

**Company Registration No. 08467547**

**Cabot (Group Holdings) Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2018**



# **Cabot (Group Holdings) Limited**

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# **Cabot (Group Holdings) Limited**

## **Officers and professional advisors**

The officers and professional advisors of the Company at the date of this report are as follows:

### **Directors**

C Buick  
K Stannard

### **Secretary**

S Whiteley (appointed 29 March 2019)

### **Bankers**

National Westminster Bank PLC  
City of London Office  
PO BOX 12258  
1 Princes Street  
London  
EC2R 8PA

### **Registered office**

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

# **Cabot (Group Holdings) Limited**

## **Strategic Report For the year ended 31 December 2018**

### **Overview**

The Directors present the Strategic Report, Directors' Report and the financial statements of Cabot (Group Holdings) Limited (the "Company") for the year ended 31 December 2018.

The Company's principal activity was that of a non-trading subsidiary. During 2017, as part of a group reorganisation investment held by the company in Cabot Credit Management Limited ("the Group") was passed up to Cabot UK Holdco Limited via capital contributions. The Company now no longer holds any investments

### **Business review and results**

The profit before tax for the year amounts to £nil (2017 - £0.8 million).

As the performance of Cabot (Group Holdings) Limited is linked to the performance of the Group, Key Performance Indicators relating to the Company's trading which are appropriate for an understanding of the development, performance or position of the business can be found in the financial statements of Cabot Credit Management Limited.

### **Principal risks and uncertainties**

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

- Cash flow and credit risk;
- Going concern and liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company'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 Company'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 Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables.

### **Going concern and liquidity risk**

Management have reviewed the Group forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The directors are monitoring the discussions associated with the Brexit process, and whilst they do not consider this will have a material impact on the Group's operations, are monitoring the impact of any associated macro economic changes on customer payment behaviours. The directors believe that any such macro economic changes may increase the demand for credit management services from the Group.

Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

# **Cabot (Group Holdings) Limited**

## **Strategic Report For the year ended 31 December 2018**

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



C Buick  
Director

17 September

2019

# **Cabot (Group Holdings) Limited**

## **Directors' report For the year ended 31 December 2018**

The Directors present their report for the year ended 31 December 2018.

### **Results and dividends**

The financial statements and related notes for the year ended 31 December 2018 are set out on pages 8 to 11. The Company's result for the year after taxation was a profit of £nil (2017: £0.7 million). A dividend of £nil was paid during the year (2017: £0.2 million).

### **Directors**

The Directors who held office during the year and up to the date of approval of the financial statements were as follows:

- K Stannard
- C Buick

### **Qualifying third party indemnity provisions**

The Company has arranged qualifying third party indemnity for all of its Directors.

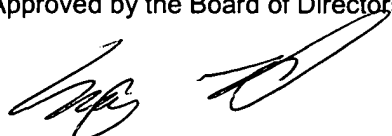
### **Political donations**

The Company made no political contributions (2017: £nil).

### **Future developments**

Any future developments affecting the Company are set out in the Strategic Report on page 2.

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



C Buick  
Director

17 September

2019

## **Cabot (Group Holdings) Limited**

### **Statement of Directors' responsibilities For the year ended 31 December 2018**

The directors are responsible for preparing the strategic report, the directors' 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 that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) have been followed.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Cabot (Group Holdings) Limited

### Statement of comprehensive income For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Finance income	3	-	0.1
Dividends received		-	0.7
<b>Profit on ordinary activities before taxation</b>		<b>-</b>	<b>0.8</b>
Tax expense	4	-	(0.1)
<b>Profit after tax and total comprehensive income for the financial period</b>		<b>-</b>	<b>0.7</b>

All of the above results are derived from continuing operations.



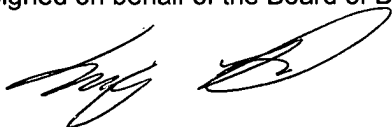
# Cabot (Group Holdings) Limited

## Statement of financial position As at 31 December 2018

	Notes	2018 £m	2017 £m
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	5	(0.1)	(0.1)
		<u>(0.1)</u>	<u>(0.1)</u>
<b>Net current liabilities</b>		(0.1)	(0.1)
		<u>(0.1)</u>	<u>(0.1)</u>
<b>Net liabilities</b>		<u>(0.1)</u>	<u>(0.1)</u>
<b>Equity</b>			
Called up share capital	6	-	-
Capital contribution reserve		8.6	8.6
Retained earnings		(8.7)	(8.7)
<b>Total shareholders' deficit</b>		<u>(0.1)</u>	<u>(0.1)</u>

These financial statements of Cabot (Group Holdings) Limited, with registered number 08467547, were approved by the Board of Directors and authorised for issue on 17 September 2019.

Signed on behalf of the Board of Directors by:



C Buick  
Director

**Cabot (Group Holdings) Limited**

**Statement of changes in equity  
As at 31 December 2018**

	Share Capital	Capital contribution reserve	Accumulated losses	Total
	£m	£m	£m	£m
<b>As at 1 January 2017</b>	202.3	16.9	(1.5)	217.7
<i>Comprehensive income for the period:</i>				
Profit for the period	-	-	0.6	0.7
Total comprehensive income	-	-	0.6	0.7
Share Capital reduction	(202.3)	(8.3)	220.1	9.4
Dividends paid	-	-	(227.9)	(227.9)
<b>As at 31 December 2017 and 31 December 2018</b>	-	8.6	(8.7)	(0.1)

# Cabot (Group Holdings) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 1. General information

Cabot (Group Holdings) Limited is a company limited by shares incorporated and domiciled in England and Wales. The registered office is located at 1 Kings Hill, West Malling, ME19 4UA.

### 2. Basis of preparation and significant accounting policies

#### 2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, except for the revaluation at current value of certain financial assets. These standards have been applied consistently throughout the current and preceding year.

The financial statements are presented in UK pounds sterling (£), which is the company's functional currency.

The Company has taken advantage of the following disclosure requirements under FRS 101:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraph 10(d), 10(f), and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of that Group

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of Cabot UK Holdco Limited, formally known as Carat UK Holdco Limited and its results are included in the consolidated financial statements of that company. These financial statements therefore present information about the Company as an individual entity alone.

#### 2.2. Going concern

The Company's core business was formerly that of a holding company of the Group. During the year, as part of a group reorganisation investment in the Group was passed up to Cabot UK Holdco Limited. Since the Company's immediate parent remains Carat UK Midco Limited the Company's financial position is therefore partly dependent on the financial condition of that Group.

The Group has long-term debt financing through Senior Secured Loan notes totalling £872.4 million (2017: £900.5 million). The first tranche of these notes is due for repayment in April 2021. The Group also has two Asset Backed Senior Facilities totalling £350.0 million (2017: one of £290.0 million). These facilities are secured until September 2023. The Group has a revolving credit facility of £385.0 million for funding working capital requirements and portfolio purchases as required. At 31 December 2018 £233.9 million had been drawn on this facility (2017: £132.5 million). £375.0 million of this facility is secured until September 2022, and the remaining £10.0 million is secured until September 2021.

The assets of the Group have been pledged as security for the Senior Secured Loan Notes, Asset Backed Senior Facilities, and the Senior Secured revolving credit facility. In the year to 31 December

# **Cabot (Group Holdings) Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

2018, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

### **2.3. Summary of significant accounting policies**

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

#### ***Current tax***

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 year end date.

#### **Finance income and costs**

Interest income, and interest and expenses are recognised using the effective interest rate method.

Finance costs include facility fees on bank loans and similar costs.

#### **Investments in subsidiaries**

Investments in subsidiaries are recognised at cost less provision for impairment.

#### **Financial instruments**

#### ***Financial liabilities***

Financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method.

### **2.4. Changes in accounting policies and disclosures**

#### **Recent accounting pronouncements**

#### ***IFRS 9 Financial Instruments***

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required but providing comparative information is not compulsory.

Management have concluded that IFRS 9 will not have a material impact on the results of the Company.

On adoption of IFRS 9, the Company applied the simplified approach and recorded lifetime expected losses on all trade receivables and intercompany borrowings.

#### **Intercompany borrowings**

Management have deemed that loans to other group undertakings are at a market rate and therefore the carrying value of the loans are an accurate approximation of fair value. Management determine

# Cabot (Group Holdings) Limited

## Notes to the financial statements For the year ended 31 December 2018

impairment based on the borrowers' historically observed data, adjusted for forward-looking information. With regard to lifetime expected losses, Management have concluded that any such losses are immaterial.

### 3. Finance income

	2018 £m	2017 £m
Interest income from parent and other Group undertakings <sup>(a)</sup>	-	0.1

<sup>(a)</sup> Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances and at a rate of 0.2% on loans.

### 4. Tax expense

The income tax expense comprises:

	2018 £m	2017 £m
<b>Current tax</b>		
Corporation tax	-	0.1
<b>Total current tax</b>	-	0.1

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the accounting profit are as follows:

	2018 £m	2017 £m
Profit before tax	-	0.8
Income tax expense calculated at standard UK corporation tax rate of 19.00% (2017: 19.25%)	-	0.1
Effects of:		
Expenses not deductible for tax purposes	-	0.1
Transfer pricing adjustment	-	(0.1)
<b>Total income tax expense</b>	-	0.1

The Finance Act 2016, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was enacted on 6 September 2016. As this change in rate was substantively enacted prior to 31 December 2018 it was reflected in the deferred tax assets and liabilities at 31 December 2018. The Finance Act 2017 has not resulted in any further changes to the main rate of UK corporation tax and therefore deferred tax assets and liabilities at 31 December 2018 are reflected accordingly.

# Cabot (Group Holdings) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 5. Trade and other payables

	2018	2017
	£m	£m
Amounts owed to Group undertakings	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

Interest accrued on amounts owed to parent and other Group undertakings is at an arm's length basis and is accrued, not paid.

The Company considers that the carrying amounts of the financial liabilities included above are a reasonable approximation of their fair value due to their short term nature.

### 6. Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid:		
1 Ordinary shares of £1 each, subscription price of £1	<u>1</u>	<u>1</u>

### 7. Ultimate parent Company

The Company's immediate parent company is Carat UK Midco Limited, a company incorporated in England and Wales. The Company's ultimate parent company is Encore Capital Group Inc ("Encore"), a company incorporated in Delaware, United States, whose consolidated financial statements are available on their website.