CABOT
CREDIT MANAGEMENT

2013

Annual Report

CABOT CREDIT MANAGEMENT LIMITED
ANNUAL CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER

Company registration number:
05754978

CABOT
CREDIT MANAGEMENT

Contents

About Cabot

Cabot Credit Management Limited ("Cabot") is a market leading acquirer and manager of consumer debt. Divided into four specialist businesses, Cabot Financial, Cabot Financial Ireland, Apex Credit Management and Apex Discovery Solutions, it covers debt purchase, contingency collections and customer tracing.

Cabot has purchased assets of £8.4bn, manages over £1bn of assets on behalf of clients, collects over £20m per month on portfolios it owns and on behalf of clients, and has a 14 year unbroken track record of steady growth.

The Group employs approximately 700 people with offices in Kings Hill, Stratford-upon-Avon and Dublin. The company prides itself on its ethical values and high standards and has an impressive list of accolades including achieving Investors in People Gold award (accredited for 3 years) and attaining a place in the Sunday Times Top 100 Best Companies To Work For - 2013. In addition, Cabot has a Quality Management System ISO 9001:2008 standard.

The controlling shareholder of the Group is Encore Capital Group, a leading U.S. provider of debt management and recovering solutions, with the remaining equity being held by a fund advised by J.C. Flowers & Co. and management.

Recent Acquisitions

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 as described in note 29 on page 57, entered into a Sale and Purchase 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 J.C. Flowers & Co LLC ("JCF") made a reinvestment into Cabot Holdings S.a.r.l which indirectly owns Cabot (Group Holdings) Limited. Completion of the purchase occurred on 15 May 2013.

On 30 May 2013 Encore Capital Group Inc ("Encore") 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"). On 1 July 2013 JCF sold 50.1% of its stake in Janus to Encore.

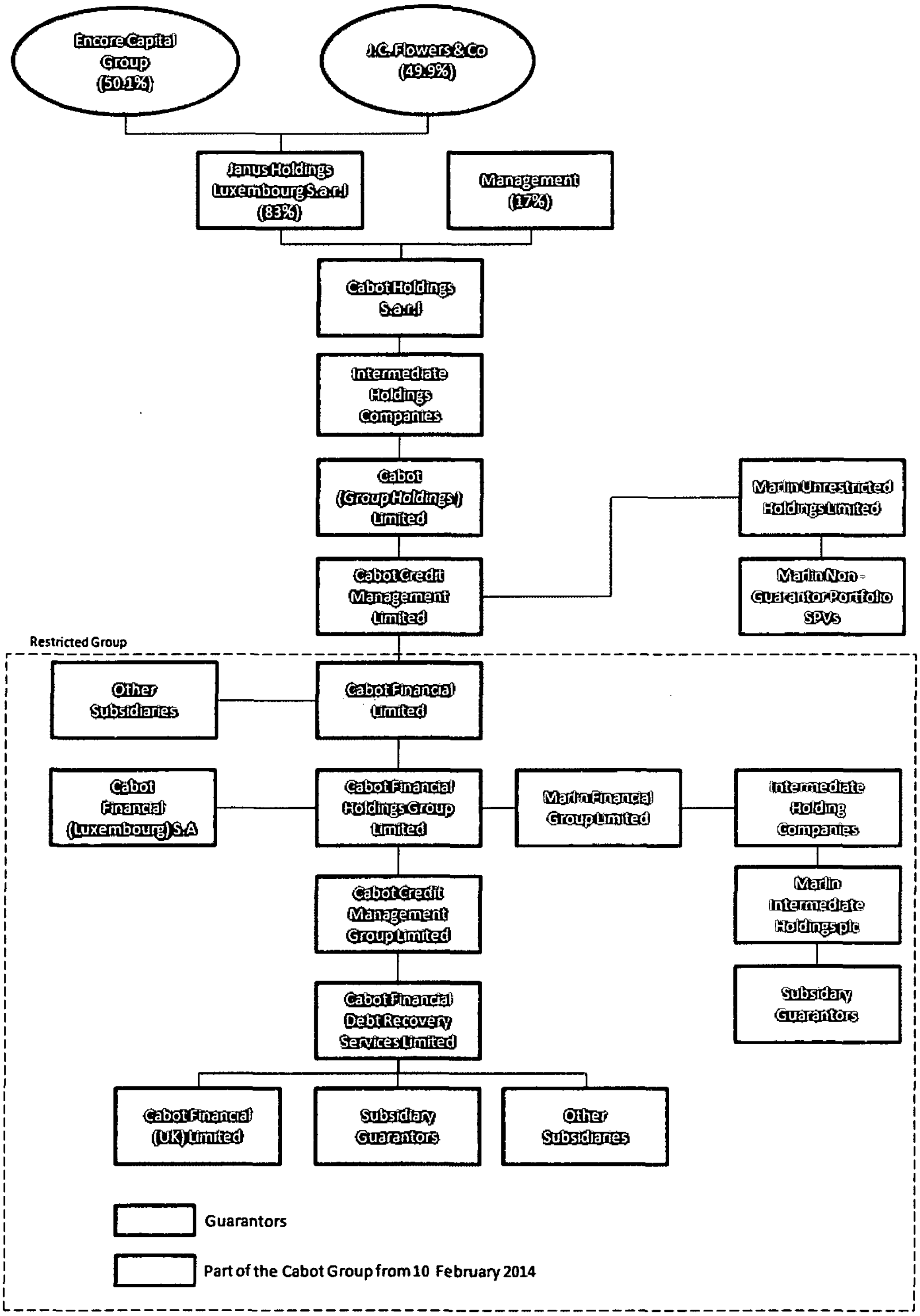
JCF have a history of investing in debt purchase firms which gives the Company confidence that JCF can add value as an active shareholder. JCF expect to place continued strategic emphasis on the Company's cost position and management information systems, seeking to continue to improve them over time, along with continued emphasis on best-in-class and rigorous data driven pricing methods.

JCF was established in 1998 and has a substantial background in investing in the financial services sector in many jurisdictions. The Company is JCF's 4th current investment in the UK. JCF has offices in New York and London.

Encore is a leading provider of debt management and recovery solutions for consumers and property owners across a broad range of assets. Through its subsidiaries, Encore purchases portfolios of consumer receivables from major banks, credit unions, and utility providers, and partners with individuals as they repay their obligations and work towards financial recovery. Through its Propel Financial Services subsidiary, the company assists property owners who are delinquent on their property taxes by structuring affordable monthly payment plans. Headquartered in San Diego, California, Encore is a publicly traded NASDAQ Global Select company (ticker symbol: ECPG) and a component stock of the Russell 2000, the S&P SmallCap 600, and the Wilshire 4500.

Recent Acquisitions (continued...)

The following diagram summarises our corporate structure after completion of the J.C. Flowers, Encore and Marlin acquisition.



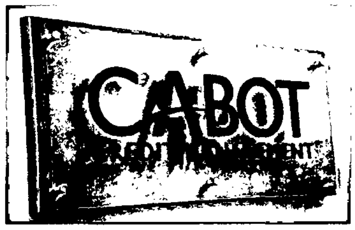
The guarantor companies as shown above represent those companies whose assets have been pledged as security against the Group's borrowings. Marlin Financial Group Limited became a guarantor company from 10 February 2014.

Strategic Report

Overview

The directors present the Strategic Report, Directors Report and the Financial Statements of Cabot Credit Management Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

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 United Kingdom and Europe. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 11 to the financial statements.



The Directors believe that the Company is the largest acquirer and manager of defaulted consumer debt from financial services companies in the United Kingdom based on the value of debt portfolios on its balance sheet at 31 December 2013.

From inception in 1998 to 31 December 2013, the Company has invested £801 million in the acquisition of 994 loan portfolios with an aggregate face value of £8.7 billion, comprising 3.9 million customer accounts and generating a 120-Month ERC at 31 December 2013 of £1.05 billion. Over 97% of these loan portfolios (as measured by purchase price) were acquired from financial institutions.

The core strategy of the operating model is to generate cash-flow by maximizing cash collections over the life of the debt portfolios acquired. Since it began pursuing this strategy, the estimated future gross cash collections from its existing loan portfolios, or 120-Month ERC, has grown from £422 million as at 31 October 2009 to £1.05 billion at 31 December 2013.

The Directors have increased the focus of the Group on purchasing semi-performing portfolios as they believe such portfolios benefit the business by increasing the predictability of future cash flows by *establishing longer-term annuity income* streams. As a result of the increasing focus the 120-Month ERC has increased from £908.0 million at 31 December 2012 to £1.05 billion at 31 December 2013, an increase of 16%.

In addition the Company has continued to build on its debt collection activities on behalf of financial services companies in the United Kingdom and Ireland. Revenue from owned debt activities was £19.5 million in the year to 31 December 2013 which is an increase of 13% over the year to 31 December 2012.

Strategic Report (continued...)

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 complementary capabilities to strengthen their combined position in the market place. By leveraging each other's core strengths, the Group will expand its 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 sections below provide a more detailed overview of the Directors' observations of activity in the marketplace together with an overview of performance in relation to a number of key performance indicators used when assessing the performance of the business.

Key indicators of performance

The following table summarises the key financial data and performance indicators used by the Directors to assess the performance of the Group as of the dates and periods indicated.

The key financial data and key performance indicators presented also contain other ratios and other measures in this quarterly report which are derived from a combination of the principal non-GAAP measures and GAAP measures used by the Company. Where such amounts have been presented a description of the amount and the measures from which it has been derived has been included.

(£ in thousands, except for percentages and ratios and unless otherwise noted)	**2013**	**2012**	**Change**
84-Month ERC at balance sheet date	832,401	727,662	+ 14%
120-Month ERC at balance sheet date	1,051,955	907,999	+ 16%
Loan portfolio purchases [a]	124,076	98,556	+26%
Accounts (in thousands) [b]	3,858	3,511	+ 10%
Number of owned loan portfolios [c]	994	942	+ 6%
Net debt [d]	332,284	258,894	+ 28%
Collections on owned loan portfolios [e]	166,271	146,844	+ 13%
Commission on serviced portfolios [f]	15,056	14,040	+7%
Servicing costs including group overheads[g]	54,497	51,810	-5%
Cost/Income ratio [h]	30.1%	32.2%	+7%
Debt purchase cost/income ratio [i]	23.7%	25.7%	+8%
Adjusted EBITDA	126,830	110,845	+ 14%
Annualised UK collections per collector FTE [j]	508	504	+1%
Staff turnover	24.08%	28.00%	+14%

(a) Loan portfolio purchases means the cost of all loan portfolios purchased in the period. The purchase of loan portfolios includes £3.7 million of Irish portfolios purchased during the year ended 31 December 2012 compared with £2.4m in the year ended 31 December 2013.

(b) Number of accounts represents the total number of individual consumer debts that the Group owns as of the date specified.

(c) Number of owned loan portfolios represents the number of individual portfolios of accounts that the Group owns as of the date specified. *Occasionally the Group may split an individual purchase contract into multiple portfolios if there are distinct account types within the particular portfolio.*

Strategic Report (continued...)

Key indicators of performance (continued)...

(d) Net debt represents third-party indebtedness, less cash at bank and in hand (excluding cash held for clients), and excluding unamortised debt issue costs and accrued interest relating to the Group's third-party indebtedness. A reconciliation of Net Debt as reported in the financial statements to the amounts stated in the table above is as follows.

(£ in thousands, except for percentages and ratios unless otherwise noted)	2013	2012
Net debt as reported in the financial statements (note 23)	315,280	298,881
Add back: unamortised facility fees and similar costs	12,888	13,009
Less: Shareholder loan notes (note 15)	-	(60,097)
Add back: client cash (note 14)	4,116	7,101
Net debt	332,284	258,894

(e) Collections on owned loan portfolios represents amounts collected by the Group, or agents acting on behalf of the Group, from accounts on owned loan portfolios.

(f) Commission on serviced portfolios represents fees receivable and commission from the servicing of loans on behalf of third parties.

(g) Servicing costs including group overheads means cost of sales, excluding the movement in fair value on loan portfolios, plus administration expenses, less depreciation of tangible fixed assets and amortisation of goodwill.

(h) Cost/Income ratio means servicing costs as a percentage of turnover. There may be limitations in using cost/income expressed as a percentage of turnover as a measure of operational efficiency across a limited period of time because servicing costs are impacted by the phasing, mix and volume of new portfolio purchases in a period.

(i) Debt purchase cost/income ratio means servicing costs relating to debt purchase activities as a percentage of turnover relating to collections on owned portfolios. In calculating the servicing costs relating to debt purchase activities it is assumed that the servicing costs relating to non-debt purchase activities is equal to the servicing fees included within turnover.

(j) Annual UK collections per collector FTE represents total collections in the period divided by the average number of collector FTEs in such period. Amounts for the year to 31 December 2013 and year to 31 December 2012 are presented on an annualised basis. Management uses this metric as a measure of productivity and service efficiency.

Portfolio purchases

Portfolio purchases

£124.1 million

↑ 25.9% on prior year

The following table summarises the Group's loan portfolio activity by setting out the key purchasing metrics for the year to 31 December 2013 and the comparative year shown in the table. In any period the Group will purchase loan portfolios which can vary in age, type and ultimate collectability, which explains the variation in the key purchasing metrics. The Group strategy has a strong focus on purchasing semi performing portfolios.

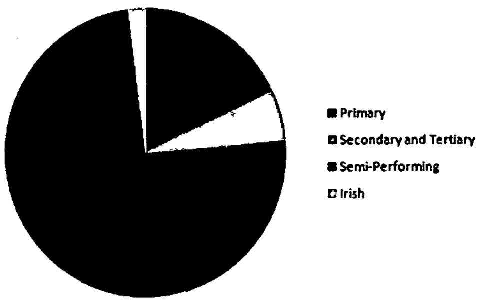
(£ in thousands, except for percentages and ratios and unless otherwise noted)	2013	2012	Change
Cabot UK loan portfolio purchases	121,644	94,865	+28%
Average price paid (p/£) – UK portfolios	11.4	9.9	+15%
Number of UK portfolios purchased in the period	50	39	+28%
Irish loan portfolio purchases	2,432	3,691	-34%

In addition to the purchases summarised above which were completed during the year to 31 December 2013, the Group also entered into significant contracts with financial institutions for the purchase of additional portfolios for an expected price of £10.8 million.

Strategic Report (continued...)

Portfolio purchases (continued...)

2013 Purchases by debt type



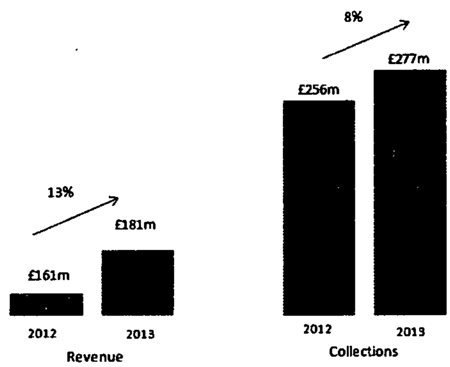
In the year to 31 December 2013, semi performing portfolios accounted for 76% of the Group's UK purchases.

In June 2013 the Group purchased the historic debt purchase loan portfolios of Equidebt Limited including a mix of paying and non paying accounts. The average price of such portfolios was 5.0p thus lowering the company overall average price paid per portfolio.

Collections

The collection performance of the company continued to be strong during the year to 31 December 2013 exceeding the performance during the comparative year.

Revenue and collections growth



DP Revenue

↑ 13%
on prior year

Collections on portfolios owned by the Group during the year to 31 December 2013 were £166 million and 13% ahead of the collections achieved in the year to 31 December 2012. This is a reflection of both strong performance of underlying collections and the impact of the portfolios purchased during the year and previous year.

DC Revenue

↑ 7%
on prior year

Collections on portfolios managed for third parties for which the Group receives a commission on amounts collected have grown by 7% driven by an increase in collections from our first public sector clients, and strong growth in Ireland.

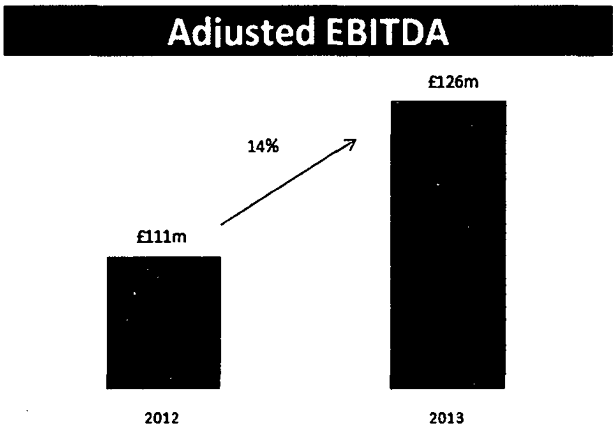
Strategic Report (continued...)

Integration with Encore India

Following the recent change in ownership, Cabot has been working alongside an Indian based subsidiary of Encore in order to leverage off their experience in collecting low value debt. A team of Encore colleagues from India came to the UK for training by Cabot staff. They have since returned to India and are now fully operational in collecting on a selection of Cabot portfolios.

Operating cash flow generation

The Group uses Adjusted EBITDA as its primary measure of operating cash flow generation and the liquidity of its business. Adjusted EBITDA continues to grow strongly as a result of the growing volume of portfolios which it has been able to purchase, the strong and stable return on capital which it has delivered though its pricing disciplines and the sophistication of its collection operations, and the operational efficiencies being achieved through the integration of the Apex acquisition.



Adjusted EBITDA for the year to 31 December 2013 was £126.8 million which is an increase of 14% on the Adjusted EBITDA for year to 31 December 2012. A reconciliation of both net cash inflow/(outflow) from operating activities, and profit on ordinary activities after taxation, to Adjusted EBITDA is set out on page 61.

Strategic Report (continued...)

Asset base and returns on portfolios purchased

The Group continues to experience significant growth in its asset base and cash flow generation as a result of the growing volume of portfolios which it has been able to purchase, and the strong and stable return on capital which it has delivered though its pricing disciplines and the sophistication of its collection operations.

The 84-Month ERC at 31 December 2013 was £832.4 million which is an increase of 14% on the 84-Month ERC at 31 December 2012 of £727.7m. 120-Month ERC had increased by 16% to £1,052m reflecting the longer annuity stream of collections for semi-performing portfolios.

(£ in thousands, except for percentages and ratios unless otherwise noted)	2013	2012	Change
84-Month ERC at balance sheet date	832,401	727,662	+14%
120-Month ERC at balance sheet date	1,051,955	907,999	+16%

While returns achieved on individual portfolio can vary, the Group has a track record of generating strong and consistent unlevered returns on its aggregate purchased portfolios. The following table shows certain data related to the UK loan portfolios acquired since 1 November 2006 (excluding Apex purchases) which represents the majority (91%) of the 84-Month ERC at 31 December 2013.

(£ in thousands, except for ratios)	Purchase Price [a]	Actual collection to date	120-Month ERC	Total estimated collection [b]	Gross cash-on-cash multiple [c]
Year to 31 October 2007	57,816	85,173	34,307	119,480	2.07x
Year to 31 October 2008	57,670	94,372	88,118	182,490	3.16x
Year to 31 October 2009	27,292	54,764	55,982	110,746	4.06x
Year to 31 October 2010	37,784	50,068	54,507	104,575	2.77x
14 months to 31 December 2011	101,378	93,191	209,308	302,499	2.98x
Year to 31 December 2012	94,865	47,427	181,784	229,211	2.42x
Year to 31 December 2013	121,644	26,973	242,620	269,593	2.22x

(a) Purchase price represents the aggregate amount paid for all portfolio purchases in the period indicated.
(b) Total estimated collection represents actual collection to date plus the 120-Month ERC, meaning actual collections to 31 December 2013 plus forecast collections for the following 120 months.
(c) The Gross cash-on-cash multiple includes actual collections plus 120-Month ERC, although collections can extend beyond that period.

The above table shows the actual collections to date plus the 120 Month ERC. This means that for the portfolios purchased in the year to 31 December 2013, the actual collections will only include a maximum of 12 months of collections, compared to a maximum of 86 months for the portfolios purchased in the year to 31 October 2007. Therefore as the portfolios age further both the "total estimated collections" and "gross cash-on-cash multiple" statistics shown above for the more recent portfolios should increase significantly.

Strategic Report (continued...)

Principal Risks and Uncertainties

The Group is exposed through its operations to the following financial risks:

- Cash flow and credit risk
- Price risk
- Fair value of loan portfolios
- Interest rate risk
- Going concern and liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This section describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this section.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans and overdrafts
- Senior secured loan notes
- Interest rate caps

A summary of the financial instruments held by category is provided below:

Strategic Report (continued...)

Financial assets

	Financial assets Financial assets at fair value through profit or loss		Loans and receivables		Available for sale	
(£'000)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Cash and cash equivalents	-	-	36,831	23,207	-	-
Trade and other receivables	-	-	10,056	12,181	-	-
Loan portfolios	410,546	341,946	-	-	-	-
Interest rate caps	122	123	-	-	-	-
Total financial assets	**410,668**	**342,069**	**46,887**	**35,388**	-	-

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
(£'000)	**2013**	**2012**	**2013**	**2012**
Trade and other payables	-	-	81,653	51,017
Shareholder A and B loan notes	-	-	-	60,097
Senior secured notes	-	-	352,111	253,619
Bank loans and overdrafts	-	-	-	8,372
Total financial liabilities	-	-	**433,764**	**373,105**

Cash flow and credit risk

The purchase and collection of defaulted consumer receivables carries a substantial amount of 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.

Strategic Report (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 segmentation methodologies to help ensure that portfolios are priced as accurately as possible. The Directors consider that substantial ongoing investment in this area will be key to the success of the business.

Fair value of loan portfolios

Certain items in the consolidated profit and loss account of the Company such as cost of sales, gross profit, operating profit/(loss), profit/(loss) on ordinary activities before and after taxation, and profit/(loss) for the financial period can be impacted, positively or negatively, by short term non-cash movements in the fair value of portfolios.

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"). The method used to estimate the fair value of loan portfolios changes dependent on the age of the portfolio:

- When the asset is initially purchased it is held on the balance sheet at cost;
- In the period from purchase until the asset becomes 12 months old the fair value is calculated as the net present value of the cashflow projections produced at the time of pricing. The collections forecast is limited to the point at which 80% of the total cashflow projection is achieved (this is known as the "forecast period");
- After 12 months a new collections forecast is produced from each asset by the Group's Revaluation model, and the balance sheet valuation becomes the discounted value of this revised forecast;
- The individual portfolios are then formed into consolidated vintages based on the financial year of purchase. The weighted average discount rate and forecast period are then used to value the consolidated vintage; and
- In the period before the consolidated vintage is formed the individual asset cannot be valued at greater than the original purchase price.

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.

Strategic Report (continued...)

Fair value of loan portfolios (continued...)

The weighted average forecast period used in the Revaluation Model was 76 months (2012: 75 months) and the weighted average yield was 32.75% (2012: 34.30%). The observable yields from acquisitions in 2013 did not indicate that yields used to discount historical portfolios required adjustment.

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 project the decay of 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 in October 2007.

	Opening balance sheet £000	Change in fair value recorded in cost of sales £000	Closing balance sheet £000
Reduction in cash collections experience used in the forecast by 10%			
Year ended 31 December 2012			
As stated in the consolidated balance sheet	291,320		341,946
(Reduction) due to change in assumption	(21,145)	(714)	(21,859)
	270,175		320,087
Year ended 31 December 2013			
As stated in the consolidated balance sheet	341,946		410,546
(Reduction) due to change in assumption	(21,859)	516	(21,343)
	320,087		389,203

Strategic Report (continued...)

	Opening balance sheet £000	Change in fair value recorded in cost of sales £000	Closing balance sheet £000
Reduction in long term gradient used in the forecast by 10%			
Year ended 31 December 2012			
As stated in the consolidated balance sheet	291,320		341,946
(Reduction) due to change in assumption	(6,608)	(2,939)	(9,547)
	284,712		332,399
Year ended 31 December 2013			
As stated in the consolidated balance sheet	341,946		410,546
(Reduction) due to change in assumption	(9,547)	3,247	(6,300)
	332,399		404,246

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.

Interest rate risk

The Group's long term debt financing at 31 December 2013 comprised Senior Secured Notes due 2019 of £265.0 million issued on 20 September 2012, on which interest is fixed at 10.375%, and Senior Secured Notes due 2020 of £100.0 million issued on 2 August 2013, on which interest is fixed at 8.375% (2012: £265.0 million).

The Group's senior committed revolving credit facility is linked to the monthly LIBOR so the balance sheet value is the fair value.

All decisions in relation to the hedging of interest rate risk are made by the Board of Directors of the Company on behalf of the Group. The Group has several interest rate caps to manage its risk to changes in interest rates which expire at various dates up to November 2015, the fair value of which at 31 December 2013 was £0.1m (31 December 2012 – £0.1m). The Directors do not consider a scenario which changes this fair valuation to be material.

Strategic Report (continued...)

Interest rate risk (continued...)

The customer receivables acquired by the Group within defaulted loan portfolios predominantly have fixed contractual interest rates so the recoverability of the portfolios is not subject to interest rate movements other than the underlying impact that interest rate movements have on the ability of consumers to repay their obligations.

Going concern and liquidity risk

Economic conditions globally and locally directly affect unemployment, credit availability, and property values. Adverse conditions, economic changes, and financial disruptions place financial pressure on the consumer, which may reduce our ability to collect on consumer receivable portfolios and may adversely affect the value of our consumer receivable portfolios. Further, increased financial pressures on the financially distressed consumer may result in additional regulatory requirements or restrictions on our operations. These conditions could increase our costs and harm our business, financial condition, and results of operations.

The financial position of the Group is summarised below:

(£ in thousands, except for percentages and ratios and unless otherwise noted)	**2013**	**2012**	**Change**
Operating profit	60,551	58,446	+ 4%
Adjusted EBITDA	126,830	110,845	+ 14%
Net current assets	375,902	326,440	+ 15%
Shareholders' funds	50,342	33,279	+51%

As at 31 December 2013 the Group's revaluation model indicates that £1,052 million (2012: £908 million) of collections will be received from 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, but as described above the Group continues to develop and refine the revaluation model to ensure that the forecasts of collections are as accurate as possible and reflect the current economic environment.

The Group also mitigates its liquidity risk by seeking long term financing arrangements. 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 Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50 million maturing in September 2017. This loan facility was subsequently increased on 28 June 2013 to £85 million, and further Senior Secured Notes due 2020 of £100 million were issued in August 2013.

Strategic Report (continued...)

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

The Company and the Group has remained compliant during the year to 31 December 2013 with all the covenants contained in the 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 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 financial statements.

Future announcements made by the Company are available on its website at http://www.cabotcm.com/ but should not be deemed to be incorporated by reference with this report.

Approved by the board of directors and signed on behalf of the board

Chris Ross-Roberts
Director
18 March 2014

Directors' report

The Directors present their annual report and financial statements of Cabot Credit Management Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

Results and dividends

The audited financial statements and related notes for the year ended 31 December 2013 are set out on pages 26 to 59. The Group's result for the year after taxation was a profit of £17.1 million (2012: £15.4 million).

The Directors do not recommend the payment of a dividend(2012: nil).

The financial information included within this annual report also includes certain measures which are not accounting measures within the scope of UK GAAP. The primary non-GAAP measures referred to within this annual report are 84-Month ERC, 120-Month ERC and Adjusted EBITDA which are explained on pages 62 and 63. 84-Month ERC, 120-Month ERC and Adjusted EBITDA and all the other non-UK GAAP measures presented in this annual report have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of the results of the Group as reported under UK GAAP.

Directors

The Directors who held office throughout the year and up to the date of approval of the financial statements, except as noted otherwise, were as follows:

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

Financial instruments

The Group's financial instruments primarily comprise bonds, unsecured loan notes and bank facilities. The principal purpose of these is to raise funds for the Group's operations. In addition various other financial instruments such as trade creditors and trade debtors arise directly from its operations.

The key financial risks and uncertainties affecting the Group and management objectives and policies taken to mitigate these risks are set out within the Strategic report on pages 14 to 20.

Political donations

No political contributions were made

Directors' report (continued...)

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. 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".

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP voluntarily 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 indicated their willingness to continue in office. A resolution to reappoint BDO LLP as auditors for the ensuing year will be proposed at the next board meeting in accordance with section 485 of the Companies Act 2006

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

Chris Ross-Roberts
Director
18 March 2014

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 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 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 auditor's report

We have audited the financial statements of Cabot Credit Management Limited (the "Company") for the year ended 31 December 2013 which comprise the Consolidated profit and loss account, the Consolidated and Company balance sheets, the Consolidated statement of total recognised gains and losses, the Consolidated cash flow statement and the related notes 1 to 30. 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 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 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.

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 Company's affairs as at 31 December 2013 and of the Group's 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.

Independent auditor's report (continued...)

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.

BDO LLP

BDO LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 March 2014

Cabot Credit Management Limited

Consolidated profit and loss account
For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	**181,327**	160,884
Cost of sales		**(68,252)**	(56,974)
Gross profit		**113,075**	103,910
Administration expenses		**(52,524)**	(45,520)
Other operating income		**-**	56
Operating profit		**60,551**	58,446
Interest receivable and similar income	6	**195**	15
Interest payable and similar charges	7	**(37,853)**	(40,665)
Profit on ordinary activities before taxation	3	**22,893**	17,796
Tax on profit on ordinary activities	4	**(5,785)**	(2,415)
Profit for the financial period	20	**17,108**	15,381

The notes on pages 31 to 59 form part of these financial statements.

All of the above results are derived from continuing operations.

Cabot Credit Management Limited

Consolidated balance sheet
As at 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Fixed assets			
Goodwill	9	**18,903**	20,231
Tangible assets	10	**8,109**	9,375
		27,012	29,606
Current assets			
Loan portfolios	12	**410,546**	341,946
Debtors: amounts falling due within one year	13	**10,178**	12,304
Cash at bank and in hand		**36,831**	23,207
		457,555	377,457
Creditors: amounts falling due within one year	14	**(81,653)**	(51,017)
Net current assets		**375,902**	326,440
Total assets less current liabilities		**402,914**	356,046
Creditors: amounts falling due after more than one year	15	**(352,111)**	(322,088)
Provisions for liabilities and charges	16	**(461)**	(679)
Net assets		**50,342**	33,279
Capital and reserves			
Called up share capital	18	**322**	322
Share premium	19	**16**	16
Profit and loss account	20, 25	**50,004**	32,941
Equity shareholders' funds	25	**50,342**	33,279

The notes on pages 31 to 59 form part of these financial statements.

These financial statements of Cabot Credit Management Limited, with registered number 05754978, were approved by the Board of Directors and authorised for issue on 18 March 2014.

Signed on behalf of the Board of Directors by:

C Ross-Roberts
Director
18 March 2014

Cabot Credit Management Limited

Company balance sheet
As at 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Fixed assets			
Investments	11	**136,407**	136,407
Current assets			
Debtors: amounts falling due within one year	13	**29,596**	5,556
Cash at bank and in hand		**132**	104
		29,728	5,660
Creditors: amounts falling due within one year	14	**(78,584)**	(14,959)
Net current assets		**(48,856)**	(9,299)
Total assets less current liabilities		**87,551**	127,108
Creditors: amounts falling due after more than one year	15	**-**	(60,097)
Net assets		**87,551**	67,011
Capital and reserves			
Called up share capital	18	**322**	322
Share Premium	19	**16**	16
Profit and loss account	20, 25	**87,213**	66,673
Equity shareholders' funds	25	**87,551**	67,011

The notes on pages 31 to 59 form part of these financial statements.

These financial statements of Cabot Credit Management Limited, with registered number 05754978, were approved by the Board of Directors and authorised for issue on 2014.

Signed on behalf of the Board of Directors by:

C Ross-Roberts
Director
18 March 2014

Cabot Credit Management Limited

Consolidated statement of total recognised gains and losses
For the year ended 31 December 2013

	Notes	2013	2012
		£000	£000
Profit for the financial period		**17,108**	15,381
Currency translation differences	20,25	**(45)**	(25)
Total recognised gains relating to the period		**17,063**	15,356

The notes on pages 31 to 59 form part of these financial statements.

Cabot Credit Management Limited

Consolidated cash flow statement
For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	21	**43,206**	18,930
Returns on investments and servicing of finance	22	**(51,825)**	(37,830)
Taxation	22	**(5,914)**	(13,140)
Capital expenditure and financial investment	22	**(1,746)**	(5,130)
Cash outflow before use of financing		**(16,279)**	(37,170)
Financing	22	**29,903**	43,433
Increase in cash in the period	24	**13,624**	6,263

The notes on pages 31 to 59 form part of these financial statements.

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 the revaluation at 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 December 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 the Strategic and Directors Report on pages 8 to 22. 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 £60.6 million in the year to 31 December 2013 (2012: £58.4 million) and an adjusted EBITDA of £123.8 million (2012: £111.0 million). The Group had net current assets of £375.9 million at 31 December 2013 (31 December 2012: £326.4 million) and equity shareholders' funds of £50.3 million (31 December 2012: £33.3 million).

The Group's long-term debt financing at 31 December 2013 comprised Senior Secured Notes due 2019 of £265.0 million issued on 20 September 2012 and Senior Secured Notes due 2020 of £100.0 million issued on 2 August 2013 (£265.0 million at 31 December 2012).

1. Accounting policies (continued...)

Going concern (continued)...

The Company meets its day to day working capital requirements, including the purchase of portfolios, through its own cash resources supplemented by revolving credit facilities and bank loans. As described in note 15, a new senior committed revolving credit facility of £50.0 million was secured in September 2012 and matures in September 2017. This loan facility replaced a previous loan facility which was repaid from the proceeds of the issue of the Senior Secured Loan 2019. This loan facility was subsequently increased on 28th June 2013 to £85.0 million.

The Group has remained compliant during the year to 31 December 2013 with all the covenants contained in the notes issued and senior credit facilities, and the Group's latest forecasts and cash flow projections have been reviewed and do not indicated 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.

As described in note 30, the Group acquired Marlin Financial Group Limited ("Marlin") post year end. Such acquisition was funded via an additional senior secured loan and borrowings under the existing revolving credit facility. The Group have also acquired as part of the acquisition a further senior secured note of £150 million due 2020. Despite the additional debt, the Directors have a reasonable expectation that Marlin, 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.

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 and fees receivable from the servicing of Cabot loans by third parties are recognised when the services are provided.

1. Accounting policies (continued...)

Operating leases

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

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 classified as loans and receivables and measured at amortised cost using the effective interest method, less any impairment.

Financial instruments are required to be measured using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

Interest

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

Interest payable includes facility fees on bank loans and similar costs and fair value adjustments on interest rate derivatives.

1. Accounting policies (continued...)

Valuation of consumer loan portfolios

Portfolios are designated "fair value through the profit and loss" in accordance with FRS 26 Financial Instruments: Recognition and Measurement.

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. Fair value is determined in the manner described in note 12 and is highly sensitive to the collections achieved and the forecast algorithm used to project forward collections. The fair value of the loan portfolios has been classified a "Level 3" fair value measurement.

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.

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.

1. Accounting policies (continued...)

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.

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 unit) 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.

1. Accounting policies (continued...)

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.

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 to 10 years
Fixtures and fittings	5 years
Short leasehold property	the minimum term of the lease
Motor vehicles	5 years
Freehold property	25 years

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 their fair value at each balance sheet date. 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. The fair value of the derivatives has been classified a "Level 2" fair value measurement. The only derivatives utilised by the business are in relation to the syndicated banking facility as outlined in the Interest Rate Risk section of the Director's report.

1. Accounting policies (continued...)

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. An analysis of turnover by activity is as follow:

	2013	2012
	£000	£000
Collections on owned portfolios	**166,271**	146,844
Servicing fees	**15,056**	14,040
	181,327	160,884

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2013	2012
	£000	£000
Movement in fair value of derivatives	**1**	464
Auditor's remuneration	**410**	440
Fair value movement on loan portfolios	**55,295**	47,014
Depreciation of tangible fixed assets	**3,043**	2,232
Profit on sale of tangible fixed assets	**(21)**	-
Impairment of tangible fixed assets	**-**	111
Amortisation of goodwill	**1,328**	1,327
Foreign currency movement on borrowings	**22**	(111)
Operating lease rentals - land and buildings	**1,464**	1,515

The result for the year of the Company was a profit of £20.5 million (2012: £76.6 million) including a dividend received from its subsidiary company of £25.0 million (2012: £90.0 million). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

The analysis of auditor remuneration is as set out below. All amounts stated include attributable VAT.

3. Profit on ordinary activities before taxation (continued...)

	2013 £000	2012 £000
Fees payable to the Company's auditors:		
for the audit of the Company's financial statements	**15**	18
for the audit of the financial statements of subsidiary undertakings	**223**	246
additional audit fee in respect of the financial statements of subsidiary undertakings	**-**	72
Total audit fees	**238**	336
Other services pursuant to legislation (see note below)	**271**	483
Tax services (see note below)	**42**	238
Total fees and expenses paid to the auditor (inc VAT)	**551**	1,057

Of the non-audit fees £141,000 (2012: £617,000) were provided in relation to the issue of the Senior Secured Loan Notes due 2019 and 2020 which are being amortised to the profit and loss account on an effective rate basis and included within interest payable and related charges.

4. Tax on profit on ordinary activities

The tax charge comprises:

	2013 £000	2012 £000
Current tax		
Corporation tax	**5,228**	4,855
Foreign tax	**241**	186
Total current tax	**5,469**	5,041
Prior period adjustments	**(60)**	(166)
Deferred tax		
Origination and reversal of timing differences	**376**	(2,460)
Total tax charge on profit on ordinary activities	**5,785**	2,415

4. Tax on profit on ordinary activities (continued...)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax is as follows:

	2013	2012
	£000	£000
Profit on ordinary activities before taxation	**22,893**	17,796
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.50%)	**5,323**	4,360
Effects of:		
Utilisation of tax losses	**(1,054)**	(923)
Expenses not deductible for tax purposes	**1,505**	1,762
Capital allowances in excess of depreciation	**224**	(34)
Transfer pricing adjustment	**(475)**	-
Tax on overseas earnings	**(54)**	(124)
Total tax charge on profit on ordinary activities	**5,469**	5,041

Notes 16 and 17 explain the movements on deferred tax in the period.

The Finance Act 2013, which reduced the main rate of UK corporation tax to 21% effective from 1 April 2014, was enacted on 17 July 2013. As this change in rate was substantively enacted prior to 31 December 2013 it has been reflected in the deferred tax assets and liabilities at 31 December 2013.

5. Information regarding Directors and employees

	2013	2012
Average number of employees during the period (including executive Directors):	**No.**	No.
Administration	**211**	180
Collection	**523**	487
Total	**734**	667

Staff costs for the period (including executive Directors):	**£000**	£000
Wages and salaries	**26,062**	25,069
Social security costs	**3,051**	2,480
Pension contributions	**598**	490
Total	**29,711**	28,039

There are two Directors for whom retirement benefits are accruing in respect of defined contribution pension schemes (2012 - 3).

As at the balance sheet date there was a liability of £64,480 (2012: £61,742) in respect of pension contributions to be paid into the scheme.

	2013	2012
	£000	£000
Directors' remuneration		
Salary and benefits in kind	**2,731**	2,289
Compensation for loss of office	**541**	215
Pension contributions	**61**	152
Total	**3,333**	2,656
Highest paid director		
Salary and benefits in kind	**1,076**	664
Pension contributions	**-**	69
Total	**1,076**	733

6. Interest receivable and similar income

	2013 £000	2012 £000
Bank deposits	**187**	15
Interest receivable from parent undertaking	**8**	-
	195	15

7. Interest payable and similar charges

The charge in the period in respect of interest payable and similar charges comprised the following:

	2013 £000	2012 £000
Interest on bank loans	**828**	5,797
Facility fees on bank loans	**515**	10,346
Non-utilisation fee on bank loans	**752**	903
Interest on Senior Secured Notes 2019/2020 and related charges	**32,352**	8,094
Fair value adjustments on interest rate derivatives	**1**	464
Interest on A&B loan notes	**3,230**	15,061
Interest payable to parent undertaking	**102**	-
Other interest and similar charges	**73**	-
	37,853	40,665

8. Financial commitments

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

	Land and buildings	
	31 December 2013 £000	31 December 2012 £000
Expiry date:		
Within one year	**26**	14
Between one and five years	**35**	159
After 5 years	**1,371**	1,514

9. Intangible assets

	Goodwill £000	Total £000
Cost		
Brought forward at 1 January 2013	203,366	203,366
Additions during the year	-	-
Carried forward at 31 December 2013	203,366	203,366
Amortisation		
Brought forward at 1 January 2013	183,135	183,135
Charge for the period	1,328	1,328
Carried forward at 31 December 2013	184,463	184,463
Net book value		
At 1 January 2013	20,231	20,231
At 31 December 2013	**18,903**	**18,903**

The Directors have reviewed the remaining goodwill balance in the current year for indicators of impairment. No indicators were present.

10. Tangible fixed assets

Group

	Motor vehicles £000	Office equipment £000	Computers and software £000	Fixtures and fittings £000	Short leasehold property £000	Freehold property £000	Total £000
Cost							
At 31 December 2012	33	1,183	11,828	1,609	2,866	617	18,136
Foreign exchange revaluation	-	3	13	5	-	-	21
Additions	29	156	1,573	214	14	-	1,986
Disposals	(33)	-	-	-	(10)	(309)	(352)
At 31 December 2013	29	1,342	13,414	1,828	2,870	308	19,791
Depreciation							
At 31 December 2012	28	839	5,657	1,178	882	177	8,761
Foreign exchange revaluation	-	2	7	2	-	-	11
Charge for the year	7	128	2,427	243	213	23	3,041
Depreciation on disposals	(33)	-	-	-	(1)	(97)	(131)
At 31 December 2013	2	969	8,091	1,423	1,094	103	11,682
Net book value							
At 31 December 2013	**27**	**373**	**5,323**	**405**	**1,776**	**205**	**8,109**
At 31 December 2012	5	344	6,171	431	1,984	440	9,375

11. Fixed asset investments

Company

	Investment in subsidiary undertaking £000	Total £000
Cost		
Cost and net book value brought forward at 1 January 2013 and 31 December 2013	136,407	136,407

11. Fixed asset investments (continued...)

The principal subsidiary undertakings of the Group affecting the financial statements are listed below.

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 Credit Management Group Limited	7 April 2006	Great Britain	Holding company	19,814,190	100
Cabot Financial Debt Recovery Services Limited	7 April 2006	Great Britain	Holding company	924,001	100
Cabot Financial (Europe) Limited	7 April 2006	Great Britain	Collection of consumer debt in the UK	12,104,790	100
Cabot Financial (UK) Limited	7 April 2006	Great Britain	Purchase and recovery of consumer debt in the UK	10,000,000	100
Cabot Services (Europe) SAS	7 April 2006	France	Purchase and recovery of consumer debt in the France	2,500	100
Financial Investigations and Recoveries (Europe) Limited	7 April 2006	Great Britain	Collection of consumer debt in the UK	1	100
Cabot Financial (Ireland) Limited	17 January 2007	Ireland	Collection of consumer debt in the Ireland	369,114	100
Cabot Spain SL	27 December 2006	Spain	Purchase and recovery of consumer debt in the Spain	3,000	100
Apex Credit Management Holdings Limited	6 April 2011	Great Britain	Holding company	233,333 A 95,550 B	100
Macrocom (948) Limited	6 April 2011	Great Britain	Holding company	50,000	100
Apex Credit Management Limited	6 April 2011	Great Britain	Collection of consumer debt in the UK	50,000	100
Apex Collections Limited	6 April 2011	Great Britain	Purchase and recovery of consumer debt in the UK	2	100
Cabot Financial (Luxembourg) S.A.	3 September 2012	Luxembourg	Provision of financing	25,000	100

**** Directly held subsidiary of Cabot Credit Management Limited***

The Group has 100% voting rights on shares held in each of the subsidiary undertakings together with a number of dormant companies which are not listed above.

12. Loan portfolios

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Loan portfolios				
Fair value	**410,546**	341,946	**-**	-

The following table summarises the movement in the fair value of the loan portfolios in the period:

	2013 £000	2012 £000
Fair value at the beginning of the financial period	**341,946**	291,320
Movement in fair value included in cost of sales	**(55,295)**	(47,014)
Portfolios purchased in the period	**124,076**	98,556
Other adjustments including retranslation	**(181)**	(916)
Fair value at the end of the financial period	**410,546**	341,946

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"). The method used to estimate the fair value of loan portfolios changes dependent on the age of the portfolio:

- When the asset is initially purchased it is held on the balance sheet at cost;
- In the period from purchase until the asset becomes 12 months old the fair value is calculated as the net present value of the cashflow projections produced at the time of pricing. The collections forecast is limited to the point at which 80% of the total cashflow projection is achieved (this is known as the "forecast period");
- After 12 months a new collections forecast is produced from each asset by the Group's Revaluation model, and the balance sheet valuation becomes the discounted value of this revised forecast;
- The individual portfolios are then formed into consolidated vintages based on the financial year of purchase. The weighted average discount rate and forecast period are then used to value the consolidated vintage; and
- In the period before the consolidated vintage is formed the individual asset cannot be valued at greater than the original purchase price.

12. Loan portfolios (continued...)

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 76 months (2012: 75 months) and the weighted average yield was 32.75% (2012: 34.30%). The observable yields from acquisitions in 2013 did not indicate that yields used to discount historical portfolios required adjustment.

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 project the decay of the forecast collections. The fair value is also dependent on the yield assumptions.

13. Debtors: amounts falling due within one year

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Trade debtors	**2,717**	3,204	-	-
Corporation tax	**387**	-	-	34
Amounts owed by group undertakings	**29**	-	**29,596**	5,521
Deferred tax	**1,762**	2,356	-	-
Other debtors and prepayments	**5,283**	6,744	-	1
	10,178	12,304	**29,596**	5,556

Included in other debtors and prepayments is a derivative being interest rate caps stated at fair value of £0.1 million (2012: £0.1 million).The Directors believe the fair value of debtors falling due within one year is not materially different to the balance sheet value.

Amounts owed by group undertakings are due on demand and carry no coupon.

14. Creditors: amounts falling due within one year

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Trade creditors	**5,601**	10,152	-	-
Corporation tax	-	1,670	-	-
Other tax and social security	**1,040**	1,293	-	-
Amounts owed to group undertakings	**52,345**	-	**76,638**	466
Other creditors	**2,588**	7,245	-	-
Accrued A&B loan note interest	-	13,208	-	13,208
Accrued interest on Senior Secured Notes	**10,415**	7,799	-	-
Accruals and deferred income	**9,664**	9,650	**1,946**	1,285
	81,653	51,017	**78,584**	14,959

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

14. Creditors: amounts falling due within one year (continued...)

Trade creditors includes £4.1 million (31 December 2012: £7.1 million) in respect of obligations due to clients for cash included in Cash at bank and in hand on the consolidated balance sheet which have been collected on behalf of clients. The obligations due to clients for cash included in Cash at bank and in hand at 31 December 2013 includes £0.8 million (2012: £1.2 million) in respect of amounts due to the Anacap Credit Opportunities Fund II L.P. ("AOF") in respect of the AOF portfolio managed on their behalf described in note 28.

Included in other creditors is £nil (2012: £4.7 million) in respect of portfolio purchases which were completed during 2012 but the deferred consideration not payable until 2013, and £62,480 (2012: £61,742) in respect of pension contributions to be paid into the groups defined contribution pension scheme.

15. Creditors: amounts falling due after more than one year

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Shareholder A&B loan notes due 2021	-	60,097	-	60,097
Senior Secured Notes due 2019 and 2020	**352,111**	253,619	-	-
Bank loans and overdrafts	-	8,372	-	-
	352,111	322,088	-	60,097
Analysis of loan repayments:				
In more than one year but less than 5 years	-	8,372	-	-
In more than 5 years	**352,111**	313,716	-	60,097

The shareholder A &B loan notes due 2021, were repaid in full following the purchase of the Group as discussed in note 29.

Cabot Financial (Luxembourg) S.A., a subsidiary of the Company incorporated on 3 September 2012, issued £265.0 million of Senior Secured Notes on 20 September 2012. The Notes are due for repayment on 1 October 2019 and have a fixed interest rate of 10.375%. A further Senior Secured Note due 1 August 2020 of £100.0 million was issued on 2 August 2013 at a fixed interest rate of 8.375%.

15. Creditors: amounts falling due after more than one year (continued...)

The proceeds from issue of the Senior Secured Notes due 2019 were used by the Company to repay the bank loans and overdrafts outstanding at 20 September 2012 of £155.5 million, pay a dividend of £90.0 million to its immediate parent undertaking, and provide additional working capital for the Company including meeting the costs of issue of the Senior Secured Notes. The proceeds of the Senior Secured Notes due 2020 were used to repay the bank loans and overdrafts outstanding at 2 August 2013 of £75.0 million and repay £25.0 million of shareholder loan notes on behalf of parent undertakings.

Approval for the change of control resulting from Encore's acquisition of a shareholding in the group was obtained from over 98% of the holders of the Senior Secured Notes due 2019, as required by the indenture dated 20 September 2012.

In addition, on 20 September 2012 the Company entered into an agreement for a senior committed revolving credit facility of £50.0 million. This agreement was amended on 25 April 2013 to approve a change in control arising from the sale by AnaCap Calcium, the former ultimate controlling party of the Company, to funds managed or advised by J.C. Flowers & Co LLP as described in note 29. This loan facility was subsequently increased on 28 June 2013 to £85.0 million. As at 31 December 2013 this facility remained undrawn (2012: £10.0 million), with the unamortised debt issue costs of £2.3 million being presented within Other debtors (2012: £1.6 million within Bank loans and overdrafts).

The facility is due for renewal in September 2017 and interest on the facility is charged at LIBOR plus a maximum of 4% depending on the Loan to Value ("LTV") Ratio achieved after nine months by the Company calculated as being the ratio of the net financial indebtedness (Net debt is defined as third-party indebtedness, less cash at bank and in hand (excluding cash held for clients), and excluding unamortised debt issue costs and accrued interest relating to the Company's third-party indebtedness) of the Company to 84-Month ERC at a balance sheet date. The Company is covenanted to ensure its LTV Ratio shall not exceed 0.75, and at 31 December 2013 the LTV Ratio was compliant at 0.41.

The Company and certain of its subsidiary companies have granted a fixed and floating charge over assets with a carrying value in excess of £450.0 million at the balance sheet date (31st December 2012: £315.0 million) as security for the Senior Secured Notes due 2019/2020 and the senior committed revolving credit facility. Cash held on behalf of clients is excluded from the security given to the Senior Secured Notes and the senior committed revolving credit facility.

Based on the Luxembourg Stock Exchange quoted price at the balance sheet date, the Directors believe the fair value of the Senior Secured Notes to be £411.9 million (2012: £290 million). For all other items, the Directors believe the fair value of the liabilities is not materially different to the balance sheet value.

16. Provision for liabilities and charges

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
At 31 December 2012	679	783	-	-
Current period timing adjustment	(218)	(104)	-	-
At 31 December 2013	461	679	-	-

The provision is entirely a deferred tax liability relating 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 evenly to the profit and loss account over the period to 31 October 2016.

17. Deferred tax asset

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Accelerated capital allowances	**258**	286	-	-
Tax losses not relieved	**3,682**	5,120	**2,177**	3,226
Deferred tax not recognised	**(2,178)**	(3,050)	**(2,177)**	(3,226)
	1,762	2,356	-	-

Tax losses have not been recognised by the Group in respect of losses arising on the historic financing structure of the Group as the timing of utilisation of these tax losses is uncertain. All other tax losses have been recognised by the Group at 31 December 2013 (2012: nil) as the Directors are confident of the recovery of the tax losses within the medium term based on forecasts prepared.

The Finance Act 2013, which reduced the main rate of UK corporation tax to 21% effective from 1 April 2014, was enacted on 17 July 2013. As this change in rate was substantively enacted prior to 31 December 2013 it has been reflected in the deferred tax assets and liabilities at 31 December 2013.

18. Share capital

Called up, allotted and fully paid:	31 December 2013 £000	31 December 2012 £000
15,823 A1 ordinary shares of £0.99 each, subscription price of £1.00	**15**	15
1,709 A1 deferred ordinary shares of £0.99 each, subscription price of £1.00	**2**	2
9,494 A2 ordinary shares of £1.65 each, subscription price of £1.65	**15**	15
1,545 A2 deferred ordinary shares of £1.65 each, subscription price of £1.65	**3**	3
18,987 A3 ordinary shares of £0.83 each, subscription price of £1.00	**16**	16
3,091 A3 deferred ordinary shares of £0.83 each, subscription price of £1.00	**3**	3
9,494 A4 ordinary shares of £1.65 each, subscription price of £1.65	**15**	15
1,545 A4 deferred ordinary shares of £1.65 each, subscription price of £1.65	**3**	3
12,657 A5 ordinary shares of £0.01 each, subscription price of £1.00	**-**	-
329 A5 deferred ordinary shares of £0.01 each, subscription price of £1.00	**-**	-
250,000 class "B" ordinary shares of £1 each, subscription price of £1.00	**250**	250
	322	322

19. Share Premium

	31 December 2013 £000	31 December 2012 £000
Issue of "A1" ordinary shares	**-**	-
Issue of "A2" ordinary shares	**-**	-
Issue of "A3" ordinary shares	**4**	4
Issue of "A4" ordinary shares	**-**	-
Issue of "A5" ordinary shares	**12**	12
	16	16

20. Profit and loss account

	Group 31 December 2013 £000	Group 31 December 2012 £000	**Company 31 December 2013 £000**	Company 31 December 2012 £000
Brought forward	**32,941**	17,585	**66,673**	(9,924)
Profit retained for the period	**17,108**	15,381	**20,540**	76,597
Dividend paid	-	-	-	-
Exchange differences on consolidation	**(45)**	(25)	-	-
Carried forward	**50,004**	32,941	**87,213**	66,673

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

	2013 £000	2012 £000
Operating profit	**60,551**	58,446
Depreciation	**3,022**	2,232
Impairment of tangible fixed assets	-	111
Amortisation of goodwill	**1,328**	1,327
Fair value movements in loan portfolios	**55,476**	47,930
Purchases of loan portfolios	**(124,076)**	(98,556)
Decrease / (increase) in debtors	**2,512**	(6,194)
Increase in creditors	**44,393**	13,634
	43,206	18,930

22. Analysis of cash flows

	2013	2012
	£000	£000
Returns on investments and servicing of finance		
Interest received	**187**	15
Interest paid	**(74)**	(5,921)
Interest paid on A&B loan notes	**(16,438)**	(13,940)
Senior Secured Note interest paid	**(28,480)**	-
Facility fees and similar charges	**(2,774)**	(9,646)
Fees paid for interest rate derivatives	**-**	(587)
Issue costs for Senior Secured Notes	**(4,246)**	(7,751)
Net cash outflow	**(51,825)**	(37,830)
Taxation		
UK corporation tax paid	**(5,914)**	(13,140)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,987)**	(5,130)
Sale of tangible fixed assets	**241**	-
Net cash outflow	**(1,746)**	(5,130)
Financing		
Funds received from senior committed revolving credit facility	**65,000**	27,500
Repayment of senior committed revolving credit facility	**(75,000)**	(17,500)
Bank loans repaid	**-**	(155,507)
Repayment of "A" loan notes	**(60,097)**	(76,060)
Issue of senior secured notes	**100,000**	265,000
Net cash inflow	**29,903**	43,433

23. Analysis of changes in net debt

	31 December 2012 £000's	Cash flow £000's	Other non-cash changes £000's	**31 December 2013 £000's**
Cash in hand and at bank	23,207	13,624	-	**36,831**
Debt due within one year	-	-	-	**-**
Debt due after one year	(322,088)	(28,138)	(1,885)	**(352,111)**
Total	(298,881)	(14,514)	(1,885)	**(315,280)**

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

	2013 £000	2012 £000
Increase in cash in the period	**13,624**	6,263
Other net changes in debt	**(30,023)**	(33,863)
Movement in net debt	**(16,399)**	(27,600)
Net debt at start of period	**(298,881)**	(271,281)
Net debt at end of period	**(315,280)**	(298,881)

25. Reconciliation of movement in shareholder' (deficit)/funds

<u>**GROUP**</u>

	Profit and loss account £000	**Called up share capital £000**	**Share premium £000**	**Shareholder's funds £000**
At 31 December 2012	32,941	322	16	33,279
Profit for the year	17,108	-	-	17,108
Other recognised losses	(45)	-	-	(45)
At 31 December 2013	**50,004**	**322**	**16**	**50,342**

25. Reconciliation of movement in shareholder' (deficit)/funds (continued...)

COMPANY	Profit and loss account £000	Called up share capital £000	Share premium £000	Shareholder's funds £000
At 31 December 2012	66,673	322	16	67,011
Profit for the year	20,540	-	-	20,540
Other recognised losses	-	-	-	-
At 31 December 2013	**87,213**	**322**	**16**	**87,551**

26. 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 Notes due 2019 and 2020. 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.

27. Commitments

As at 31 December 2013 the Company entered into significant contracts with financial institutions for the purchase of additional portfolios for an expected price of £10.8 million.

28. 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 there were intercompany interest charges with companies outside of the Cabot Credit Management Limited group but under common control that resulted in interest receivable of £8k (2012: £nil) and interest payable of £102k (2012: £nil). These amounts are included within the amounts owed by group undertakings of £29k (2012: £nil) and amounts due to group undertakings of £52,345k (2012: £nil).

28. Related party transactions (continued...)

During the year to 31 December 2013 a fee of £0.1 million (2012: £0.2 million) was charged to profit of ordinary activities before taxation in respect of monitoring services provided by AnaCap Calcium L.P., the former ultimate controlling party of the Company. The amount due in respect of these fees was £nil (2012: £nil).

In August 2012 an indirect subsidiary of AnaCap Credit Opportunities Fund II L.P. ("AOF") acquired a portfolio of defaulted consumer debt from a large UK financial services group (the "AOF Portfolio"). AOF is related party to the former ultimate parent undertaking of the Company, AnaCap Calcium L.P. Concurrently with the purchase of the AOF Portfolio, the Group acquired two portfolios of defaulted consumer debt from the same large UK financial services group, and also acts as master servicer for the AOF Portfolio for which it receives fees determined on an arms' length basis. The fees received by the Group in the year to 31 December 2013 were £0.2m (2012: £0.1m). The amounts outstanding at 31 December 2013 in respect of these fees was £nil (2012: £nil).

29. Ultimate parent company

The Company's immediate parent company is Cabot (Group Holdings) Limited. The Company's ultimate parent company is Encore Capital Group Inc ("Encore"), a company incorporated in the United States.

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 J.C. Flowers & Co LLC ("JCF") 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.

29. Ultimate parent company (continued...)

On 30 May 2013 Encore Capital Group Inc ("Encore") 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. On 1 July 2013 JCF sold 50.1% of its stake in Janus to Encore.

30. Subsequent events

On 10 February 2014, Cabot Financial Holdings Group Limited ("Cabot Financial Holdings"), a subsidiary of Cabot Financial Limited, entered into a Share Sale and Purchase Agreement (the "Marlin Purchase Agreement") to which Cabot Financial Holdings acquired (a) the entire issued share capital of Marlin Financial Group Limited("Marlin"), a company incorporated in England and Wales and (b) certain subordinated fixed rate loan notes of Marlin Financial Intermediate Limited, a company incorporated in England and Wales, which is a direct wholly owned subsidiary of Marlin, from funds managed by Duke Street and certain individuals, including certain executive management of Marlin.

Pursuant to the terms and conditions of the Marlin Purchase Agreement and certain ancillary agreements, Cabot Financial Holdings purchased from the sellers all of the issued and outstanding equity securities of Marlin and certain subordinated fixed rate loan notes of Marlin Financial Intermediate Limited, including the assumption of substantially all of the outstanding debt of Marlin Intermediate Holdings plc, a subsidiary of Marlin, for an aggregate enterprise value of approximately £295.0 million.

The Marlin Acquisition was financed with borrowings under the existing revolving credit facility and under a new senior secured bridge facilities provided by J.P. Morgan Limited, Deutsche Bank AG, London Branch, Lloyds Bank plc, The Royal Bank of Scotland plc and UBS Limited.

The Senior Secured Bridge Facilities Agreement provides for (a) a senior secured bridge facility in an aggregate principal amount of up to £105.0 million ("Bridge Facility A") and (b) a senior secured bridge facility in an aggregate principal amount of up to £151.5 million ("Bridge Facility B," and together with Bridge Facility A, the "Bridge Facilities").

The purpose of Bridge Facility A is to provide funding for the financing, in full or in part, of the purchase price for the Marlin Acquisition and the payment of costs, fees and expenses in connection with the Marlin Acquisition, and was fully drawn on as of the closing of the Marlin Acquisition.

30. Subsequent events (continued...)

The purpose of Bridge Facility B is to finance, in full or in part, the repurchase of any bonds tendered in any change of control offer required to be made to the holders of the £150 million 10.5% Senior Secured Notes due 2020 issued by Marlin Intermediate Holdings plc (the "Marlin Bonds") and the premium payable thereon. Bridge Facility B was intended to be utilised only to the extent that

Marlin was obligated to make an offer to repurchase the Marlin Bonds and any holders of the Marlin Bonds elected to tender their Marlin Bonds within a defined period. Bridge Facility B has expired without drawdown.

The Senior Secured Bridge Facilities Agreement also provides for uncommitted incremental facilities in an amount of up to £80.0 million for the purposes of financing future debt portfolio acquisitions.

The Borrowings under Bridge Facilities have an initial term of one year and an extended term of 6.5 years if they are not repaid during the first year of issuance.

Prior to their initial maturity date, the rate of interest payable under the Bridge Facilities is the aggregate, per annum, of (i) LIBOR, plus (ii) an initial spread of 6.00% per annum (such spread stepping up by 50 basis points for each three-month period that the Bridge Facilities remain outstanding), not to exceed total caps set forth in the Senior Secured Bridge Facilities Agreement.

The Bridge Facilities are subject to mandatory prepayment with equity proceeds or the proceeds of other debt financings (subject to certain exceptions), at par prior to their initial maturity date. The Bridge Facilities have covenants that are substantially similar to those set forth in the Revolving Credit Facility (but prior to the initial maturity date, restricting the group from certain types of debt incurrence or restricted payments). The Bridge Facilities are guaranteed by the subsidiaries of Cabot Financial Limited that guarantee the revolving credit facility and the existing senior secured notes and share in the collateral granted to the existing senior secured notes issued by Cabot Financial (Luxembourg) S.A. on a pari passu basis. The events of default under the Senior Bridge Facilities are substantially similar to those set forth in the Revolving Credit Facility and include, among other things, payment and covenant breaches and insolvencies of Cabot Financial Holdings or significant subsidiaries.

CABOT
CREDIT MANAGEMENT

Appendix

(Unaudited)

Reconciliation of Adjusted EBITDA

The following table provides a reconciliation of net cash inflow/ (outflow) from operating activities to Adjusted EBITDA:

	Note	2013 £000	2012 £000
Net cash inflow/(outflow) from operating activities[a]	21	**43,206**	18,930
Working capital (increase)/decrease in the period [b]		**(47,086)**	(8,356)
Encore/JCF acquisition costs[c]		**6,134**	-
Marlin acquisition costs[c]		**500**	-
Apex integration costs [c]		**-**	1,715
Loan portfolio acquisitions [d]		**124,076**	98,556
Adjusted EBITDA		**126,830**	110,845

The following table provides a reconciliation of profit/(loss) on ordinary activities after taxation to Adjusted EBITDA:

	Note	2013 £000	2012 £000
Profit on ordinary activities after taxation		**17,108**	15,381
Tax on profit on ordinary activities	4	**5,785**	2,415
Interest receivable and similar income	6	**(195)**	(15)
Interest payable and similar charges	7	**37,853**	40,665
Depreciation, profit on disposal of tangible fixed assets and goodwill amortisation	3	**4,350**	3,670
Fair value movement on loan portfolios [e]	12	**55,295**	47,014
Encore/JCF acquisition costs[c]		**6,134**	-
Marlin acquisition costs[c]		**500**	-
Apex integration costs [c]		**-**	1,715
Adjusted EBITDA		**126,830**	110,845

(a) Net cash inflow/(outflow) from operating activities includes cash outflows relating to portfolio acquisitions which represent the cost of all loan portfolios purchased in the period. A reconciliation to operating profit is set out in note 20.

(b) Working capital adjustments are the net movement in debtors and creditors, excluding the bank loans and related unamortised issue costs; the shareholder loan notes and related accrued interest; and corporation tax debtors and creditors, and creditors or accruals arising from the purchase of tangible fixed assets.

(c) Apex integration costs reflect costs incurred in order to effect the acquisition of Apex and integrate the Cabot and Apex businesses subsequent to the acquisition of Apex. Encore/JCF and Marlin acquisition costs reflect costs incurred in preparing the group for sale or for advice in purchasing Marlin. Costs associated with the India Outsourcing Arrangement. These costs do not reflect the ongoing cash generating operations.

(d) Loan portfolio acquisitions represent the cost of all loan portfolios purchased in the period.

(e) This amount reflects the change in fair value of the loan portfolio.

Definitions

The financial information included within this annual report includes certain measures which are not accounting measures within the scope of UK GAAP. The primary non-GAAP measures included are 84-Month ERC, 120-Month ERC and Adjusted EBITDA which are explained below. These measures and all other non-UK GAAP measures presented in this annual report have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of the results of the Company reported under UK GAAP.

Estimated Remaining Collections ("ERC")

84-Month ERC and 120-Month ERC means the estimated gross collections on loan portfolios owned by the Group over an 84 or 120 month period, including those loan portfolios relating to debts owed by customers in Ireland, and represents the expected future gross cash collections from such portfolios over the period based upon performance data on historical portfolio collection. The calculation is performed at the end of each month based on the Group's proprietary revaluation model and assumes no additional purchases are made after the month end. The Company does not deduct future servicing costs in calculating ERC.

The Directors present ERC because it represents an estimate of the undiscounted cash value of the loan portfolios owned by the Company at a point in time which is an important supplemental measure for the Directors to assess the performance of the Group and the cash generation capacity of the portfolios. In addition the new senior committed revolving credit facility uses a measure similar to 84-Month ERC (although the measure included in the new senior committed revolving credit may include portfolios not located in the United Kingdom) to measure the compliance of the Group with certain covenants and, in certain circumstances, its ability to incur indebtedness.

The cash flow projections used by the Group to calculate ERC are the same as those used in the discounted cash flow calculation of the balance sheet value of the loan portfolios. However as stated in note 12 the cash flows used in the discounted cash flow calculation only take into account the estimated collections over the period to which 80% of the 120 month projected collections are achieved, being the "forecast period". The weighted average forecast period as at December 2013 was 76 months (2012: 75 months).

ERC is a metric that is often used by other companies in the industry in which the Company operates. However ERC as computed by the Company may not be comparable to similar metrics used by other companies in the industry.

Definitions (continued...)

Adjusted EBITDA

The directors define Adjusted EBITDA as net cash inflow/(outflow) from operating activities adjusted to exclude the effects of working capital adjustments, integration costs relating to the purchase of Apex, Encore/JCF acquisition costs, Marlin acquisition costs and loan portfolio acquisitions. A reconciliation of net cash inflow/(outflow) from operating activities and profit/(loss) on ordinary activities after taxation to Adjusted EBITDA has been included on page 61.

In this regard Adjusted EBITDA represents profit/(loss) on ordinary activities after taxation adjusted to exclude the effects of tax on profit/(loss) on ordinary activities, interest receivable and similar income, interest payable and similar charges, depreciation and goodwill amortisation, fair value movements on loan portfolios, gain on settlement of loan notes and related interest liability, loss on sale of fixed asset investment, integration costs relating to the purchase of Apex, Encore/JCF/Marlin acquisition costs and the impairment of goodwill. A reconciliation of profit/(loss) on ordinary activities after taxation to Adjusted EBITDA has also been included on page 61.

Adjusted EBITDA is not a measure calculated in accordance with UK GAAP and the use by the Company of the term Adjusted EBITDA may vary from others in the industry and should not be considered as an alternative to "net cash inflow/(outflow) from operating activities", "profit/(loss) on ordinary activities after taxation", "operating profit/(loss)" or any other performance measure derived in accordance with UK GAAP. The directors have presented Adjusted EBITDA because they believe it may enhance an investor's understanding of the cash flow generation of the Company that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses and the liquidity of the Company, and because it is frequently used by readers of the financial statements in the evaluation of debt purchasing companies.

Key Contacts and Calendar

Key Contacts

Email: investorrelations@cabotfinancial.com

Website: www.cabotcm.com/investors

Telephone: +44 (0) 1732 524759

Ken Stannard – Chief Executive Officer

Chris Ross-Roberts – Chief Financial Officer

Finance Calendar

Details of future results releases are available on the website