

Company Registration No. SC303436

Macrocom (948) Limited

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

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Macrocom (948) Limited

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Macrocom (948) Limited

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

Directors

C Ross-Roberts
K Stannard

Secretary

W Wellinghoff

Registered office

Mediacorp House
2 Caird Park
Hamilton
South Lanarkshire
ML3 0EU

Auditor

BDO LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Macrocom (948) Limited

Strategic report for the year ended 31 December 2013

Overview

The Directors present their Strategic Report, Directors Report and the financial statements of Macrocom (948) Limited (the "Company") for the year ended 31 December 2013.

The principal activity of the Company is the funding and management of other companies within the Cabot Credit Management Limited group of companies (the "Group").

The directors believe that the Group to which the Company belongs (as outlined in note 11) 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 Group has invested £801 million in the acquisition of 994 loan portfolios with an aggregate face value of £8.7 billion, comprising over 3.9 million customer accounts and generating a 120-Month ERC at 31 December 2013 of £1.05 billion. Over 98% 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 maximising 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%.

Recent Acquisitions

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

JCF has a substantial background in investing in the financial services sector. Encore is a leading provider of debt management and recovery solutions for consumers and property owners across a broad range of assets.

Encore and JCF sought to acquire the Cabot Group to gain a strong platform in the UK debt purchase and debt contingency markets.

On the 8 February 2014 the Group acquired Marlin Financial Group Limited, a market leading acquirer of non performing debt.

Future developments

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

Macrocom (948) Limited

Strategic report for the year ended 31 December 2013

Business review and results

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

(£ in thousands, except for percentages and ratios unless otherwise noted)			
	2013 £000	2012 £000	Change
Profit/(loss) before tax	91	(165)	+ 155.2%
Net current assets	2,408	2,338	+3.0%
Shareholders' funds	2,408	2,338	+3.0%

Financial risks and uncertainties

Cash flow and credit risk

As described in note 11 to the financial statements, the Company is a member of the Cabot Credit Management group of companies (the "Group") and therefore its financial risk management and objectives and policies are intrinsically linked to those of the Group. Consolidated accounts for the Group are drawn up for Cabot Financial Limited and Cabot Credit Management Limited. The collection of defaulted consumer receivables carries a substantial amount of cash risk due to the underlying volatility in the collection characteristics of these assets.

To mitigate these risks the Group has developed, and continues to refine, detailed management reporting on individual portfolio performance and re-forecasts future collections on each portfolio on a monthly basis. Due to the long-term nature of the collection strategies employed, the Company will continue to be exposed to possible changes in legislation and economic trends.

Going concern and liquidity risk

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the business review of this report. The financial position of the Company and liquidity position are described in the financial statements on pages 9 to 15. The Company made a profit for the year before taxation of £0.1 million (2012: loss of £0.2 million), and had net current assets and a net surplus on shareholder's funds at 31 December 2013 of £2.4 million (2012: £2.3 million).

The Company's financial position is dependent on the financial condition of the Group and for the recovery of loans made to group undertakings and the net book value of shares in group undertakings.

The Group meets its day to day working capital requirements through senior credit facilities. During the year to 31 December 2012 the Group completed a fundamental restructuring of its financing arrangements to benefit from an increase in the long-term funding available to the Group. In September 2012 the Group issued £265.0 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50.0 million maturing in September 2017. This loan facility was subsequently increased on 28 June 2013 to £85.0 million, and a further Senior Secured Loan Note due 2020 of £100.0 million was issued in August 2013. After the year end, an additional Senior Secured Note due 1 October 2021 of £175.0 million was issued on 27 March 2014 at a fixed interest rate of 6.500%.

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

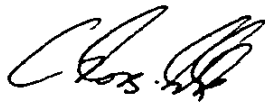
Macrocom (948) Limited

Strategic report for the year ended 31 December 2013

The Group has remained compliant during the year to 31 December 2013 with all the covenants contained in the loan notes issued and senior credit facilities, and the Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to operate within the requirements of the financing arrangements in place and therefore to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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



C Ross-Roberts
Director

10 July 2014

Macrocom (948) Limited

Directors' report for the year ended 31 December 2013

The Directors present their report and audited financial statements of Macrocom (948) Limited ("the Company") for the year ended 31 December 2013.

Results and dividends

The company did not trade during the current year with results occurring purely from interest payable and receivable arising on amounts due to and from fellow group companies during the year.

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

Directors

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

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

Political donations

The company made no political donations during the year (2012: £nil).

Auditor

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

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

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

Deloitte LLP resigned as statutory auditors with effect from 1 October 2013 and BDO LLP were appointed as auditors with effect from 30 October 2013.

BDO LLP have 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 on

2014 and signed on behalf of the Board



C Ross-Roberts
Director

10 July 2014

Macrocom (948) Limited

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

The Directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Macrocom (948) Limited

We have audited the financial statements of Macrocom (948) Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Macrocom (948) Limited

Matters on which we are required to report by exception

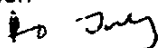
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Daniel Taylor (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor

London



2014

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

Macrocom (948) Limited

Profit and loss account for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Interest receivable and similar income	3	1,455	1,153
Interest payable and similar charges	4	(1,364)	(1,318)
Profit / (loss) on ordinary activities before taxation	2	91	(165)
Tax on profit / (loss) on ordinary activities	5	(21)	(29)
Profit / (loss) for the year	9	70	(194)

The notes on pages 11 to 15 form part of the financial statements.

The results for the year relate entirely to continuing operations.

The company has no recognised gains or losses and therefore no statement of recognised gains and losses has been presented.

Macrocom (948) Limited

Balance sheet for the year ended 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Current assets			
Debtors	6	33,500	32,043
Creditors: Amounts falling due within one year	7	(31,092)	(29,705)
Net current assets		<u>2,408</u>	<u>2,338</u>
Net assets		<u>2,408</u>	<u>2,338</u>
Capital and reserves			
Called up share capital	8	50	50
Profit and loss account		2,358	2,288
Shareholders' funds	9	<u>2,408</u>	<u>2,338</u>

The notes on pages 11 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 10 July 2014 and were signed on its behalf by:



C Ross-Roberts
Director

10 July

2014

Macrocom (948) Limited

Notes to the financial statements for the year ended 31 December 2013

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Cash flow statement

Under the provisions of FRS 1 (revised) "Cash flow statements" the company has not provided a cash flow statement. This is because the company is wholly owned subsidiary of Cabot Credit Management Limited.

Going concern and liquidity risk

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business review of the Strategic report. The financial position of the Company and liquidity position are described in the financial statements on pages 9 to 15. The Company made a profit for the year before taxation of £0.1 (2012: £0.2 million loss), and had net current assets and a net surplus on shareholder's funds at 31 December 2013 of £2.4 million (2012: £2.3 million).

The Company's financial position is dependent on the financial condition of the Group for the repayment of amounts due to the Company from fellow group undertakings and the net book value of shares in group undertakings. The Group meets its day to day working capital requirements through senior credit facilities. During the year to 31 December 2012 the Group completed a fundamental restructuring of its financing arrangements to benefit from an increase in the long-term funding available to the Group. In September 2012 the Group issued £265.0 million of Senior Secured Loan Notes due 2019 to increase its permanent financing structure, and secured a new senior committed revolving credit facility of £50.0 million maturing in September 2017. This loan facility was subsequently increased on 28 June 2013 to £85.0 million, and a further Senior Secured Loan Note due 2020 of £100.0 million was issued in August 2013. After the year end, an additional Senior Secured Note due 1 October 2021 of £175.0 million was issued on 27 March 2014 at a fixed interest rate of 6.500%.

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

The Group has remained compliant during the year to 31 December 2013 with all the covenants contained in the loan notes issued and senior credit facilities, and the Group's latest forecasts and cash flow projections have been reviewed and do not indicate any significant uncertainty over the Group's ability to operate within the requirements of the financing arrangements in place and therefore to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Interest

Interest receivable and payable is recognised on an accrual basis.

Macrocom (948) Limited

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

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those of which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial Instruments

Under Financial Reporting Standard 29, the Company is exempt from the disclosure requirements of FRS 29 (Financial Instruments: Disclosures) on the grounds that the parent undertaking, Cabot Credit Management Limited, includes these disclosures in respect of the company in its own published consolidated accounts.

2 Profit / (loss) on ordinary activities before taxation

The audit remuneration of £3,600 with respect to the Company's audit fees for the year was borne by the Company's immediate holding company, Cabot Credit Management Limited. The company had no employees during the year ended 31 December 2013 (2012: none). The company made no payments to the directors during the year (2012: £nil).

3 Interest receivable and similar income

	2013	2012
	£000	£000
Interest receivable from group companies	1,455	1,153

4 Interest payable and similar charges

	2013	2012
	£000	£000
Interest payable to group companies	1,364	1,318

Macrocom (948) Limited

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

5 Taxation

The tax charge for the year comprises:

	2013 £000	2012 £000
Current tax		
Corporation tax	21	29
Total current tax	<u>21</u>	<u>29</u>

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

	2013 £000	2012 £000
Profit/(loss) on ordinary activities before taxation	<u>91</u>	<u>(165)</u>
Tax on profit / (loss) on ordinary activities at standard UK corporation tax at 23.25% (2012: 24.5%)	21	(40)
Effects of:		
Transfer pricing adjustment	-	69
Current tax charge for the period	<u>21</u>	<u>29</u>

The transfer pricing adjustment relates to interest deemed for corporation tax purposes on an amount due from Cabot Financial Debt Recovery Services Limited, a fellow group company, to the Company arising from the purchase by Cabot Financial Debt Recovery Services Limited of former subsidiary companies of the Company in April 2011. No interest on the amount due from Cabot Financial Debt Recovery Services Limited is payable by that company and no amount has been included in the financial statements of the Company.

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.

6 Debtors

	31 December 2013 £000	31 December 2012 £000
Corporation tax	2	-
Amounts owed by group undertakings	<u>33,498</u>	<u>32,043</u>
	<u>33,500</u>	<u>32,043</u>

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

Macrocom (948) Limited

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

7 Creditors: Amounts falling due within one year

	31 December 2013 £000	31 December 2012 £000
Corporation tax	-	29
Amounts owed to group undertakings	31,092	29,676
	<u>31,092</u>	<u>29,705</u>

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

8 Called up share capital

	31 December 2013 £000	31 December 2012 £000
Authorised:		
75,000 ordinary shares of £1 each	<u>75</u>	<u>75</u>
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

9 Reconciliation of movement in shareholders' funds

	31 December 2013 £000	31 December 2012 £000
Profit / (loss) for the year	70	(194)
Net additions / (reductions) to shareholders' funds	<u>70</u>	<u>(194)</u>
Opening shareholders' funds	2,338	2,532
Closing shareholders' funds	<u>2,408</u>	<u>2,338</u>

Macrocom (948) Limited

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

10 Contingent liabilities

The Company and some fellow group companies are party to guarantees in relation to the senior committed revolving credit facility drawn by a fellow group company, and the Senior Secured Loan Notes due 2019 and 2020. Amounts outstanding on such borrowings were £365.0 million at 31 December 2013 (2012: £275.0 million). The expectation is that any liability under these guarantees will not be crystallised in the foreseeable future.

11 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company's immediate parent company is Cabot Financial Debt Recovery Services Limited, a company incorporated in England and Wales. The smallest group of which the Company is a member and for which group financial statements are drawn up is Cabot Financial Limited.

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, management, together with JCF Associates III Limited ("JCF"), a company incorporated in the United States, have made a reinvestment into Cabot Holdings S.a.r.l, a company incorporated in Luxembourg, which indirectly owns Cabot (Group Holdings) Limited, a company incorporated in England and Wales.

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.

On 30 May 2013 Encore Capital Group Inc ("Encore"), a company incorporated in the United States, announced its agreement to acquire 50.1% of the equity held by JCF. Prior to completion of the Encore acquisition, JCF transferred its ownership of Cabot Holdings S.a.r.l into Janus Holdings Luxembourg S.a.r.l. ("Janus"), a company incorporated in Luxembourg. On 1 July 2013 JCF sold 50.1% of its stake in Janus to Encore.

12 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions or balances with entities which form part of the group as it is a wholly owned subsidiary of Cabot Credit Management Limited whose consolidated group accounts are publically available.