,092,450)
Tax on loss on ordinary activities	4	81,958	153,488
Loss on ordinary activities after taxation		(29,457 610)	(26,938,962)
Minority Interests		(6,690)	(5,062)
Loss for the financial year	19	(29,464,300)	(26,944,024)

All activities derive from continuing operations

The accompanying notes are an integral part of this consolidated profit and loss account

Cabot Financial Group Limited

Consolidated balance sheet
As at 31 October 2009

	Notes	2009 £	2008 £
Fixed assets			
Goodwill	9	152,970,673	162,692,558
Tangible assets	10	4,526,862	4,400,074
		157,497,535	167,092,632
Current assets			
Loan portfolios	12	161,738,508	177,827 659
Debtors amounts falling due within one year	13	4,823,052	4,620,677
Cash at bank and in hand		5,356,142	5,699,295
		171,917,702	188,147,631
Creditors: amounts falling due within one year	14	(84,001,525)	(188,893,429)
Net current assets/(liabilities)		87,916,177	(745,798)
Total assets less current liabilities		245,413,712	166,346,834
Creditors: amounts falling due after more than one year	15	(310,641,485)	(202,346,416)
Provisions for liabilities and charges	16	(1,299,251)	(1,463,529)
Net liabilities		(66,527,024)	(37,463,111)
Capital and reserves			
Called up share capital	18	250,000	250,000
Profit and loss account	19	(66,796,950)	(37,729,922)
Equity shareholders' deficit	24	(66,546,950)	(37,479,922)
Minority interests		19,926	16,811
Total capital deficit		(66,527,024)	(37,463,111)

The accompanying notes are an integral part of this consolidated balance sheet

These financial statements with registered number 5954978, were approved by the Board of Directors and authorised for issue on 22 February 2010

Signed on behalf of the Board of Directors

J D Randall

Director

Cabot Financial Group Limited

Company balance sheet
As at 31 October 2009

	Notes	2009 £	2008 £
Fixed assets			
Investments	11	250,000	250,000
Current assets			
Debtors amounts falling due within one year	13	5,736	5,736
		5,736	5,736
Creditors: amounts falling due within one year	14	(11,750)	(11,750)
Net current liabilities		(6,014)	(6,014)
Total assets less current liabilities		243,986	243,986
Net assets		243,986	243,986
Capital and reserves			
Called up share capital	18	250 000	250,000
Profit and loss account	19	(6 014)	(6,014)
Equity shareholders' funds		243,986	243,986

The accompanying notes are an integral part of this consolidated balance sheet

These financial statements with registered number 5754978, were approved by the Board of Directors and authorised for issue on 22 February 2010

Signed on behalf of the Board of Directors

J D Randall

Director

Cabot Financial Group Limited

Consolidated statement of total recognised gains and losses
For the year ended 31 October 2009

	Notes	2009 £	2008 £
Loss for the financial year		(29,464,300)	(26,944,024)
Currency translation differences	19	397,270	377,701
Total recognised losses relating to the year		(29,067,030)	(26,566,323)

Cabot Financial Group Limited

Consolidated cash flow statement
For the year ended 31 October 2009

	Notes	2009 £	2008 £
Net cash inflow/(outflow) from operating activities	20	30,547,745	(652,211)
Returns on investments and servicing of finance	21	(6,767,698)	(8,748 853)
Taxation	21	131,396	(1,764,444)
Capital expenditure and financial investment	21	(1,661,950)	(1,791,271)
Acquisitions and disposals	21	(102)	720,052
Cash inflow/(outflow) before use of financing		22,249,391	(12,236,727)
Financing	21	(22,592,544)	11,266,649
Decrease in cash in the year	23	(343,153)	(970,078)

The accompanying notes are an integral part of this consolidated cash flow statement

Notes to the financial statements
For the year ended 31 October 2009

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 have been prepared under the historical cost convention except for fair value of certain financial assets and financial liabilities, and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries and associated undertakings drawn up to 31 October each year The results of subsidiaries acquired or sold are consolidated for the periods from or to the date of which control passed Acquisitions are accounted for under the acquisition method

Going concern

The Group s business activities, together with the factors likely to affect its future development, performance and position are set out in this report The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements The Group made an operating profit of £1,650,804 (2008 £4,148,100) and net cash inflow from operating activities increased to £30,547,745 (2008 outflow of £652,211) The Group currently has net current assets of £87,916,177 (2008 net current liabilities £745,798) and deficit on shareholders funds of £66,527,024 (2008 £37,463,111) This has resulted from the acquisition made during the year to October 2006 The deficit in net assets principally relates to goodwill amortisation and interest charges on loan notes The Group s long-term debt financing comprises of the £202 million loan notes due in 2016 Accrued interest on these loans notes of £78 million is, although included in current liabilities, due only on a 'pay as you can basis" and otherwise not due until the loan notes are repaid at maturity (see note 15)

The Group meets its day to day working capital requirements through a £155m senior loan facility The renewal date of the bank loan facility is 17 December 2011 (see note 15) As of the balance sheet date the senior loan facility was drawn down to £111m

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

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

Associates

In the Group financial statements investments in associates are accounted for using the equity method The consolidated profit and loss account includes the Group's share of associate's profit less losses while the Group s share of the net assets of the associates is shown in the consolidated balance sheet Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out in this note Any unamortised balance of goodwill is included in the carrying value of the investment in associates

Cabot Financial Group Limited

Notes to the financial statements (continued)
For the year ended 31 October 2009

1. **Accounting policies (continued)**

Financial assets

On initial recognition FRS 26 Financial Instruments Recognition and Measurement requires that financial instruments be classified into the following categories, at fair value through profit and loss, loans and receivables, held-to-maturity investments or available for sale

The loan portfolios are classified as fair value through profit and loss Debtors are measured at amortised cost using the effective interest method, less any impairment

Financial liabilities

Except for derivatives, which are classified as fair value through profit and loss on initial recognition, all financial liabilities are carried at amortised cost using the effective interest rate method

Bank borrowings

Interest bearing loans are recorded at the proceeds received net of direct issue costs Finance charges are accounted for in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument

Turnover

Turnover represents amounts collected from customers and fees receivable from the servicing of loans on behalf of third parties Collections from customers are recognised on receipt Fees are recognised when the services are provided

Valuation of consumer loan portfolios

Portfolios are accounted for using the "fair value through the profit and loss" designation in accordance with FRS 26 Financial Instruments Recognition and Measurement Fair value is determined in the manner described in note 12(a)

The fair value of portfolios is shown in the balance sheet as "loan portfolios" The change in fair value of portfolios is shown in cost of sales As described in note 12 the fair value of these "loan portfolios" is highly sensitive to the collections achieved and the forecast algorithm used to project forward collections

Operating leases

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

Interest

Interest receivable and payable are recognised using the effective interest rate method

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 Group'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 to the extent that 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

Notes to the financial statements (continued)
For the year ended 31 October 2009

1. Accounting policies (continued)

Taxation (continued)

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

Pensions

The Group operates a defined contribution pension scheme Pension contributions are charged to the profit and loss account 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 balance sheet

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is estimated at twenty years Provision is made for any impairment

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives 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) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

Recoverable amount is the higher of fair value less any cost to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating united) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) 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 (or cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets 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

Office equipment	4 years
Computers and software	3 years
Fixtures and fittings	5 years
Short leasehold property	the minimum term of the lease
Motor vehicles	5 years

Notes to the financial statements (continued)
For the year ended 31 October 2009

1. Accounting policies (continued)

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment

Derivatives

Derivatives are measured initially at fair value and subsequently re-measured to fair value Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, included discounted cash flow models and option pricing models as appropriate All derivatives are included as assets when their fair value is positive, and liabilities when their fair value is negative

Foreign exchange

Transactions in foreign currencies are recorded at the rates of exchange for Sterling 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

On consolidation, the assets and liabilities of the Group s overseas operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the year Exchange differences arising on translations of the opening net assets and results of overseas operations are adjusted through reserves All other exchange differences are recognised as income or expense in the year in which the difference arose

2. Turnover

Turnover predominantly arises in the UK

	2009 £	2008 £
Collections	86,399,106	85,776,369
Servicing	2,671,035	1,863,616
	89,070,141	87,639,985

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2009 £	2008 £
Auditors remuneration	190,760	173,681
Movement in fair value of derivatives	(180,830)	358,619
Depreciation of tangible fixed assets	1,284,405	923,200
Amortisation of goodwill	9,721,885	9,721,885
Operating lease rentals - land and buildings	1,056,280	1,029,390

The result for the year of the Company was £nil (2008 – £ nil) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company

Notes to the financial statements (continued)
For the year ended 31 October 2009

3. Loss on ordinary activities before taxation (continued)

The analysis of auditors remuneration is as follows

	2009 £	2008 £
Fees payable to the Company s auditors for the audit of the Company's annual accounts	16 460	12,848
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	174,300	196,083
Total audit fees	190,760	173,681
Tax Service	33,350	24,189
Corporate Finance Services	23,000	-
Total non-audit fees	56,350	59,439

4. Tax on loss on ordinary activities

The tax credit comprises

	2009 £	2008 £
Current tax		
Foreign tax	110,717	190,212
Adjustments in respect of prior periods	-	(155,110)
Total current tax	110,717	35,102
Deferred tax		
Origination and reversal of timing differences	(192,675)	(188,590)
Total deferred tax	(192,675)	(188,590)
Total tax credit on loss on ordinary activities	(81,958)	(153,488)

The differences between the total 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

Notes to the financial statements (continued)
For the year ended 31 October 2009

4. Tax on loss on ordinary activities (continued)

	2009 £	2008 £
Loss on ordinary activities before taxation	(29,539,567)	(27,092,450)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008 – 28%)	8,271,079	7,585,886
Effects of		
Expenses not deductible for tax purposes	(4,344,786)	(4,258,879)
Non utilisation of losses	(3,849,189)	(3,525,758)
Capital allowances in excess of depreciation	38,776	136 959
Movement in short-term timing differences	-	(85,781)
Tax on overseas earnings	(226,597)	(42,639)
Adjustments to tax charge in respect of previous periods	-	155,110
Group current tax charge for the year	(110,717)	(35,102)

Notes 16 and 17 explain the movements on deferred tax in the year

5. Information regarding Directors and employees

	2009 No. £	2008 No. £
Average number of employees during the year (including executive Directors)		
Administration	108	92
Collections	310	281
	418	373

	2009 £	2008 £
Staff costs including Directors		
Wages and salaries	13,230,668	10,380,991
Social security costs	1,273,638	1,021,621
Pension contributions	248,882	271,702
	14,753,188	11,674,314

There are three Directors for whom retirement benefits are accruing in respect of defined contribution pension schemes (2008 - 3)

As at the balance sheet date there was a liability of £34,196 (2008 £30,269) in respect of pension contributions to be paid into the scheme

Notes to the financial statements (continued)
For the year ended 31 October 2009

5. Information regarding Directors and employees (continued)

	2009	2008
	£	£
Directors' remuneration		
Salary and benefits in kind	1,575,841	911,129
Pension contributions	80,000	71,600
	1,655,841	982,729
Highest paid director		
Salaries and benefits in kind	589 211	346,877
Pension contributions	30,000	27,300
	619,211	374,177

6. Interest receivable and similar income

	2009	2008
	£	£
Bank deposits	58,637	135 642

7 Interest payable and similar charges

	2009	2008
	£	£
Bank loans	6,653,674	8,966,273
A & B loan notes	13,892,072	12,895,847
M loan notes	10,703,161	9,494,999
	31,248,907	31 357,119

8. Financial commitments

The Group s annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2009	Land and buildings 2008
	£	£
Expiry date		
- between one and five years	119,945	84,666
- after five years	924,614	924,615

At 31 October 2009, the Group was committed to further purchases of portfolios of non performing consumer loans with a total cost of £420,000 (2008 £1,468,984) over the period to April 2010 under non-cancellable agreements

Cabot Financial Group Limited

Notes to the financial statements (continued)
For the year ended 31 October 2009

9. Intangible assets - goodwill

	2009 £	2008 £
Cost		
At 31 October	187 562,578	187,562,578
Additions during the year	-	-
At 31 October	187,562,578	187,562,578
Accumulated amortisation		
At 31 October	24,870,020	15,148,134
Charge for the year	9,721,885	9,721,886
At 31 October	34,591,905	24,870,020
Net book value		
At 31 October	152,970,673	162,692,558

10 Tangible fixed assets

	Motor vehicles £	Office equipment £	Computers and software £	Furniture and fittings £	Short leasehold property £	Total £
Cost						
At 31 October 2008	34,554	684,122	2,063,136	813,220	2,434,249	6,029,281
Additions	16,290	21,540	1,161,484	90,309	120,216	1,409,839
Disposals	1,354	-	-	-	-	1,354
At 31 October 2009	52 198	705,662	3,224 620	903,529	2,554,465	7,440,474
Depreciation						
At 31 October 2008	3,727	417,272	796,601	236,290	175,317	1 629 207
Charge for the year	12,879	117,088	841,867	155,344	157,227	1,284,405
At 31 October 2009	16,606	534,360	1,638,468	391,634	332,544	2,913,612
Net book value						
At 31 October 2009	35,592	171,302	1,586,152	511,895	2,221.921	4,526,862
At 31 October 2008	30,827	266,850	1,266,535	576,930	2,258,932	4,400,074

Notes to the financial statements (continued)
For the year ended 31 October 2009

11. Fixed asset investments and acquisitions

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Subsidiary undertakings				
Cost and net book value		-	250,000	250,000

Principal group investments

The Parent Company and the Group have unlisted investments in the following subsidiary undertakings which principally affect the financial statements of the Group

Subsidiary undertakings	Date of acquisition	Country of incorporation and operation or principal business address	Principal activity	Ordinary shares held	% shares held
Cabot Financial Limited	7 April 2006	Great Britain	Holding company	250 000	100*
Cabot Financial Holdings Group Limited	7 April 2006	Great Britain	Holding company	251 256	100
Cabot Financial Holdings Limited	7 April 2006	Great Britain	Holding company	19 814 190	100
Cabot Financial Debt Recovery Services Limited	7 April 2006	Great Britain	Consumer debt purchase and recovery in UK and Europe	924,001	100
Cabot Financial (Europe) Limited	7 April 2006	Great Britain	Collection of UK consumer debt	12 104 790	100
Cabot Financial (UK) Limited	7 April 2006	Great Britain	UK consumer debt purchase and recovery	10,000 000	100
Cabot Services (Europe) SAS	7 April 2006	France	French consumer debt purchase and recovery	2 500	100
Financial Investigations and Recoveries (Europe) Limited	7 April 2006	Great Britain	Servicing of UK consumer debt	1	100
Kings Hill Capital Ltd	7 April 2006	Great Britain	Dormant	1	100
Morley Limited	7 April 2006	Great Britain	Dormant	2	100
Morley Funding Limited	7 April 2006	Great Britain	Dormant	2	100
Kings Hill (No 4) Limited	7 April 2006	Great Britain	Dormant	2	100
Cabot Financial International Limited	7 April 2006	Great Britain	Dormant	2	100
Kings Hill (No 1) Limited	7 April 2006	Great Britain	Dormant	2	100
Cabot Consumer Services Limited	7 April 2006	Great Britain	Dormant	1	100
Cabot Financial (Ireland) Limited	17 January 2007	Ireland	Irish debt collection	369,114	93
Cabot Spain SL	27 December 2006	Spain	Spanish consumer debt purchase and recover	3,000	100
Cabot Financial Asset Purchases (Ireland) Limited	26 April 2007	Ireland	Dormant	100	100

* *Directly held subsidiary of Cabot Financial Group Limited*

The Group has 100% voting rights on shares held in each of the subsidiary undertakings

12. Market risk analysis (continued)

The Group is subject to price, credit and cashflow risk in the value of loan portfolios and interest rate risk in relation to its bank loans and related hedging The Directors consider that the net exposure to foreign exchange risk in the Groups balance sheet is immaterial The financial risk management objectives and policies were discussed within the Directors' report on page 2 and 3

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14 and 15, cash and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in notes 18 to 24

(a) Price and cashflow risk sensitivity analysis in fair value of loan portfolios

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Loan portfolios				
Fair value	161,738,508	177,827,659	-	-

The Group uses a Revaluation Model to calculate the fair value of loan portfolios The Revaluation Model is a cashflow model developed at a portfolio level based on projected cashflows over the forecast cash collection period for each individual portfolio ("the forecast period") Cashflows are discounted using the yields calculated for each portfolio The initial yield is calculated at the time of purchase and subsequently compared with yields observed in current market transactions in similar loan portfolios and adjusted if necessary Significant volatility in yields for similar purchased loan portfolios is not anticipated in the absence of fundamental changes in the economic or legislative environment

The weighted average forecast period used in the Revaluation Model was 74 months (2008 72 months) and the weighted average yield used for discounting cashflows was 39 6% (2008 40 5%) The weighted average initial yield of new acquisitions in the year to 31 October 2009 was consistent with that of the prior year and the Directors do not consider that this is likely to vary significantly

The Revaluation Model is updated with the collections experience on a monthly basis and a new collections forecast is generated using a combination of the actual collections seen over the immediately preceding months and long term trend analysis of how collections on the Group's loan portfolios decay on a monthly basis over several years

The fair value of the portfolios is therefore highly dependent on the collections achieved on the loan portfolios in the past as these determine the initial starting point of the projection and the long-term gradient used to decay the forecast collections The fair value is also dependent on the yield assumptions

The effect of a 10% reduction in cash collection statistics and a 10% reduction in the long term gradient used in the Revaluation Model are illustrated separately below The Directors believe that a 10% reduction is a reasonable sensitivity as this correlates with the largest annual adverse variance in cash collections against forecast cashflows observed since the Revaluation model was introduced in its current form

Notes to the financial statements (continued)
For the year ended 31 October 2009

12 Market risk analysis (continued)

The effect of changes to the assumptions feeding the Revaluation Model are illustrated below

Group	Opening balance sheet £	Change in fair value recorded in cost of sales £	Closing balance sheet £
Reduction in cash collections experience used in forecast by 10%			
Year ended 31 October 2008			
Per financial statements	159,904,505		177,827,659
Reduction due to change of assumption	(15,611,559)	(1,474,365)	(17,085,924)
	144,292,946		160,741,735

Group	Opening balance sheet £	Change in fair value recorded in cost of sales £	Closing balance sheet £
Year ended 31 October 2009			
Per financial statements	177,827,659		161,738 508
Reduction due to change of assumption	(17,085,924)	2,217,815	(14,868,109)
	160,741,735		146,870,399
Reduction in the long term gradient used in forecast by 10%			
Year ended 31 October 2008			
Per financial statements	159,904,505		177,827,659
Reduction due to change of assumption	(4,389,124)	(1,072,340)	(5,461,464)
	155,515,381		172,366,195
Year ended 31 October 2009			
Per financial statements	177,827,659		161,738,508
Reduction due to change of assumption	(5,461,464)	716,713	(4,744,751)
	172,366,195		156,993,757

An increase of 10% in cash collections experience and a 10% increase in the long-term gradient used in forecast will have the exact opposite effect in the loan portfolios amount at balance sheet date

(b) Interest rate risk sensitivity analysis

The fair value of the Group's £100 million interest rate cap is £144,000 and it expires on 24 December 2010 The Directors do not consider a scenario which changes this fair valuation to be material

Notes to the financial statements (continued)
For the year ended 31 October 2009

12 Market risk analysis (continued)

The fair value of the Group's £20 million interest swap is £159,456 and is included in the liabilities in note 14 As this swap expires in December 2009 the Directors do not consider a scenario which changes this fair value to be material

The Group s senior debt facility is linked to the monthly LIBOR so the balance sheet value is the fair value

The Group has in issue £142 3 million of 8% A & B loan notes and £60 0 million of 13% M loan notes These loan notes are purely 'pay if you can" liabilities and are inherently linked to the Group's equity structure Interest is only payable on a "pay if you can' basis As such it is not possible to determine the fair value of these liabilities as it is not possible to refer to an equivalent market price nor it is not practical to either calculate the underlying cash flow associated with the Loan notes with any degree of accuracy

(c) Credit risk sensitivity analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group As the Group's business is the purchase and recovery of non-performing consumer loans it is exposed to a significant credit risk so, as disclosed in the Directors Report, continues to develop, and continues to refine detailed management reporting on individual portfolio performance and re-forecasts future collections on each portfolio on a monthly basis Pricing models are used to assess the purchase price of each portfolio Underlying the amount included in Loan Portfolios in the balance sheet is the underlying receivables from the Group's customers who, although all have suffered issues with personal credit, are highly diverse in nature spread across all of the geographical regions of the UK (with a small proportion amounting to less than 5% of the customer base across in France, Spain and Ireland) and from all socio-economic groups The Group does not therefore have a significant risk to any single counterparties The underlying credit risk associated this the aggregated customer base is, in essence identical to the cashflow risk associated with forecasting the future cash flows from the portfolio disclosed in (a) above

(d) Liquidity risk analysis

As at 31 October 2009 the Group's revaluation model indicates that £422 million (2008 £467 million) will be received on the Group s loan portfolios over a ten year period The exact timing of this cashflow is highly dependent on the economic circumstances prevailing at that time

13. Debtors: amounts falling due within one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Amounts owed by group undertakings	-	-	5,042	5,042
Trade debtors	404,387	121,717	-	-
Corporation tax	1,598,989	1,785,907	-	-
Other debtors and prepayments	2,819,677	2,713,052	694	694
	4,823,053	4,620,676	5,736	5,736

The Directors believe the fair value of these assets is not materially different to the balance sheet value

Notes to the financial statements (continued)
For the year ended 31 October 2009

14. Creditors: amounts falling due within one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Bank loans and overdrafts	-	131,060,276	-	-
Accrued M loan notes interest (see note 15)	33,036,170	22,333,009	-	-
Accrued "A & 'B' loan notes interest (see note 15)	45,197,915	31,305,842	-	-
Trade creditors	465,187	375,634	-	-
Corporation tax	61,238	34,439	-	-
Other tax and social security	443,149	269,310	-	-
Other creditors	804,227	1,082,979	-	-
Accruals and deferred income	3,993,639	2,431,940	11,750	11,750
	84,001,525	188,893,429	11,750	11,750

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

15. Creditors amounts falling due after more than one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Debenture loans, loan stock and other loans	202,346,416	202,346,416	-	-
Bank loans and overdrafts	108,295,069	-	-	-
	310,641,485	-	-	-
Analysis of loan repayments				
In more than one year but less than 5 years	108,295,069	-	-	-
In more than 5 years	202 346,416	202,346,416	-	-

The Group has granted a fixed and floating charge over assets with a carrying value of £176m as at the balance sheet date as security for the bank loan The bank loans were renewed on 18 December 2009 (see Directors' report) and are repayable on 17 December 2011 The interest rate is variable and fluctuates in accordance with LIBOR The Debenture loans, loan stock and other loans above are 13% "M" loan notes and 8% "A" and 'B' loan notes The "M", "A" and "B" loan notes are repayable in 2016 The "M" loan notes rank ahead of the "A" and 'B" loan notes in the event of a winding of the Group The interest on these loan notes is only payable on a "pay if you can basis" and the loan notes are fully subordinated to the bank loans The 'A' and "B' loan notes are pari passu

16. Provisions for liabilities and charges

	Group £	Company £
At 31 October 2008	1,463,529	-
Current period timing adjustment	164,278	-
At 31 October 2009	1,299,251	-

Notes to the financial statements (continued)
For the year ended 31 October 2009

16 Provisions for liabilities and charges (continued)

The deferred tax liability relates to the timing difference between the tax and the increase in brought forward reserves at 1 November 2006 in respect of the cumulative effect on adoption of FRS 26 The remaining provision is anticipated to be released to the profit and loss account over the period to 31 October 2016

17. Deferred tax asset

	Group 2009 £	Group 2008 £	Company 2009	Company 2008 £
Accelerated capital allowances	266,771	329,119	-	-
Tax losses not recognised	7,306,884	3,525,757	-	-
Other timing differences	-	-	-	-
Deferred tax not recognised	(7,573,655)	(3,854,876)	-	-
	-	-	-	-

A deferred tax asset has not been recognised in respect of unutilised tax losses as the current expectation as there will not be sufficient taxable profits from which the losses could be deducted The potential deferred tax asset currently amounts to £7,530,596 (2008 £3,854,876)

	Group 2009 £	Group 2008 £
At 31 October	-	47,217
Current period timing adjustments	-	(47,217)
At end of year	-	-

18. Called up share capital

	2009 £	2008 £
Authorised:		
52,500 class "A' ordinary shares of £1 each	52,500	52,500
197,500 class "B" ordinary shares of £1 each	197,500	197,500
100 class "C" ordinary shares of £1 each	100	100
	250,100	250,100
Called up, allotted and fully paid:		
52,500 class "A" ordinary shares of £1 each	52,500	52,500
197,500 class "B" ordinary shares of £1 each	197,500	197,500
	250,000	250,000

Notes to the financial statements (continued)
For the year ended 31 October 2009

19. Profit and loss account

	Group 2009 £	Group 2008 £	Company 2009	Company 2008 £
At 31 October	(37,729,922)	(11,163,599)	(6,014)	(6,014)
Loss for the year	(29,464 300)	(26,944,024)	-	-
Exchange differences on consolidation	397,270	377,701	-	-
At 31 October	(66,796,952)	(37,729,922)	(6.014)	(6,014)

20. Reconciliation of operating profit to net cash outflow from operating activities

	2009 £	2008 £
Operating profit	1,650,805	4,148,100
Depreciation	1,284,405	923,300
Loss/gain on disposal of fixed assets	(1,354)	19,603
Amortisation of goodwill	9 721,885	9,721,885
Foreign exchange loss on consolidation	393 712	377,701
Increase in loan portfolios	16,089,151	(17,923 154)
Increase/(decrease) in debtors	(389 295)	1,224.201
Increase in creditors	1 798,436	856,153
	30,547,745	(652,211)

21 Analysis of cash flows

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	58,637	135,642
Interest paid	(6,826,335)	(8 921 724)
Dividends received	-	37,229
Net cash outflow	(6,767,698)	(8,748,853)
Taxation		
French corporation tax paid	(102,334)	(57,333)
UK corporation tax paid	233,730	(1,707,111)
Net cash inflow/(outflow)	131,396	(1,764,444)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,661,950)	(1,791,271)
Net cash outflow	(1,661 950)	(1,791,271)
Acquisitions and disposals		
Sales of Gescobro	(102)	720,052
Net cash (outflow)/inflow	(102)	720,052

Notes to the financial statements (continued)
For the year ended 31 October 2009

21. Analysis of cash flows (continued)

	2009 £	2008 £
Financing		
Bank loans	(22,592,544)	11,266,649
Net cash (outflow)/inflow	(22,592,544)	11,266,649

22. Analysis of changes in net debt

	2008 £	Cash flow £	Other non-cash charges £	2009 £
Cash in hand and at bank	5,699,295	(343,153)	-	5,356,142
Debt due within one year	(131,060,276)	22,592,545	108,467,731	-
Debt due after one year	(202,346,416)	-	(108,295,069)	(310,641,485)
Total	(327,707,397)	22,249,392	172,662	(305,285,343)

23. Reconciliation of net cash flow to movement in net debt

	2009 £	2008 £
Decrease in cash in the year	(343,153)	(970,078)
Cash inflow/(outflow) from increase in debt	22,249,392	(11,222,479)
Movement in net debt	22,422,054	(12,192,557)
Net debt at start of year	(327,707,397)	(315,514,840)
Net debt at end of year	(305,285,343)	(327,707,397)

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

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Loss for the financial year	(29,464,300)	(26,944,024)	-	-
Other recognised losses relating to the year	397,270	377,701	-	-
	(29,067,030)	(26,566,323)	-	-
Net reduction in shareholders' funds/(deficit)	(29,067,030)	(26,566,323)	-	-
Opening shareholders funds/(deficit)	(37,479,922)	(10,913,599)	243,986	243,986
Closing shareholders' funds/(deficit)	(66,546,952)	(37,479,922)	243,986	243 986

Notes to the financial statements (continued)
For the year ended 31 October 2009

25. Contingent liabilities

The Company and the Group 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 2009 were £107,776,326 (2008 - £128,074,527) The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future

26. Related party transactions

The Company has taken advantage of the exemption in paragraph 3(c) of FRS 8 not to disclose transactions with wholly owned group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of that group

During the year to 31 October 2009 fees of £86,470 (2008 £158,758) were incurred by Cabot Financial (UK) Ltd (a 100% owned subsidiary of Cabot Financial Debt Recovery Services Limited) in respect of collections of £414,088 (2008 £762,657) collected on behalf of the Cabot Financial (UK) Ltd by Cabot Financial Ireland Limited (a 93% owned subsidiary of the Cabot group) Cabot Financial (UK) Ltd also made a loan of £82,980 to Cabot Financial Ireland Limited during the year The net balance due from Cabot Financial Ireland at the balance sheet date was £402,426 (2008 £39,618)

During the year to 31 October 2009 fees of £13,477 (2008 £19,282) were incurred by Cabot Financial (Europe) Limited (a 100% owned subsidiary of Cabot Financial Debt Recovery Services Limited) in respect of administrative services provided by Cabot Financial Ireland Limited The net balance due to Cabot Financial Ireland at the balance sheet date was £32,758 (2008 £19,282)

During the year to 31 October 2009 professional fees of £13,681 (2008 £8,355) were recharged to Cabot Financial Debt Recovery Services (a 100% owned subsidiary of Cabot Financial Holdings Limited) in respect of its 93% ownership of Cabot Financial Ireland Limited The Cabot Financial Debt Recovery Services Limited also held a loan of £2,158,669 (2008 £2,158,669) due from Cabot Financial Ireland Limited throughout the year The net balance due from Cabot Financial Ireland at the balance sheet date was £2,136,453 (2008 £2,150,314)

During the year the Group purchased services of £75,141 (2008 £76,774) from companies controlled by Citigroup Hold Co Limited (formerly called NPIL Hold Co Limited) During the year the Group purchased £nil (2008 £521,341) of consumer loan portfolios from companies controlled by Citigroup Inc As at the balance sheet date £47,518,887 (2008 £55,983,882) of the Group's loan facility is drawn from entities controlled by Citigroup Inc

27. Ultimate parent company

The Company s immediate parent company is Pall Mall Finance Limited The ultimate parent undertaking of the smallest and largest group into which the Company consolidates is Citigroup Hold Co Limited (formerly called NPIL Hold Co Limited) The ultimate controlling party is Citigroup Inc, a company listed on the New York Stock Exchange in the United States Copies of the financial statements are available from Citigroup Inc 399 Park Avenue, New York, NY 10043