

Company Registration No. 10865360

Cabot Securitisation UK Limited

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



Cabot Securitisation UK Limited

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Cabot Securitisation UK Limited

Officers and professional advisors

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

Directors

K Stannard
C Buick

Company Secretary

S Whiteley

Auditors

BDO LLP
Chartered Accountants and Statutory Auditor
55 Baker Street
London
W1U 7EU

Registered office

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

Cabot Securitisation UK Limited

Strategic Report For the period ended 31 December 2018

Overview

The Directors present the Strategic Report, Directors' Report and the financial statements of Cabot Securitisation UK Limited (the "Company") for the period from incorporation on 13 July 2017 to 31 December 2018.

The Company's principal activity is the provision of financing and is a member of the Cabot Credit Management Limited Group (the "Group").

Business review and results

The profit before tax for the period amounts to £97.9m.

As the performance of Cabot Securitisation UK 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 the Group.

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.
- Price risk;
- Current value of loan portfolios;

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.

Principal financial instruments

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

- Trade and other receivables;
- Trade and other payables;
- Loans and borrowings;

Cash flow and credit risk

The Company's financial risk management objectives and policies are intrinsically linked to those of the Group.

Cabot Securitisation UK Limited

Strategic Report For the period ended 31 December 2018

Principal risks and uncertainties (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 which requires cost-effective collection operations performed by the Group in respect of the portfolios owned by Group companies. The Group assesses the collection costs of each portfolio it services on behalf of related parties and agrees service fees accordingly. The Directors consider that substantial ongoing investment in this area will be key to the future success of the business.

Going concern and liquidity risk

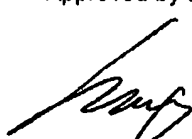
The Company's core business is that of the provision of financing. The Company's financial position is partly dependent on the financial condition of the rest of the Group.

The Group has long-term debt financing through Senior Secured Loan notes totalling £872.4 million as at 31 December 2018 (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) of which £300.0 million is held within this legal entity. 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 period to 31 December 2018, the Group has remained compliant with all the covenants contained in the notes issued and the Senior credit facility.

Management have reviewed the forecast performance models, covenant projections 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. Accordingly, it is considered appropriate to 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 Buick
Director
3/6/2019

Cabot Securitisation UK Limited

Directors' Report for the period ended 31 December 2018

The Directors present their report for the period from 13 July 2017 to 31 December 2018.

Results and dividends

The audited financial statements and related notes for the period ended 31 December 2018 are set out on pages 9 to 20. The Company's result for the period after taxation was a profit of £76.9m.

The Directors paid a dividend of £11.3m.

Directors

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

- K Stannard (appointed 13 July 2017)
- C Buick (appointed 13 July 2017)

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.

Future developments

There are no significant future developments affecting the Company anticipated at the date of signing this report.

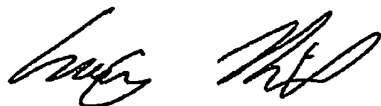
Auditors

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

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- He has taken all the steps that he/she 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.

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



C Buick
Director



2019

Cabot Securitisation UK Limited

Statement of Directors' responsibilities for the period 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.

Independent auditor's report to the members of Cabot Securitisation UK Limited

Opinion

We have audited the financial statements of Cabot Securitisation UK Limited ("the Company") for the period ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Cabot Securitisation UK Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Cabot Securitisation UK Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

5 June 2019

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

Cabot Securitisation UK Limited

Statement of comprehensive income For the period from 13 July 2017 to 31 December 2018

	Notes	2018 £000
Interest on deemed loan asset		136,489
Operating expenses		(22,483)
Gross profit		114,006
Administration expenses		(587)
Operating profit		113,419
Interest receivable and similar income	4	957
Interest payable and similar charges	5	(16,491)
Profit on ordinary activities before taxation	3	97,885
Tax expense	6	(20,984)
Profit after taxation and total comprehensive income for the financial period		76,901

All of the above results are derived from continuing operations.

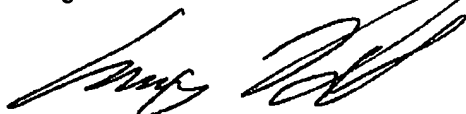
Cabot Securitisation UK Limited

Statement of financial position As at 31 December 2018

	Notes	2018 £000
Current assets		
Trade and other receivables	7	396,480
Cash in bank and on hand		11,341
		<u>407,821</u>
Creditors: amounts falling due within one year		
Trade and other payables	8	(22,572)
Borrowings	9	(448)
		<u>(23,020)</u>
Net current assets		<u>384,801</u>
Total assets less current liabilities		<u>384,801</u>
Creditors: amounts falling due after more than one year	9	(319,176)
Net assets		<u>65,625</u>
Equity		
Called up share capital	10	-
Capital contribution reserve		-
Retained earnings		65,625
Total shareholders' funds		<u>65,625</u>

These financial statements of Cabot Securitisation UK Limited, with registered number 10865360, were approved by the Board of Directors and authorised for issue on 5/6 2019.

Signed on behalf of the Board of Directors by:


C Buick
Director

Cabot Securitisation UK Limited

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

	Share Capital	Retained earnings	Total
	£000	£000	£000
On Incorporation at 13 July 2017	-	-	-
<i>Comprehensive income for the period ended:</i>			
Profit for the period	-	76,901	76,901
Total comprehensive income	-	76,901	76,901
Dividends Paid		(11,276)	(11,276)
As at 31 December 2018	-	65,625	65,625

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

1. General information

Cabot Securitisation UK Limited is a limited company incorporated and domiciled in England and Wales. The registered office is located at 1 Kings Hill Avenue, Kings Hill, West Malling, Kent.

The principal activity of the Company is the provision of financing.

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 period.

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) 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 results of Cabot Securitisation UK Limited are included in the consolidated financial statements of Cabot Credit Management Limited which are available from 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA.

2.2. Going concern

The Company's core business is the provision of financing for other members of the Group who collect monies on behalf of the Company. The Company's financial position is therefore partly dependent on the financial condition of the rest of the Group.

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

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

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.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right of offset exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Finance income and costs

Interest income and expense are recognised on an accruals basis.

Finance costs include facility fees on bank loans and similar costs and fair value adjustments on interest rate derivatives.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

Financial instruments

Financial assets

Fair value through profit or loss

Comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the recurring finance income or recurring finance cost line.

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.

Borrowings

Interest bearing loans are recorded at the proceeds received net of direct issue costs. Finance fees are accounted for in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument.

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.

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging auditor's remuneration of £Nil. Auditor's remuneration of £12,000 has been borne by another Group company.

4. Finance income

	2018 £000
Bank interest income	51
Interest income from parent and other Group undertakings ^(a)	906
	<u>957</u>

(a) Interest receivable from parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on loan balances.

5. Finance expense

	2018 £000
Interest on borrowings	15,127
Fees on borrowings	1,041
Fair value movement on hedging instrument	199
Interest expense due to parent and other Group undertakings ^(a)	124
	<u>16,491</u>

(a) Interest payable to parent and other Group undertakings is accrued but not paid at a rate of LIBOR plus 4% on trading balances.

6. Tax

The income tax expense comprises:

	2018 £000
Current tax	
Corporation tax	20,984
Total current tax	<u>20,984</u>
Total income tax expense	<u>20,984</u>

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

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
	£000
Profit before tax	97,885
Income tax expense calculated at standard UK corporation tax rate of 19.00%	18,598
Effects of:	
Other Adjustments	2,386
Total income tax expense	20,984

The Finance Act 2017, 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.

7. Trade and other receivables

	2018
	£000
Amounts owed by Group undertakings	395,119
Other financial assets	1,361
	396,480

Loans and amounts due from Group undertakings represents loan receivables owned by fellow subsidiaries of the Cabot Credit Management Limited Group held as security against the borrowing of the Company.

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

8. Trade and other payables

	2018
	£000
Amounts owed to Group undertakings	22,522
Accruals and deferred income	50
	22,572

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

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.

9. Borrowings

	2018 £000
Current	
Other loans	448
Non current	
Other loans	319,176
Total borrowings	319,624
<u>Analysis of loan repayments:</u>	
Within one year	448
In more than one year but less than 5 years	319,176
	319,624

On 4 October 2018, the Company amended and restated its existing £300.0 million Asset Backed Senior facility agreement to extend the maturity date by 12 months to September 2023. Terms remained unchanged at an initial rate of 2.850% over LIBOR and 57% Loan to Value (LTV).

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

10. Share capital

	2018 £000
Allotted, called up and fully paid:	
1 Ordinary share of £1 each, subscription price of £1	-

11. Dividends paid

	2018 £000
Dividends paid (£11,276,000 per share)	11,276

12. Financial Instruments

(a) Carrying amount of financial instruments

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

	2018 £000
Financial assets	
<u>Financial assets at fair value through profit and loss</u>	
Derivative assets	1,361
<u>Loans and receivables</u>	
Cash and cash equivalents	11,341
Trade and other receivables (note 7)	395,119
Total	407,821
Financial liabilities	
<u>Financial liabilities at amortised cost</u>	
Trade and other payables (note 8)	22,572
Loans and borrowings (note 9)	319,624
Total	342,196

(b) Carrying Amount versus Fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at 31 December 2018.

The Company considered that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value due to their short term nature:

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

The carrying amount of other payables is considered to be equal to its fair value as there has been no significant change in interest rates since the payable was initially recognised.

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

	2018	
	Carrying Amount £'000	Fair Value £'000
<u>Financial Assets</u>		
Derivative asset	1,361	1,361
Cash and cash equivalents	11,341	11,341
Trade and other receivables (note 7)	395,119	395,119
Total	407,821	407,821
<u>Financial liabilities</u>		
Trade and other payables (note 8)	22,572	22,572
Loans and borrowings (note 9)	319,624	319,624
Total	342,196	342,196

(c) Fair value Hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities are classified in their entirety into only one of the three levels. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - 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);
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table analyses financial instruments measured both at fair value, and not at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Cabot Securitisation UK Limited

Notes to the financial statements For the period ended 31 December 2018

	2018 £000	Level 1 £000	Level 2 £000	Level 3 £000
<u>Financial instruments measured at fair value</u>				
Derivative asset	1,361	-	1,361	-
Total	1,361	-	1,361	-
<u>Financial instruments not measured at fair value</u>				
Loans and borrowings (note 9)	(319,624)	-	-	(319,624)
Total	(319,624)	-	-	(319,624)

(d) Reconciliation: Level 3 recurring fair value measurements

Loans and borrowings are held at amortised cost and do not include any credit enhancements. The difference between the carrying value and fair value is shown above.

(e) Transfers during the period

During the period ending 31 December 2018:

- There were no transfers between Level 1 and Level 2 fair value measurements; and
- There were no transfers into or out of Level 3 fair value measurements.

(f) Valuation techniques

(i) Derivative assets

Derivative financial assets include an interest rate cap. The fair value of this instrument at 31 December 2018 was an asset of £1.4m. The fair value is based on a third party valuation of the instrument.

18. Ultimate parent Company

The Company's immediate parent company is Cabot Securitisation UK Holdings 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 Credit Management Limited. 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.