Lowell.

GROUP

Q2 2012 interim financial results for the three month period ending 29 February

17 May 2012

Table of contents

Financial calendar going forward

Details of future results releases will be made available on the Lowell Group investor website:

www.lowellgroup.co.uk

Overview of Lowell Group

We are a leading purchaser of non-performing consumer debt portfolios in the United Kingdom. The three main sectors from which we have primarily purchased debt portfolios are financial services, communications and home retail credit. We typically purchase unsecured, low-balance consumer debt portfolios consisting of a high number of accounts, and are able to purchase these non-performing debt portfolios at a substantial discount to their face value. We aim to collect the balances owed on these debt portfolios through our in-house, technology-driven call center operations.

Headquartered in Leeds, with more than 500 full-time equivalent ("FTE") employees, we benefit from significant scale and experience in our markets. Since our inception in May 2004 to February 29, 2012, we have purchased 518 debt portfolios (our "Purchased Assets") with an aggregate face value of approximately £8.0 billion, having invested £413.9 million at an average price paid of 5.2 pence per pound sterling of the debt's face value. On the total capital we have invested, as of February 29, 2012 our Unlevered Net IRR is 25.1%. As of February 29, 2012, we have 8.8 million accounts.

We seek to recover outstanding balances by offering customers realistic, affordable and sustainable long-term payment plans with the instalments tailor-made to their individual circumstances. Our collection strategy is centered on our ability to assess a customer's ability to pay through data intelligence and analytics. We place significant importance on the ethical and fair treatment of our customers to protect our and the originators' reputations.

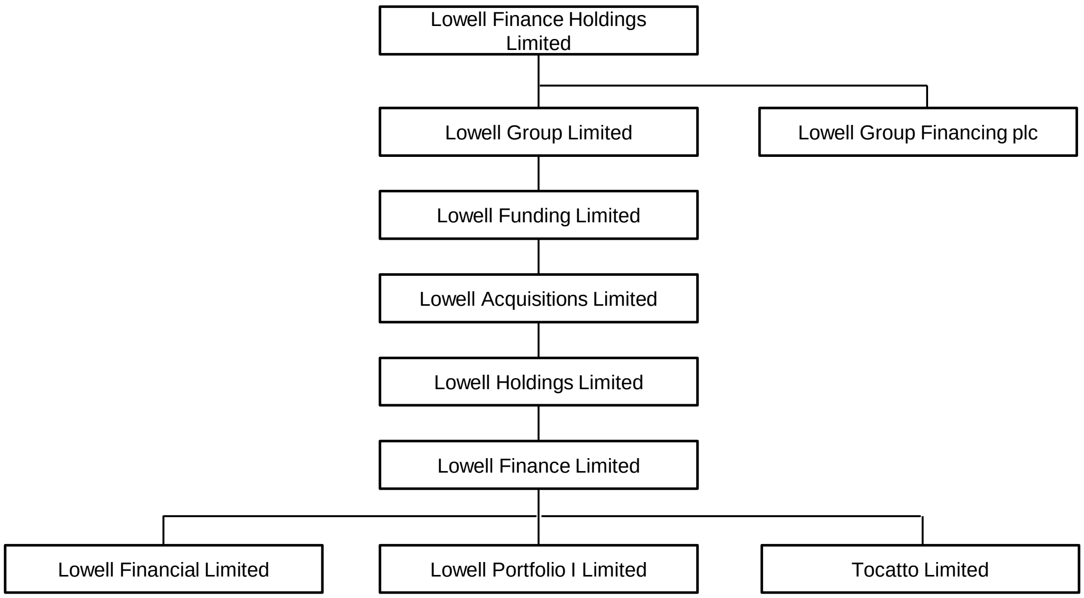
Because of the diversification of the debt portfolios on our balance sheet across millions of accounts and our focus on establishing sustainable, long-term payment plans, we believe our Purchased Assets provide significant, predictable and cash generative asset backing. As of February 29, 2012, based on our proprietary analytical models, which utilize historical portfolio collection performance data and assumptions about future collection rates, the gross cash proceeds which we expect to collect over the subsequent 84 months from our Purchased Assets (our "Estimated Remaining Collections" or "ERC") amount to £355.4 million. ERC is only a projection and is based on historical and current data, trends and assumptions, and we cannot guarantee that we will achieve such collections.

In 2011 we were ranked as the leading credit management business across Europe for the fourth consecutive year by the strategic consulting firm OC&C.

Presentation of Financial and Other Information

The historical and other financial data presented in this quarterly report have been derived from our historical consolidated financial statements for Lowell Group Limited. For reporting periods after March 30, 2012 financial data presented will be from the consolidated financial statements of Lowell Finance Holdings Limited.

The diagram below summarizes our corporate structure:



Our consolidated financial statements as of and for the three months ended February 28, 2011 and February 29, 2012 are presented in accordance with UK GAAP. Our condensed consolidated interim financial statements for the three months ended February 28, 2011 and February 29, 2012 respectively are unaudited and are derived from our internal management reporting. The results of operations for prior years or interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

In addition, we have included certain non-UK GAAP financial measures in this quarterly report, including estimated remaining collections ("ERC"), Adjusted EBITDA, Unlevered Net IRR, Net Debt and certain other financial measures and ratios. Non-UK GAAP financial measures are derived on the basis of methodologies other than UK GAAP.

We present ERC because it represents our expected gross cash proceeds of the purchased debt portfolios recorded on our balance sheet (the "Purchased Assets") over an 84-month period. ERC is calculated as of a point in time assuming no additional purchases are made. We currently record the value of Purchased Assets on our balance sheet as the net present value of ERC, after applying a 25% servicing cost ratio and a 15% annual discount rate, both such percentages determined by management in discussion with our auditors. ERC is a metric that is also often used by other companies in our industry. We present ERC because it represents our best estimate of the undiscounted cash value of our Purchased Assets at any point in time, which is an important supplemental measure for our board of directors and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. In addition, the instruments governing our indebtedness use ERC to measure our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness. ERC is a projection, calculated by our proprietary analytical models, which utilize historical portfolio collection performance data and assumptions about future collection rates, and we cannot guarantee that we will achieve such collections. ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry. Our computation of ERC could in the future differ from the collection forecasts used to compute and record Purchased Assets on our balance sheet.

We present Adjusted EBITDA because we believe it may enhance an investor's understanding of our profitability and cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. In addition to ERC, our board of directors and management also use Adjusted EBITDA to assess our performance. Adjusted EBITDA is not a measure calculated in accordance with UK GAAP and our use of the term Adjusted EBITDA may vary from others in our industry. For a reconciliation of Adjusted EBITDA to operating profit, see the "Key Reconciliations and Definitions" section of this document.

We present Unlevered Net IRR because it represents the internal rate of return for a particular portfolio or group of portfolios after servicing costs as of a certain date. Our board of directors and management use Unlevered Net IRR to measure our return on the total capital invested in our debt portfolios. In order to calculate Unlevered Net IRR, we take the actual collections received on a portfolio up to the date it is measured, less servicing costs, plus forecast collections up to 84 months from the date of purchase of each portfolio, less the estimated servicing cost of such portfolio over the same period, less the total amount paid for the portfolio. Our Unlevered Net IRR on a portfolio or group of portfolios could change from the date it is measured if we over-perform or under-perform against the forecast collections included in our computations. We typically present Unlevered Net IRR for the aggregate portfolios purchased over a period, such as a vintage (i.e., the year of purchase) or since inception, or for a sector (i.e., financial services). Unlevered Net IRR, as computed by us, may not be comparable to similar metrics used by other companies in our industry.

We present Net Debt because we believe it may enhance an investor's understanding of the underlying cash generation of our business when compared to the growth in our asset base. Net Debt should not be considered an alternative to the "creditors: amounts falling due within one year" or "creditors: amounts falling due after more than one year" items on our consolidated balance sheet reported under UK GAAP.

ERC, Adjusted EBITDA, Unlevered Net IRR, Net Debt and all the other non-UK GAAP measures presented herein have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under UK GAAP.

In addition, this quarterly report includes certain unaudited consolidated profit and loss information, as well as certain other financial and operating information, for the twelve months ended February 29, 2012. This information was derived by adding the relevant item for the year ended August 31, 2011 to the relevant item for the six months ended February 29, 2012 and subtracting the relevant item for the six months ended February 28, 2011. This twelve month data has been prepared solely for the purpose of this quarterly report, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by KPMG.

We have not included financial information prepared in accordance with IFRS or U.S. GAAP in this quarterly report. UK GAAP differs in certain significant respects from IFRS and U.S. GAAP. In making an investment decision, you should rely upon your own examination of the terms of the offering and the financial information contained in this quarterly report. You should consult your own professional advisors for an understanding of the differences between UK GAAP, IFRS and U.S. GAAP, and how those differences could affect the financial information contained in this quarterly report.

Key Financial Information and KPIs

The following table summarizes our key financial data and key performance indicators as of the dates and for the periods indicated. The summary historical consolidated financial data for the three months ended February 28, 2011 and February 29, 2012 have been derived from our unaudited condensed consolidated interim financial statements and management information, which have been prepared on a basis consistent with its annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments necessary for a fair presentation of the results for those periods. The financial statements have been prepared in accordance with UK GAAP. These financial statements are for Lowell Group Limited, and predate and therefore exclude the senior secured notes which were completed on March 30, 2012.

The profit and loss account information, as well as the other financial and operating information, presented for the twelve months ended February 29, 2012 is derived by adding the relevant item for the year ended August 31, 2011 and for the six months ended February 29, 2012, and subtracting the relevant item for the six months ended February 28, 2011.

The results of operations and other financial and operating information for prior years or the interim periods are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the interim three and six month results which are included in this document and also the consolidated financial statements of Lowell Group Limited.

	Three months ended or as of February 29		12 months ended or as of February 29
(£ in millions, except for percentages and ratios or unless otherwise noted)	**2011**	**2012**	**2012**
Other financial, operating and pro forma data:			
Cash generative asset backing:			
ERC(1)	310.0	355.4	355.4
Reported portfolio purchases(2)	14.1	21.3	70.7
Number of accounts (in millions)(3)	7.0	8.8	8.8
Number of owned debt portfolios (#)(4)	433	518	518
Net Debt(5)	73.9	75.3	75.3
Cash generation:			
Collections/income on owned portfolios(6)	29.5	31.7	125.5
Servicing costs(7)	(8.7)	(9.3)	(38.4)
Adjusted EBITDA(8)	20.8	22.5	87.1
Cash flow before debt and tax servicing(9)	19.3	23.0	85.6
Return on capital:			
Unlevered Net IRR of owned portfolios(10)	24.5%	25.1%	25.1%
Operational efficiency:			
Annual collections per collector FTE (£ thousands)(11)	599	629	637
Payment plans per collector FTE(#)(12)	2,253	2,804	2,694

For definitions please see section "Key Reconciliations and Definitions"

Summary

The company's performance for the three month period to February 29, 2012 continues to be strong and in line with management expectations, showing a 15% increase in ERC, and an 8% increase in both collections and Adjusted EBITDA compared to prior year. For the three months to February 29, 2012, 102% of Adjusted EBITDA was converted into Cash flow before debt and tax servicing.

Furthermore, we broke a number of records for the company historically this quarter. We achieved our highest month of collections in February 2012 with £11.2 million, and our highest month of portfolio purchases in December 2011, with £14.9 million. We continued our strong collection performance after the end of the quarter with another record in monthly collections in March 2012.

We are also continuing to make progress in entering new sectors in a careful, calculated manner, with the utilities portfolio purchased in the first quarter of this year performing strongly.

	Three months ended February 29 ,		
(£ in millions)	**2011**	**2012**	**Change**
ERC	**310.0**	**355.4**	**15%**
Collections	29.5	31.7	8%
Servicing Costs	(8.7)	(9.3)	6%
Adjusted EBITDA	**20.8**	**22.5**	**8%**
Capital Expenditure	(0.5)	(0.4)	-23%
Working Capital Movement	(0.9)	0.9	-206%
Cash flow before debt and tax servicing	**19.3**	**23.0**	**19%**
Adjusted EBITDA conversion into Cash Flow	**93%**	**102%**	

Highlights for the three months to February 29, 2012:

- **Market**: We see a continued increase in activity within the debt purchase market, with particularly strong momentum in financial services where UK clearing banks are undertaking large portfolio disposal programmes to clear their accumulated backlog of debt

- **Portfolio purchases**: We completed purchases of £21.3 million mainly in the low-balance segments, where we have a clear competitive advantage. We were active in portfolio purchases in all of our core sectors in the quarter.

- **Collections**: Our operational excellence and the predictability of our collection expectations are evidenced by the strong collection performance in the quarter. We broke our monthly collections record and achieved £31.7 million in collections in the quarter, an increase of 8% versus last year. Portfolios owned at the beginning of the financial year are performing at 101% of their ERC projections year to date

- **Servicing Costs**: Our overall servicing costs of £9.3 million are in line with management's expectations and reflect the volume and type of portfolios purchased. We continue investing in our operational platform, including the optimization of our letter and marketing activity, consolidation of correspondence and printing costs.

- **Asset base**: We increased ERC to £355.4 million (from £337.7 million as of 30 November 2011, from £310.0 million as of 28 February 2011), a growth of 5% compared to last quarter and 15% year-on-year. As of March 2012 our ERC has increased to over £363 million.

- **Operating cash generation**: We are continuing to deliver very high cash flow conversion of Adjusted EBITDA into Cash flow before debt and tax servicing, with a 102% conversion rate in this quarter.

- **Returns on portfolios purchased**: Unlevered net IRR continue to remain stable, at 25.1% for the overall portfolio this quarter. New portfolios (less than six months old as of February 29, 2012) are performing at 112% of projections underlying their pricing assumptions, highlighting our continued pricing discipline.

- **Other**: To further cement our leading commitment to compliance, we have appointed Sara de Tute to join the executive board in the newly created role of Legal and Compliance Director. Sara joins us in May 2012 from Westcot Credit Services, where she is currently legal and compliance director.

Operating and Financial Review

The section below provides a more detailed overview of management's observations of activity in the marketplace, along with an overview of performance in relation to a number of the key metrics that management use when assessing the performance of the business.

Market

The overall market continues to be very active, and the business continues to be invited to bid upon the majority of debt purchase opportunities being presented to the market, along with being offered a number of exclusive opportunities.

All of our main sectors, financial services, communications and home retail credit, are showing good activity levels.

Furthermore, vendors in sectors new to the debt purchasing market, such as utilities and certain government agencies, have shown strong signals indicating their intentions to start to sell debt portfolios.

The volumes of portfolio purchase opportunities available over the coming months that the company is aware of should continue to provide sufficient opportunities for the business to achieve the acquisition plan for the financial year, and at the same time allow the business to retain market share and continue to explore opportunities into newly developing sectors.

Portfolio Purchases

Portfolio purchases for the three months ended February 29, 2012 were £21.3 million, being an increase of 52%% on the corresponding period in 2011 respectively. The underlying run-rate for the three months end February 29, 2012 is in line with the company's expectations. Purchases for the 12 months to February 29, 2012 were £70.7 million, being a 4% uplift on the purchases for the 12 months to February 28, 2011.

Over the three month period to February 29, 2012 49% of portfolio purchase value came from the 11 forward flow purchase contracts the company has in place, with the remainder being one-off spot purchases. In line with the strong momentum in financial services sector, two thirds of spot purchases were made in that sector.

Overall, the company has continued focusing on purchases of low balance portfolios across its three core sectors (financial services, communications and home retail credit). With a specific recent (March 2012) spot purchase of a mobile portfolio, the company has now purchased portfolios from all major UK mobile operators.

Lowell continues to initially make small investments in new debt types to first understand the performance and characteristics of these portfolios, before committing higher levels of capital at a later date. In November 2011, a successful acquisition of a utility portfolio was concluded, at an initial small size.

There are a strong number of opportunities being worked and in the pipeline in our Preston operation increasing diversification of both sector and new clients for the business

Collections

Strong quarterly collections of £31.7 million were achieved by the business in the three months ending February 29, 2012, an increase of almost 8% on the corresponding three months to February 28, 2011. Collection performance remains strong across the portfolio:

- Underlying performance on portfolios owned at the financial year end of August 31, 2011 for the six months to February 29, 2012 remained strong, at £58.5 million being 101% of the Gross ERC projections at August 31, 2011 for these portfolios.

- Collections on portfolio purchased for the six months to February 29, 2012 were £4.7 million, being 12% ahead of the projections underlying our pricing assumptions for these portfolios (the targeted projections are set to achieve the company's targeted hurdle rate of an 18% unlevered Net IRR over 84 months.)

Within the month of February, the company achieved record collections of £11.2 million.

The business continues to pursue a number of operating initiatives within its collections operations. Key measures of operational efficiency remained strong for the period with Annual Collections per collector FTE being £637k, and Annualized Payment Plans per collector FTE being 2,694. These metrics show a 2% and 10% productivity increase, respectively, over the 12 month period ending August 31, 2011.

Servicing costs

Servicing costs of £9.3 million for the three months ended February 29, 2012 and £19.3 million for the six months ended February 29, 2012, respectively, continued to be in line with management expectations and reflect the servicing costs commensurate with the mix, phasing and volume of portfolio purchases during the period and the back book of the business.

The majority of costs to service a portfolio are incurred at the beginning of the ownership of the portfolio, mainly driven by the cost of printing and postage associated with sending letters to customers and time spent attempting to make contact with our customers. The front-loaded nature of the servicing costs combined with the volume of portfolios purchased in a period therefore has an impact on the servicing cost ratio of the business in any particular period.

The company continues to pursue a number of operating initiatives optimising its servicing costs. During the three months to February 29, 2012 a number of key projects went live, including enhancements to the customer email management system, including replacing a number of letters with emails, to better allow us to talk to customers through their preferred medium. This not only creates greater servicing cost efficiency, but also enhances speed of service and customer satisfaction.

The proportion of customer payments from preferred payment methods, such as direct debits was 90% for the three months ended February 29, 2012, compared to 86% in the corresponding period last year. Not only does this reduce the level of defaults seen on payments, but it also is a more cost efficient way of managing our customer base.

For the three months end February 29, 2012 the default rate among our customers, which is drives collections and operating efficiency, was 20.5%, compared to 21.8% for the same period last year.

Asset Base

As of February 29, 2012 the ERC that underpins the balance sheet value of all loan portfolios owned by the company was £355.4 million. Over the 12 months from February 29, 2011 the ERC has grown by 15% from £310.0 million, as a result of the combination of strong portfolio purchases and the underlying collections performance. The table below summarises the ERC over the 84 month outlook period, split by financial year portfolios were purchased.

50% of these collections are likely to be recovered in the next 24 months, with almost 80% of these projected collections expected to be recovered over the next four years.

Collections in the six months to February 29, 2011 on portfolios owned as of August 31, 2011 were 101% of the ERC projections as of August 31, 2011.

ERC on owned portfolios as of February 29, 2012 by year of purchase

	0 – 12 Months	13 – 24 Months	25 – 36 Months	37 – 48 Months	49 – 60 Months	61 – 72 Months	73 – 84 Months	Total
Financial Year of purchase								
2005	1.4	1.1	0.9	0.7	0.6	0.5	0.4	5.5
2006	3.0	2.4	1.9	1.6	1.3	1.0	0.8	12.1
2007	5.6	4.5	3.6	2.9	2.4	1.9	1.6	22.4
2008	9.6	7.7	6.2	4.9	3.9	3.2	2.6	38.1
2009	16.1	12.5	9.7	7.6	6.0	4.7	3.7	60.2
2010	19.2	14.1	10.6	8.0	6.1	4.7	3.6	66.4
2011	28.4	19.6	14.4	10.5	7.8	5.8	4.3	90.7
2012[(a)]	21.0	12.1	8.8	6.6	5.1	3.8	2.5	59.9
Total	104.2	74.0	56.0	42.8	33.1	25.6	19.5	355.4
Cumulative Percent	29.3%	50.1%	65.9%	78.0%	87.3%	94.5%	100.0%	

Source: Management data.

(a) Reflects purchases from September 1, 2011, to February 29, 2012.

Operating cash generation

Cash flow before debt and tax servicing for the three months and twelve months ending February 29, 2012 was £23.0 million and £85.6 million, respectively, being a conversion rate of 102% and 98% of Adjusted EBITDA, respectively. This highlights the business' continued strong cash-flow conversion. In the period from September 1, 2006 to February 29, 2012, our business has seen an average 96% conversion of Adjusted EBITDA into Cash flow before debt and tax servicing.

Returns on portfolios purchased

While returns achieved on an individual portfolio can vary, we have a track record of generating strong and consistent unlevered returns on our aggregate purchased portfolios. We typically target an Unlevered Net IRR of 18% over 84 months for each portfolio we purchase, and on average have historically surpassed this return target. Based on historical collections and expected collections, as of and for February 29, 2012, we estimate our ERC was £355.4 million and that we achieved a 25.1% Unlevered Net IRR, as shown below:

	As of February 29, 2012			
Segment	**Invested (£ in millions)**	**Unlevered Net IRR[(i)]**	**Gross cash-on-cash multiple[(i)]**	**Net cash-on-cash multiple[(i)]**
Total	**413.9**	**25.1%**	**2.0x**	**1.51x**

(i) Unlevered Net IRRs and Gross and Net Cash-On-Cash Multiples presented in this quarterly report only include actual and forecast collections up to 84 months from the date the portfolio was purchased, although collections can extend past that period. ERC shows estimated collections for the 84 months following February 29, 2012. As a result, Gross Cash-On-Cash Multiple is lower than the ratio of total estimated collections over purchase price

The strong collection performance mentioned above on portfolio purchases in the last 6 months emphasizes our continued pricing discipline and points to performance on the current vintage in line with our historical track record.

Recent Developments

As of March 31, 2012 we believe our business is continuing to perform in line with expectations and in line with historical trends.

Collections on owned portfolios in March 2012 were another record month for the business, with collections for the seven months to March 31, 2012 on assets owned as of August 31, 2011 now being 103% of the ERC projections from the August 31, 2011 balance sheet date.

Portfolio purchases for the month were £6.9 million, with ERC growing to £363.3 million as of March 31, 2012.

The company has raised and completed as of March 30, 2012 £200 million senior secured notes and a £40 million revolving credit facility.

The company has appointed Sara de Tute to join the executive board in the newly created role of Legal and Compliance Director, joining on 14th May 2012. A qualified lawyer with 17 years' legal experience, Sara is currently legal and compliance director at Wescot Credit Services, having joined the company in 2003 as head of litigation services. Prior to joining Wescot, Sara had spent nine years working as a commercial litigation lawyer in Leeds, initially with Eversheds and later with Irwin Mitchell. Sara was appointed a non-executive director at the CSA in September 2008 with responsibility for the compliance portfolio. She started her two year term as president in September last year. This once again demonstrates Lowell's market leading commitment to compliance.

Significant Factors Affecting Quarterly Results of Operations

Certain items in our consolidated profit and loss account, such as turnover, gross profits, operating profits and profit/(loss) on ordinary activities can be impacted, positively or negatively, by short term, non-cash movements in the fair value of portfolios that reach their six-month purchase anniversary during the period. Movements in these items may not be reflective of their long-term trends. This is due to the fact that, under our accounting policies, a portfolio will not be re-valued above its purchase price during the six-month period after purchase, even if it outperforms its original collection expectations. Portfolios can be re-valued downwards during this period based on performance beginning in the third month after purchase. After six months, all portfolios are re-valued using our portfolio valuation models. Positive revaluation of portfolios which outperform collection forecasts in the first six months after purchase can impact the items in our consolidated profit and loss account to a different degree in each quarter. This can affect comparability between short measurement periods disproportionately because fair value movements on our Purchased Assets are deducted from a smaller collection base in shorter periods. Such movements impacted the comparability of the three months ended February 28, 2011 against the three months ended February 29, 2012, and the twelve months ended February 29, 2012 derived therefrom. Management monitors Adjusted EBITDA as a measure of profitability because it is not impacted by such short-term non-cash movements.

The uneven phasing of portfolio purchases can drive movements in the Purchased Assets shown on our balance sheet, as well as ERC, which are not reflective of their long-term trends. This can affect the comparability of balance sheet items over short periods.

Unaudited Consolidated Financial Statements

The unaudited consolidated financial statements below show the financial performance for the three month period to February 29, 2012.

Comparatives for these financial results included in the interim statements are as follows:

Consolidated profit & loss Account
- Three months to February 29, 2012 compared to three months to February 28, 2011

Consolidated balance sheet
- February 29, 2012 compared to November 30, 2011 and February 28, 2011

Consolidated cash flow statement
- Three months to February 29, 2012 compared to three months to February 28, 2011

Lowell Group Limited

Consolidated profit and loss account
3 months ended 29th February 2012
(Comparative 3 months ended 28th February 2011)

	Note	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
Collections on owned portfolios		31,690	29,471
Amount of purchase cost recovered		(12,944)	(12,391)
Fair value movement in loan portfolios		1,439	384
Turnover from loan portfolios		20,185	17,464
Other turnover		41	21
Turnover		20,226	17,485
Cost of sales		(3,709)	(3,183)
Gross profit		16,517	14,302
Administrative expenses		(5,569)	(5,553)
Depreciation	*6*	(480)	(421)
Operating profit		10,469	8,327
Interest receivable		–	–
Interest payable	*3*	(7,804)	(6,498)
Amortisation of Intangible asset	*5*	(1,212)	(1,212)
(Loss)/profit on ordinary activities before taxation		1,453	618
Tax on (loss)/profit on ordinary activities	*4*	(2,028)	(1,620)
(Loss)/profit on ordinary activities after taxation for the period		(575)	(1,002)

All amounts relate to continuing operations.

There were no recognised gains and losses for the period other than those included in the profit and loss account and accordingly, a statement of recognised gains and losses has not been prepared.

The notes on pages 20 to 27 form part of the interim financial statements.

Lowell Group Limited

Consolidated balance sheet
29th February 2012
(Comparative 30th November 2011 and 28th February 2011)

	Note	29th February 2012 £000	30th November 2011 £000	28th February 2011 £000
Fixed assets				
Intangible assets	*5*	73,172	74,384	78,019
Tangible assets	*6*	4,067	4,127	3,907
		77,239	78,511	81,926
Current assets				
Loan portfolios		194,472	184,666	169,639
Debtors	*7*	10,224	8,144	12,702
Cash		8,990	8,611	14,487
		213,686	201,421	196,828
Creditors: amounts falling due within one year	*8*	(44,319)	(42,431)	(8,878)
Net current assets		169,367	158,990	187,950
Total assets less current liabilities		246,606	237,501	269,876
Creditors: amounts falling due after more than one year	*9*	(264,669)	(254,989)	(281,851)
		(18,062)	(17,488)	(11,976)
Called up share capital	*10*	100	100	100
Warrant reserve		–	–	18
Share premium account		900	900	900
Profit and loss account		(19,062)	(18,488)	(12,994)
Total equity shareholders' deficit		(18,062)	(17,488)	(11,976)

The notes on pages 20 to 27 form part of the interim financial statements.

Lowell Group Limited

Consolidated cash flow statement
3 months ended 29th February 2012
(Comparative 3 months ended 28th February 2011)

	Note	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
Cash flow from operating activities	*11*	(592)	3,913
Returns on investments and servicing of finance	*12*	(1,177)	(1,537)
Taxation	*12*	(1,890)	(869)
Capital expenditure and financial investment	*12*	(419)	(544)
Cash outflow before financing		(4,078)	962
Financing	*12*	4,457	(1,943)
(Decrease)/increase in cash in the period		379	(980)

Reconciliation of net cash flow to movement in net debt

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
(Decrease)/increase in cash in the period	379	(980)
Cash inflow / (outflow) from increase / (decrease) in debt financing	(4,457)	1,943
Non cash movements	(6,352)	(5,470)
Movement in net debt in the period	(10,430)	(4,507)
Net debt at start of the period	(282,139)	(264,015)
Net debt at end of the period	(292,569)	(268,522)

Lowell Group Limited

Notes to the interim financial statements 3 months ended 29th February 2011

1. Accounting policies

The interim financial statements are prepared in accordance with UK Generally Accepted Accounting Practice. The particular accounting policies adopted are described below.

Basis of accounting

The interim financial statements are prepared under the historical cost convention, except for purchased non-performing loan portfolios which are held at fair value to reflect changes in the expected profile of future cash flows.

Going concern

There are long term business plans and short term forecasts in place which are reviewed and updated on an on-going regular basis by management.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing these interim financial statements.

Basis of consolidation

The Group interim financial statements consolidate the interim financial statements of Lowell Group Limited and all its subsidiary undertakings drawn up to February 29, 2012. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Financial instruments

In accordance with FRS 26, the financial instruments of the Group have been classified into the following categories:

a) Loan portfolios

Non-performing loan portfolios are purchased from financial institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value. These portfolios are classified as a financial asset at "fair value through profit or loss" as the portfolios are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and internal information is made available to the Board and key management personnel on this basis. The fair value of each portfolio is assessed using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions.

b) Financial liabilities

All financial liabilities held by the group are measured at amortised cost using the effective interest method, except for those financial liabilities measured at fair value through profit or loss, e.g. derivative liabilities.

c) Derivatives

The Group has taken out interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group does not hold derivative instruments for trading purposes.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

Turnover

Turnover represents the yield percentage calculated by reference to total expected collections on each portfolio.

The turnover and pre-tax (loss)/profit, all of which arises in the United Kingdom, is attributable to the purchase and servicing of non-performing loan portfolios.

Fair value movement in loan portfolios

For portfolios purchased during the six months to February 29, 2012 the fair value movement is the difference in net collection projections at February 29, 2012 between the original curves based on the price paid for the portfolio and the current collection projections, less the fair value movement reported at November 30, 2011 for portfolios purchased during the three months to November 30, 2011.

For portfolios owned at the August 31, 2011 the fair value movement is the difference in net collection projections from February 29, 2012, compared to the collections as forecasted at 31 August 2011 for the period from February 29, 2012, less the fair value movement reported at November 30, 2011 for the same portfolios.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business assets, 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 as follows:

Acquisition of subsidiary undertaking	20 years
Acquisition of business assets	4 years

Provision is made for any impairment.

Tangible fixed assets

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	25%

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

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 interim 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 interim 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.

Amounts collected on behalf of third parties

Amounts collected on behalf of third parties are reported within both Cash in Bank and in Hand and Other Creditors.

Leases

Operating lease rentals are charged to income on a straight line basis over the lease term. Any lease incentives are spread over the life of the lease.

2. Critical accounting policies

Certain assets and liabilities are reported in these interim financial statements based upon managements' estimates and assumptions, introducing a risk of changes to the carrying amounts of these items within the next accounting period.

Purchased loan portfolios

Non-performing loan portfolios are purchased from financial institutions at a substantial discount from their face value. The portfolios are classified as a financial asset at "fair value through profit or loss". The fair value of each portfolio is assessed on the measurement date using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions.

The Directors are of the opinion that the discount rate applied in determining the fair value of the loan portfolios represents an unobservable market rate. That rate has been determined by management to be 15%. Changes in this assumption to a reasonably possible alternative would lead to the following financial impact:

	29th February 2012 Movement in profit and loss £000	**30th November 2011 Movement in profit and loss £000**	**28th February 2011 Movement in profit and loss £000**
12.5%	7,988	8,028	7,277
17.5%	(7,435)	(7,634)	(6,687)

The group has forward flow agreements in place in relation to the future purchase of loan portfolios. The fair value of portfolios purchased under these agreements is determined on the same basis as the Group's other purchased loan portfolios.

3. Interest payable

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
13% Cumulative preference shares	5,224	4,558
Bank interest payable	1,542	980
Mezzanine loan	–	959
Intercompany loan	1,038	–
	7,804	6,498

4. Tax on (loss)/profit on ordinary activities

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
UK Current taxation:		
UK Corporation tax	(2,028)	(1,620)
Total charge on (loss)/profit on ordinary activities	(2,028)	(1,620)

The difference between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit on ordinary activities before tax is as follows:

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
(Loss)/profit on ordinary activities before tax	1,453	618
Tax charge on (loss)/profit on ordinary activities at standard UK corporation tax rate of 26% (2011: 28%)	(378)	(173)
Effects of:		
Expenses not deductible for tax purposes	(1,650)	(1,447)
Current tax charge for the period	(2,028)	(1,620)

5. Intangible fixed assets

	Goodwill £000
Cost	
At 30th November 2011	91,712
At 29th February 2012	91,712
Accumulated amortisation	
At 30th November 2011	(17,328)
Charge for the 3 months	(1,212)
At 29th February 2012	(18,540)

	Goodwill £000
Net book value	
At 30th November 2011	74,384
At 29th February 2012	73,172

Goodwill is being amortised over twenty years.

6. Tangible fixed assets

	Office equipment £000
Cost	
At 30th November 2011	10,061
Additions	420
At 29th February 2012	10,481
Accumulated depreciation	
At 30th November 2011	(5,934)
Charge for the 3 months	(480)
At 29th February 2012	(6,414)
Net book value	
At 30th November 2011	4,127
At 29th February 2012	4,067

7. Debtors

	29th February 2012 £000	30th November 2011 £000	28th February 2011 £000
Trade debtors	45	119	46
Other debtors	6,196	3,184	7,128
Deferred taxation	418	418	612
Prepayments and accrued income	3,565	4,423	4,915
	10,224	8,144	12,702

Deferred taxation assets recognised in the financial statements are as follows:

	29th February 2012 £000	30th November 2011 £000	28th February 2011 £000
Accelerated capital allowances	281	281	212
Short term timing differences	137	137	400
	418	418	612

8. Creditors: amounts falling due within one year

	29th February 2012 £000	30th November 2011 £000	28th February 2011 £000
Senior bank loans bearing interest at market rates (note 9)	288	197	187
Mezzanine bank loans bearing interest at market rates (note 9)	–	–	970
Other loan repayable on demand	36,602	35,564	–
Trade creditors	2,140	1,419	917
Other taxes and social security	662	581	695
Corporation tax	3,051	2,913	4,153
Other creditors	272	252	165
Accruals and deferred income	1,230	1,397	1,659
Fair value of interest rate swap	74	108	132
	44,319	42,431	8,878

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

	29th February 2012 £000	30th November 2011 £000	28th February 2011 £000
13% cumulative redeemable preference shares (note 13)	180,399	175,176	159,587
Senior bank loans bearing interest at market rates	84,270	79,813	88,385
Mezzanine bank loans bearing interest at market rates	–	–	33,879
	264,669	254,989	281,851

The Group has senior debt funding in place at what the directors believe to be a market margin above LIBOR. At 29th February 2012, the Group had available undrawn committed borrowing facilities for which conditions precedent had been met.

On 15 September 2011 the Mezzanine loan was fully repaid.

The rights attached to the preference shares are as follows:

Voting

The preference shares will entitle the holders to receive notice of all general meetings but will not entitle the holders to attend or vote at any general meeting.

Dividends

Each preference share shall accrue a fixed cumulative preferential dividend at the annual rate of 13 per cent of the issue price per preference share compounded annually. Each preference share shall be paid on the earlier of the date on which a dividend is declared and the date of redemption on the winding up of the company.

Return of capital on a winding up

Preference shareholders are entitled to participate in any surplus assets on the winding up of the company in proportion to their shareholdings.

10. Called up share capital

Group and Company

	29th February 2012 £000	30th November 2011 £000	28th February 2011
Authorised:			
756,357 'A' ordinary shares of £0.10 each	76	76	76
39,977 'B' ordinary shares of £0.10 each	4	4	4
178,206 'C' ordinary shares of £0.10 each	18	18	18
25,458 'E' ordinary shares of £0.10 each	2	2	2
18,330 'D' ordinary shares of £0.10 each	2	2	2
	102	102	102
Called up, allotted and fully paid			
756,357 'A' ordinary shares of £0.10 each	76	76	76
39,977 'B' ordinary shares of £0.10 each	4	4	4
178,206 'C' ordinary shares of £0.10 each	18	18	18
25,458 'E' ordinary shares of £0.10 each	2	2	2
	100	100	100

The rights attached to the ordinary shares are as follows:

Voting

On a show of hands and on a poll every ordinary shareholder who is present in person or by proxy or is present by a duly authorised representative or by proxy shall have one vote.

Dividends

Each ordinary shareholder shall be paid a dividend as declared in proportion to their shareholdings.

Return of capital on a winding up

Ordinary shareholders are entitled to participate in any surplus assets on the winding up of the company subject to payments made to preference shareholders in proportion to their shareholdings.

11. Reconciliation of operating profit to operating cash flows

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
Operating profit for the 3 months	10,469	8,327
Depreciation, amortisation and impairment charges	480	421
Decrease / (increase) in loan portfolios	(9,809)	(2,046)
Increase in debtors	(2,334)	(2,668)
Increase in creditors	602	(121)
Net cash inflow from operating activities	(592)	3,913

Increase/(decrease) in loan portfolios includes amortisation discretionary loan portfolio acquisitions and portfolio amortisation.

12. Analysis of cash flows

	3 months to 29th February 2012 £000	3 months to 28th February 2011 £000
Returns on investment and servicing of finance		
Interest paid	(1,177)	(1,537)
Taxation		
UK Corporation tax paid	(1,890)	(869)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(419)	(544)
Financing		
Bank loans	4,456	(1,943)

13. Related party transactions

During the period preference shares were issued to related parties as below:

	Directors £000	Ultimate controlling party £000	Other shareholders £000	Total £000
As at 30th November 2011	–	(175,176)	–	(175,176)
Interest accrued to 29th February 2012	–	(5,223)	–	(5,223)
As at 29th February 2012	–	(180,399)	–	(180,399)

Key Reconciliations and Definitions

Definitions

(1) ERC means our estimated remaining collections, which represent the expected collections of our Purchased Assets over an 84-month period, based on our proprietary valuation model. Please see "Presentation of financial and other information." for a description of how ERC is calculated.

(2) Reported portfolio purchases represent the cost of all debt portfolios purchased in the period. Purchase activity can vary from one quarter to the next.

(3) Number of accounts represents the total number of individual consumer debts that we own as of the date specified.

(4) Number of owned debt portfolios represents the number of individual portfolios of accounts that we own as of the date specified. Where more than one portfolio has been purchased from a vendor in the same month, such portfolios are grouped together and treated as one portfolio purchase.

(5) Net Debt represents third-party debt less cash and cash equivalents and excludes subordinated shareholder instruments included in the "Creditor" line item of the balance sheet. To enhance comparability, third-party debt also excludes any mezzanine debt, as all mezzanine debt was repaid in full in September 2011 as part of Metis Bidco Limited's acquisition of Lowell.

Mezzanine debt represented £34.8 million and £0.0 million of third-party debt in the three months ended February 28, 2011 and February 29, 2012, respectively

(6) Collections/income on owned portfolios represents the sum of "collections on owned portfolio" and "other turnover," as reported in our profit and loss account.

(7) Servicing costs represents our total cost of servicing owned portfolios in a period, comprised of the total of cost of sales and administration expenses (and excluding any depreciation). There may be limitations in using servicing costs expressed as a percentage of collections as a measure of our 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. For example, portfolios of different types (e.g., sector or average balance) have different servicing cost ratio characteristics.

(8) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs), which is the same as operating profit before exceptional item, depreciation, fair value movement in loan portfolios and amount of purchase cost recovered.

(9) Cash flow before debt and tax servicing represents Adjusted EBITDA less capital expenditure and working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before debt and tax servicing as a measure of the cash available to us to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses.

(10) Unlevered Net IRR of a portfolio means the internal rate of return of that portfolio and is calculated using the collections and servicing cost assumptions described in "Presentation of financial and other information." Unlevered Net IRR of owned portfolios represents our aggregate Unlevered Net IRR for our entire owned portfolio as of the end of a certain period.

(11) Annual collections per collector FTE represents total collections in the period divided by the average number of collector FTEs in such period. Amounts for the three months ended February 28, 2011 and February 29, 2012 are presented on an annualized basis. Management uses this metric as a measure of productivity and service efficiency.

(12) Payment plans per collector FTE represents the number of payment plans set up in the period divided by the average number of collector FTEs in such period. Amounts for the three months ended February 28, 2011 and February 29, 2012 are presented on an annualized basis. Management uses this metric as a measure of productivity and service efficiency.

Operating Profit to Adjusted EBITDA

Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs), which is the same as operating profit before exceptional item, depreciation, fair value movement in loan portfolios and amount of purchase cost recovered.

The following table provides a reconciliation of Adjusted EBITDA to operating profit.

(£ in millions)	Three months ended February 29, 2011	2012
Operating profit	8.3	10.5
Depreciation	0.4	0.5
Fair value movement in Loan Portfolios[(a)]	(0.4)	(1.4)
Amount of purchase cost recovered[(b)]	12.4	12.9
Adjusted EBITDA	20.8	22.5

(a) Fair value movement in loan portfolios represents any fair value movement resulting from the revaluation of each portfolio between the beginning and end of the period.

(b) Amount of purchase cost recovered represents the amortization resulting from collections on Purchased Assets between the beginning and the end of the period.

Increase / (Decrease) in Cash in the Period to Cash-flow before Debt Service

The following table sets forth our record of operating cash generation for the periods indicated. It also shows a reconciliation of Adjusted EBITDA and cash flow before debt and tax servicing to increase/(decrease) in cash in the period.

(£ in millions)	Three months ended February 29, 2011	2012
Increase/(Decrease) in cash in the period	**(1.0)**	**0.4**
Movement in debt[(1)]	1.9	(4.5)
Portfolio purchases[(2)]	16.1	24.0
Debt servicing[(3)]	1.4	1.2
Tax servicing [(4)]	0.9	1.9
Other cash flows[(5)]	0.0	0.0
Cash flow before debt and tax servicing	**19.3**	**23.0**
Capital expenditure[(6)]	0.5	0.4
Working capital[(7)]	0.9	(0.9)
Adjusted EBITDA[(8)]	**20.8**	**22.5**

(1) Movement in debt relates to the net movement on the amount drawn under the Existing Senior Facilities Agreement during the period.

(2) Portfolio purchases are the investments in new portfolios made during the year. This is the cash amount paid for the portfolio. There can be timing differences between when a portfolio is recorded on the balance sheet and when the actual payment is made for the portfolio. Portfolios of Purchased Assets are recognized on the balance sheet at the point the debt purchase contract is signed and we acquire legal title to the assets. In a number of instances the payment made for the portfolio of Purchased Assets occurs a few days after the contract is signed, and as a result may fall into a later accounting period. The table below shows this reconciliation.

(£ in millions)	Three months ended February 29, 2011	2012
Calculation of purchases from consolidated financial statements		
Opening Purchased Asset value	167.6	184.7

Less: Amortization[(a)]	(12.0)	(11.5)
Less: Closing Purchased Asset value	(169.6)	(194.5)
Reported portfolio purchases	(14.1)	(21.3)
Reported portfolio purchases (see above)	14.1	21.3
Portfolio purchases (cash flow)	16.1	24.0
Timing difference[(b)]	(2.0)	(2.7)

(a) Amortization is the sum of "amount of purchase cost recovered" and "fair value movement in loan portfolios" as reported in the consolidated financial statements.

(b) Timing difference means the difference between the amount of portfolio purchases reported for a period and the amount of cash payments made in relation to portfolio purchases in such period.

(3) Debt servicing includes interest payments and fees in relation to our Existing Senior Facilities Agreement and, until it was repaid in September 2011, our mezzanine facility agreement. The difference between "returns on investment and servicing of finance" in the consolidated cash flow statement and debt servicing in the table comes from the allocation of certain debt servicing costs to working capital in the consolidated cash flow statements, which have been adjusted above to arrive at cash flow before debt and tax servicing.

(4) Tax servicing consists of the corporate tax payments made to HMRC relating to the tax charges that can be seen in the consolidated profit and loss account labelled "tax on profit / (loss) on ordinary activities."

(5) Nil for the reported periods

(6) Capital expenditure represents investment in fixed assets for the business.

(7) Working capital represents differences which arise between collections on owned portfolios and operating expenses (includes cost of sales and administrative expenses) reported in the profit and loss account and the cash collections and payments of operating expenses.

(8) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs), which is the same as operating profit before exceptional item, depreciation, fair value movement in loan portfolios and amount of purchase cost recovered. In addition to using Adjusted EBITDA as a measure for cash flow generation, management uses Adjusted EBITDA to measure profitability.

Reconciliation of Servicing Costs to Consolidated Profit & Loss Account

The following table sets out a reconciliation of the Servicing Costs show in the table on page 8 with the Consolidated profit and loss account in the consolidated financial statements for the three month period to February 29, 2012:

	Three months ended February 29 ,	
(£ in millions)	**2011**	**2012**
Servicing costs in adjusted EBITDA table		
Servicing Costs	(8.7)	(9.3)
Consolidated Financial Statements		
Cost of Sales	(3.2)	(3.7)
Administrative expenses	(5.5)	(5.6)
Total	**(8.7)**	**(9.3)**

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