Q3 2012 interim financial results for the three month period ending 31 May

19 July 2012

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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 Finance Holdings Group

Lowell Finance Holdings Group ("Lowell") is a leading purchaser of non-performing consumer debt portfolios in the United Kingdom. The three main sectors from which the business have primarily purchased debt portfolios are financial services, communications and home retail credit. Lowell typically purchases 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. The business aims to collect the balances owed on these debt portfolios through in-house, technology-driven call centre operations.

Headquartered in Leeds, with more than 540 full-time equivalent ("FTE") employees; Lowell benefits from significant scale and experience in debt markets. Since inception in May 2004 to May 31, 2012, Lowell has purchased 548 debt portfolios ("Purchased Assets") with an aggregate face value of approximately £8.2 billion, having invested £441.7 million at an average price paid of 5.4 pence per pound sterling of the debt's face value. On the total capital invested, as of May 31, 2012, the Unlevered Net IRR is 24.1%. As of May 31, 2012, there are 9.1 million accounts.

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

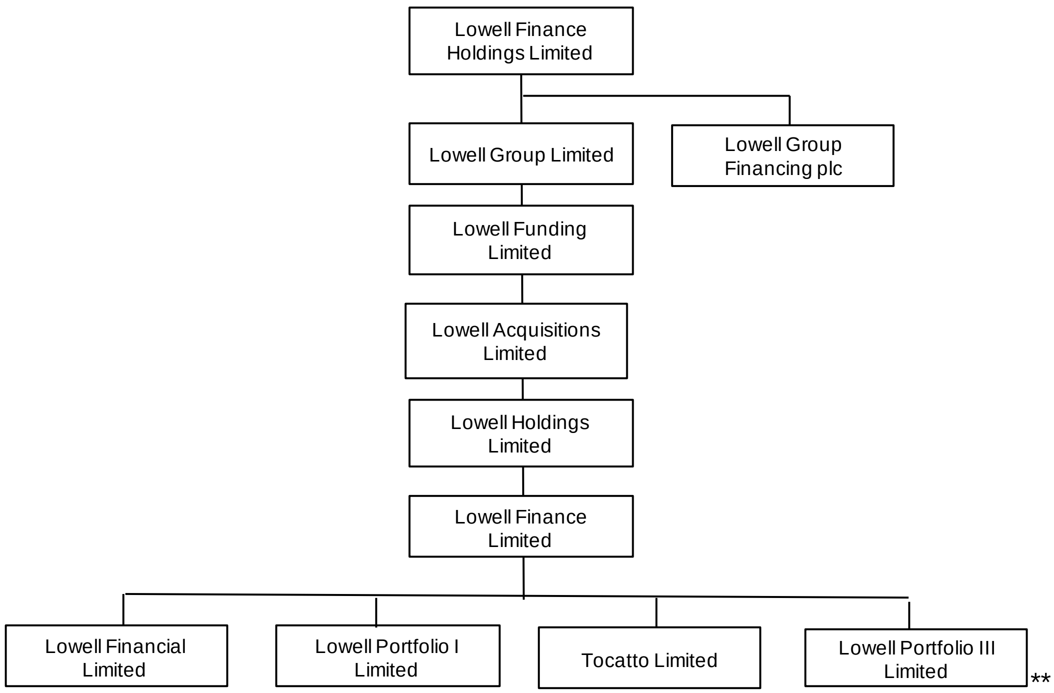
Because of the diversification of the debt portfolios on the balance sheet across millions of accounts and the focus on establishing sustainable, long-term payment plans, management believe Purchased Assets provide significant, predictable and cash generative asset backing. As of May 31, 2012, based on proprietary analytical models, which utilise historical portfolio collection performance data and assumptions about future collection rates, the gross cash proceeds which the company expects to collect over the subsequent 84 months from Purchased Assets ("Estimated Remaining Collections" or "ERC") amount to £383.5 million. ERC is only a projection and is based on historical and current data, trends and assumptions; Lowell cannot guarantee that such collections will be achieved.

In 2011, Lowell was 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 is derived from historical consolidated financial statements for Lowell Group Limited. For reporting periods after March 30, 2012, financial data is presented from the consolidated financial statements of Lowell Finance Holdings Limited.

The diagram below summarizes the corporate structure:



** Lowell Portfolio III Limited was incorporated on June 7, 2012. The company was granted a Consumer Credit License on 26 June 2012

The consolidated financial statements as of and for the three months ended May 31, 2011 and May 31, 2012 are presented in accordance with UK GAAP. The condensed consolidated interim financial statements for the quarter ended May 31, 2011 and May 31, 2012 respectively are unaudited and are derived from 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, certain non-UK GAAP financial measures are included 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.

ERC is presented because it represents the expected gross cash proceeds of the purchased debt portfolios recorded on the 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. The value of Purchased Assets are recorded on the balance sheet as the net present value of ERC, after applying a 25% servicing cost ratio and a 15% annual discount rate, other than for paying portfolios (as detailed in the section "Critical accounting policies"), both such percentages determined by management in discussion with the company's auditors.

ERC is a metric that is often also used by other companies in the industry. Lowell presents ERC because it represents the best estimate of the undiscounted cash value of the Purchased Assets at any point in time, which is an important supplemental measure for the board of directors and management to assess performance, and underscores the cash generation capacity of the assets backing the business. ERC is a projection, calculated by the group's proprietary analytical models, which utilise historical portfolio collection performance data and assumptions about future collection rates, and Lowell cannot guarantee that such collections will be achieved. ERC, as computed by Lowell, may not be comparable to similar metrics used by other companies in the industry. The computation of ERC could in the future differ from the collection forecasts used to compute and record Purchased Assets on the balance sheet.

Adjusted EBITDA is presented because management believe it may enhance an investor's understanding of 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, the board of directors and management also use Adjusted EBITDA to assess performance. Adjusted EBITDA is not a measure calculated in accordance with UK GAAP and use of the term Adjusted EBITDA may vary from others in the industry. For a reconciliation of Adjusted EBITDA to operating profit, see the "Key Reconciliations and Definitions" section of this document.

Unlevered Net IRR is presented because it represents the internal rate of return for a particular portfolio or group of portfolios after servicing costs as of a certain date. The board of directors and management use Unlevered Net IRR to measure return on the total capital invested in debt portfolios. Unlevered Net IRR is calculated by taking 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. Unlevered Net IRR on a portfolio or group of portfolios could change from the date it is measured if the group over-perform or under-perform against the forecast collections included in computations. Unlevered Net IRR is presented 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, may not be comparable to similar metrics used by other companies in the industry.

Net Debt is presented because it may enhance an investor's understanding of the underlying cash generation of the business when compared to the growth in the 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 the consolidated balance sheet reported under UK GAAP.

Note that the terms "ERC" and "Adjusted EBITDA" as used in this report may differ to the terms used in our indenture covenants such as "ERC" and "Consolidated EBITDA".

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 should not be considered in isolation or as substitutes for analysis of the company's 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 May 31, 2012. This information was derived by adding the relevant item for the year ended August 31, 2011 to the relevant item for the nine months ended May 31, 2012 and subtracting the relevant item for the nine months ended May 31, 2011. This twelve month data has been prepared solely for the purpose of this quarterly report, is not prepared in the ordinary course of the company's financial reporting and has not been audited or reviewed by KPMG.

Financial information prepared in accordance with IFRS or US GAAP is not included in this quarterly report. UK GAAP differs in certain significant respects from IFRS and US 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 US GAAP, and how those differences could affect the financial information contained in this quarterly report.

Key Financial Information and KPIs

The following table summarizes 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 May 31, 2011 and May 31, 2012 have been derived from unaudited condensed consolidated interim financial statements and management information, which have been prepared on a basis consistent with 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 Finance Holdings Limited.

The profit and loss account information, as well as the other financial and operating information, presented for the twelve months ended May 31, 2012 is derived by adding the relevant item for the year ended August 31, 2011 and for the nine months ended May 31, 2012, and subtracting the relevant item for the nine months ended May 31, 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 and also the historic consolidated financial statements of Lowell Group Limited and these consolidated financial statements of Lowell Finance Holdings Limited.

	Three months ended or as of May 31		**12 months ended or as of May 31**
(£ 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]	325.0	383.5	383.5
Reported portfolio purchases[2]	13.6	27.8	84.9
Number of accounts (in millions)[3]	7.4	9.1	9.1
Number of owned debt portfolios (#)[4]	448	548	548
Net Debt[5]	70.4	186.5	186.5
Cash generation:			
Collections/income on owned portfolios[6]	31.8	35.8	129.5
Servicing costs[7]	(9.5)	(11.0)	(39.8)
Adjusted EBITDA[8]	22.2	24.9	89.7
Cash flow before debt and tax servicing[9]	21.0	25.2	89.8
Return on capital:			
Unlevered Net IRR of owned portfolios[10]	25.7%	24.1%	24.1%
Operational efficiency:			
Annual collections per collector FTE (£ thousands)[11]	637	624	633
Payment plans per collector FTE(#)[12]	2,696	2,598	2,666

For definitions please see section "Key Reconciliations and Definitions"

Summary

The company's performance for the three month period to May 31, 2012 continues to be strong and in line with management expectations, showing an 18% increase in ERC, 13% increase in collections and a 12% increase in Adjusted EBITDA compared to prior year. For the three months to May 31, 2012, 101% of Adjusted EBITDA was converted into Cash flow before debt and tax servicing.

Furthermore, Lowell broke a number of records for the company this quarter. The business achieved its highest month of collections in March 2012 with £12.5 million, and its second highest month of portfolio purchases in May 2012 at £14.6 million. Lowell continued the strong collection performance after the end of the quarter with monthly collections in June 2012 of £11.9 million.

Lowell are continuing to make progress in entering new sectors in a careful, calculated manner, with the utilities portfolio purchased in the first quarter of this financial year performing strongly, and trials in the insurance sector and further utilities portfolios underway in the Preston operation.

	Three months ended May 31 ,		
(£ in millions)	**2011**	**2012**	**Change**
ERC	**325.0**	**383.5**	**18%**
Collections	31.8	35.8	13%
Servicing Costs	(9.5)	(11.0)	16%
Adjusted EBITDA	**22.2**	**24.9**	**12%**
Capital Expenditure	(0.7)	(0.6)	-24%
Working Capital Movement	(0.5)	0.9	280%
Cash flow before debt and tax servicing	**21.0**	**25.2**	**20%**
Adjusted EBITDA conversion into Cash Flow	**94%**	**101%**	

Highlights for the three months to May 31, 2012:

- **Market**: 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**: Completed purchases of £27.8 million mainly in the low-balance segments, where the company has a clear competitive advantage. Lowell was active in portfolio purchases in all of its core sectors in the quarter.

- **Collections**: The operational excellence and the predictability of collection expectations are evidenced by the strong collection performance in the quarter. Lowell broke its monthly collections record in March 2012 and achieved £35.8 million in collections in the quarter, an increase of 13% versus last year. Portfolios owned at the beginning of the financial year are performing at 104% year to date versus their ERC projections as of August 31, 2011.

- **Servicing Costs**: Overall servicing costs of £11.0 million are in line with management's expectations and reflect the volume and type of portfolios purchased. The company continues investing in its operational platform, including the optimization of its letter and marketing activity, consolidation of correspondence and printing costs.

- **Asset base**: ERC increased to £383.5 million (from £355.4 million as of February 29, 2012, from £325.0 million as of May 31, 2011), a growth of 8% compared to last quarter and 18% year-on-year. As of June 30, 2012 the ERC was £384.8 million.

- **Leverage**: Loan to value ratio (Net Debt/ERC) reduced from 54% to 49% from the quarter ended 29 February 2012 to the quarter ended 30 June 2012

- **Operating cash generation**: Lowell continued to deliver very high cash flow conversion of Adjusted EBITDA into Cash flow before debt and tax servicing, with a 101% conversion rate in this quarter.

- **Returns on portfolios purchased**: Unlevered net IRR continue to remain strong, at 24.1% for the overall portfolio this quarter. New portfolios (less than nine months old as of May 31, 2012) are performing at 109% of projections underlying their pricing assumptions, highlighting the company's continued pricing discipline.

- **People**: To further cement Lowell's leading commitment to compliance, the company appointed Sara de Tute to join the executive board in the newly created role of Legal and Compliance Director. Sara joined in May 2012 from Wescot Credit Services, where she was Legal and Compliance Director. Separately, in early in July, the company was accredited "Investors in People" (IIP) Gold standard. The Gold standard is the IIP's highest accolade and less than 2% of the UK's companies achieve it. Lowell is one of only a small number of companies to have such an award in the Yorkshire region.

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 company is 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 the company's main sectors, financial services, communications and home retail credit, continue to show strong activity levels.

Furthermore, vendors in sectors new to the debt purchasing market, such as utilities, insurance and certain government agencies, have already sold or have shown strong signals indicating their intentions to start to sell debt portfolios. Lowell is active in all three sectors, either in emerging debt sales or in trials.

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 May 31, 2012 were £27.8 million, being an increase of 104% on the corresponding period in 2011. The underlying run-rate for the three months ending May 31, 2012 is in line with the company's expectations. Purchases for the 12 months to May 31, 2012 were £84.9 million, being a 29% uplift on the purchases for the 12 months to May 31, 2011.

Over the three month period to May 31, 2012 45% of portfolio purchase value came from the forward flow purchase contracts the company has in place, with the remainder being spot purchases. In line with the strong momentum in financial services sector, 89% 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). The average balance on accounts purchased during the quarter was £832

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. The company purchased portfolios from two new vendors in the quarter with aggregate spend of £1.5 million. Of these two new vendors, one was in the communications market segment, with the other being a financial services business.

There are a strong number of opportunities being worked and in the pipeline in the Lowell Preston operation increasing diversification of both sector and new vendors for the business. These include experience gained during the quarter working debt on behalf of two separate utility companies.

Collections

Strong quarterly collections of £35.8 million were achieved by the business in the three months ending May 31, 2012, an increase of almost 13% on the corresponding three months to May 31, 2011. Collection performance remains strong across the portfolio:

- Underlying performance on portfolios owned at the financial year end of August 31, 2011 for the nine months to May 31, 2012 remained strong, at £85.2 million being 104% of the ERC projections at August 31, 2011 for these portfolios.

- Collections on portfolios purchased during the nine months to May 31, 2012 were £13.7 million, being 9% ahead of the projections underlying the 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 months of March 2012 and May 2012, the company achieved record collections of £12.5 million and £12.2 million respectively.

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 £633k; Payment Plans set up per collector per annum being 2,666. These metrics show a 3% and 14% productivity increase, respectively, over the 12 month period ending May 31, 2011.

Servicing costs

Servicing costs were £11.0 million for the three months ended May 31, 2012 and £30.2 million for the nine months ended May 31, 2012, respectively, continuing 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 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 May 31, 2012 a number of key projects went live, including an increase to the outbound dialling capacity, upgrade of Collections system infrastructure, and tracing and customer data intelligence system (OTIS) enhancements to increase daily throughput and improve tracing results.

The proportion of customer payments from preferred payment methods, such as direct debits was 91% for the three months ended May 31, 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 the customer base.

For the three months end May 31, 2012 the default rate among its customers, which drives collections and operating efficiency, was 19.9%, compared to 21.1% for the same period last year.

Asset Base

As of May 31, 2012 the ERC that underpins the balance sheet value of all loan portfolios owned by the company was £383.5 million. Over the 12 months from May 31, 2011 the ERC has grown by 18% from £325.0 million, as a result of the combination of strong portfolio purchases and the underlying collections performance, offset in part by the reclassification of a number of portfolios as paying portfolios. The table below summarises the ERC over the 84 month outlook period, split by financial year portfolios were purchased.

49.6% 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 nine months to May 31, 2012 on portfolios owned as of August 31, 2011 were 104% of the ERC projections as of August 31, 2011.

ERC on owned portfolios as of May 31, 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................................	1.3	1.1	0.9	0.7	0.6	0.5	0.4	5.4
2006................................	2.8	2.3	1.8	1.5	1.2	1.0	0.8	11.5
2007................................	5.3	4.2	3.4	2.8	2.2	1.8	1.5	21.2
2008................................	9.3	7.4	5.9	4.7	3.8	3.0	2.4	36.6
2009................................	15.6	12.2	9.5	7.4	5.8	4.6	3.6	58.6
2010................................	18.5	13.8	10.4	7.9	6.1	4.7	3.6	65.1
2011................................	26.4	18.7	13.8	10.1	7.5	5.6	4.2	86.4
2012[(a)]............................	31.6	19.9	14.9	11.5	8.9	6.8	5.0	98.7
Total	110.8	79.6	60.6	46.6	36.1	28.1	21.7	383.5
Cumulative Percent	28.9%	49.6%	65.4%	77.6%	87.0%	94.4%	100.0%	

Source: Management data.

(a) Reflects purchases from September 1, 2011, to May 31, 2012.

Operating cash generation

Cash flow before debt and tax servicing for the three months and twelve months ending May 31, 2012 was £25.2 million and £89.8 million, respectively, being a conversion rate of 101% and 100% of Adjusted EBITDA, respectively. This highlights the business' continued strong cash-flow conversion.

Returns on portfolios purchased

While returns achieved on an individual portfolio can vary, the company has a track record of generating strong and consistent unlevered returns on its aggregate purchased portfolios. Lowell typically target an Unlevered Net IRR of 18% over 84 months for each portfolio purchased, and on average have historically surpassed this return target. Based on historical collections and expected collections, as of and for May 31, 2012, it is estimated that ERC was £383.5 million and that the company achieved a 24.1% Unlevered Net IRR, as shown below:

	As of May 31, 2012			
Segment	**Invested (£ in millions)**	**Unlevered Net IRR(i)**	**Gross cash-on-cash multiple(i)**	**Net cash-on-cash multiple(i)**
Total	**441.7**	**24.1%**	**2.0x**	**1.5x**

(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 May 31, 2012. As a result, Gross Cash-On-Cash Multiple is lower than the ratio of total estimated collections over purchase price

Recent Developments

As of June 30, 2012 management believe the business is continuing to perform in line with expectations and in line with historical trends.

Collections on owned portfolios in June 2012 were another strong month for the business at £11.9 million, being 20% higher than June 2011. Collections for the ten months to June 30, 2012 on assets owned as of August 31, 2011 are performing at 105% of the ERC projections from the August 31, 2011 balance sheet date.

ERC as of June 30, 2012 was £384.8 million. The limited month-on-month increase against May 31, 2012 is due to a number of June portfolio purchases being negotiated at month end with contract completion occurring during July 2012.

The business continues to invest in systems development to enhance operational efficiency, including enhancement to the “business to customer” website to take payments and administer customer accounts. Further developments to the collections system are planned to reduce postage costs and increase the use of email.

The business has seen a significant volume of debt sale activity in the market, with opportunities presented to the company since May 31, 2012 totaling over £300 million of face value of debt from 14 different vendors.

Early in July, the company has been accredited Investors In People (IIP) Gold standard. The Gold standard is the IIP’s highest accolade and less than 2% of the UK’s companies achieve it. Lowell is one of only a small number of companies to have such an award in the Yorkshire region.

A major business project to mostly automate the interaction Lowell has with Debt Management companies went live in June 2012. This now gives the company significant operational and cost efficiencies in dealing with Debt Management companies, which coincides well with the larger volume of Debt Management portfolios being presented for sale in the marketplace.

Significant Factors Affecting Quarterly Results of Operations

Certain items in the 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 the company's 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 the company's portfolio valuation models. Positive revaluation of portfolios which outperform collection forecasts in the first six months after purchase can impact the items in the 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 the Purchased Assets are deducted from a smaller collection base in shorter periods. Such movements affected the comparability of the three months ended May 31, 2011 against the three months ended May 31, 2012, and the twelve months ended May 31, 2012. 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 the 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 May 31, 2012.

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

Consolidated profit & loss Account

- Three months to May 31, 2012 compared to three months to May 31, 2011

Consolidated balance sheet

- May 31, 2012 compared to February 29, 2012 and May 31, 2011

Consolidated cash flow statement

- Three months to May 31, 2012 compared to three months to May 31, 2011

Lowell Finance Holdings Limited **

Consolidated profit and loss account
3 months ended 31st May 2012
(Comparative 3 months ended 31st May 2011)

	Note	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
Collections on owned portfolios		35,760	31,767
Amount of purchase cost recovered		(12,427)	(11,266)
Fair value movement in loan portfolios		2,836	6,093
Turnover from loan portfolios		26,169	26,594
Other turnover		81	12
Turnover		26,250	26,606
Cost of sales		(4,426)	(4,065)
Gross profit		21,824	22,541
Administrative expenses		(6,529)	(5,469)
Depreciation	*6*	(509)	(465)
Operating profit		14,786	16,607
Interest receivable		–	–
Interest payable	*3*	(9,495)	(7,641)
Amortisation of Intangible asset	*5*	(1,791)	(1,212)
Profit on ordinary activities before taxation		3,500	7,754
Tax on (loss)/profit on ordinary activities	*4*	(1,751)	(3,814)
Profit on ordinary activities after taxation for the period		1,749	3,940

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

Reconciliation of the "Profit and Loss Account" as per the Consolidated Balance Sheet to the Consolidated Profit and Loss Account is set out in the section "Key Reconciliations and Definitions".

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 29 form part of the interim financial statements.

Lowell Finance Holdings Limited

Consolidated balance sheet 31st May 2012

(Comparative: Lowell Group Limited 29th February 2012 and 31st May 2011)

	Note	31st May 2012 £000	29th February 2012 £000	31st May 2011 £000
Fixed assets				
Intangible assets	*5*	154,761	73,172	76,807
Tangible assets	*6*	4,126	4,067	4,187
		158,887	77,239	80,994
Current assets				
Loan portfolios		212,698	194,472	178,073
Debtors	*7*	16,460	10,224	12,205
Cash		13,525	8,990	13,539
		242,683	213,686	203,817
Creditors: amounts falling due within one year	*8*	(15,752)	(44,319)	(9,731)
Net current assets		226,931	169,367	194,086
Total assets less current liabilities		385,818	246,606	275,080
Creditors: amounts falling due after more than one year	*9*	(200,000)	(264,669)	(283,114)
		185,818	(18,063)	(8,034)
Called up share capital	*10*	182,913	100	100
Warrant reserve		–	–	18
Share premium account		–	900	900
Profit and loss account		2,905	(19,063)	(9,052)
Total equity shareholders' funds surplus/(deficit)		185,818	(18,063)	(8,034)

The notes on pages 20 to 29 form part of the interim financial statements.

Reconciliation of the "Profit and Loss Account" as per the Consolidated Balance Sheet to the Consolidated Profit and Loss Account is set out in the section "Key Reconciliations and Definitions".

Lowell Finance Holdings Limited

Consolidated cash flow statement
3 months ended 31st May 2012
(Comparative 3 months ended 31st May 2011)

	Note	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
Cash flow from operating activities	*11*	758	8,622
Returns on investments and servicing of finance	*12*	(10,614)	(2,488)
Taxation	*12*	(1,012)	(1,875)
Capital expenditure and financial investment	*12*	(568)	(745)
Cash (outflow) / inflow before financing		(11,436)	3,514
#Financing	*12*	15,971	(4,462)
Increase / (decrease) in cash in the period		4,535	(948)

Reconciliation of net cash flow to movement in net debt

	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
Increase / (decrease) in cash in the period	4,535	(948)
Cash (inflow) / outflow from (increase) / decrease in debt financing	(15,971)	4,462
Non cash movements	117,530	(4,776)
Movement in net debt in the period	106,094	(1,262)
Net debt at start of the period	(292,569)	(268,522)
Net debt at end of the period	(186,475)	(269,784)

Lowell Finance Holdings Limited

Notes to the interim financial statements 3 months ended 31st May 2012

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 historical and other financial data presented in this quarterly report are derived from historical consolidated financial statements for Lowell Group Limited. For reporting periods after March 30, 2012, financial data is presented from the consolidated financial statements of Lowell Finance Holdings Limited.

The Group interim financial statements consolidate the interim financial statements of Lowell Finance Holdings Limited and all its subsidiary undertakings drawn up to May 31, 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.

As at May 31, 2012 the Group does not hold any derivative contracts.

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 nine months to May 31, 2012 the fair value movement is the difference in net collection projections at May 31, 2012 between the original curves based on the price paid for the portfolio and the current collection projections, less the fair value movement reported for the six months to February 29, 2012 for portfolios purchased during the six months to February 29, 2012.

For portfolios owned at the August 31, 2011 the fair value movement is the difference in net collection projections from May 31, 2012, compared to the collections as forecasted at 31 August 2011 for the period from May 31, 2012, less the fair value movement reported at for the six months to February 29, 2012 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% for non-paying portfolios and 12% for paying portfolios. Changes in this assumption to a reasonably possible alternative would lead to the following financial impact:

	31st May 2012 Movement in profit and loss £000	**29th February 2012 Movement in profit and loss £000**	**31st May 2011 Movement in profit and loss £000**
- 250 basis points..................................	8,753	7,988	7,713
+250 basis points..................................	(8,079)	(7,435)	(7,067)

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.

The assumptions used in the accounting valuation of Purchased Assets in Lowell's balance sheet, for paying loan portfolios only, were updated in consultation with Lowell's auditors in Q3 2012. Paying portfolios are defined as portfolios where at the point the pricing decision is made, the company has received at least four months of payment data, and where payments have been made on over 60% of accounts in at least three of the proceeding four months.

Paying portfolios have historically represented a very small proportion of Lowell's overall portfolio base. There was only one such portfolio as of February 29, 2012. Up until the quarter ended February 29, 2012, this type of portfolio was valued after applying a 5% discount rate and 10% servicing cost. It was decided in discussion with our auditors to adjust the discount rate to 10% which is more in line with the targeted return of such portfolios. A small number of portfolios were classified as paying as of May 31, 2012. Paying portfolios only represent 13 of 548 portfolios, or 2% of purchased loan portfolios as of May 31, 2012.

Applying the accounting assumptions used up to the reporting date February 29, 2012 on all purchased loan portfolios, including paying portfolios, as of May 31, 2012 would lead to a Purchased Asset Value of £212.3 million against the number being reported in these accounts of £212.7 million or a negative impact of £0.4 million.

3. Interest payable

	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
Senior bank facility	3,430	1,697
13% Cumulative preference shares	1,665	5,075
Bond interest & fees	3,902	–
RCF interest & fees	163	–
Mezzanine loan	–	869
Intercompany loan	335	–
	9,495	7,641

Monthly analysis of interest payable for the 3 months ended May 31, 2012:

	months to ʟst May 2012)00	(1) May 2012 £000	(1) April 2012 £000	(2) March 2012 £000
Senior Bank Facility	430	–	(105)	3,535
13% Cumulative Preference Shares	665	–	–	1,665
Bond Interest	699	1,792	1,792	115
Bond Fees	)3	80	115	8
RCF Fees	53	163	–	–
Other Interest	35	–	–	335
	495	2,035	1,802	5,659

(1) Consolidated Profit and Loss Account of Lowell Finance Holdings Limited

(2) Consolidated Profit and Loss Account of Lowell Group Limited

4. Tax on profit on ordinary activities

	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
UK Current taxation:		
UK Corporation tax	(1,751)	(3,814)
Total charge on profit on ordinary activities	(1,751)	(3,814)

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

	3 months to 31st May 2012 £000	3 months to 31st May 2011 £000
Profit on ordinary activities before tax	3,500	7,754
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 25% (2011: 27%)	(881)	(2,106)
Effects of:		
Expenses not deductible for tax purposes	(870)	(1,708)
Current tax charge for the period	(1,751)	(3,814)

5. Intangible fixed assets

(a) Lowell Group Limited

	Goodwill £000
Cost	
At 29th February 2012	91,712
At 31st May 2012	91,712
Accumulated amortisation	
At 29th February 2012	(18,540)
Charge for the 3 months	(1,212)
At 31st May 2012	(19,752)
Net book value	
At 29th February 2012	73,172
At 31st May 2012	71,960

Goodwill is being amortised over twenty years.

(b) Lowell Finance Holdings Limited

	Goodwill £000
Cost	
At 30th March 2012 (date of acquisition of Lowell Group Limited)	156,148
At 31st May 2012	156,148
Accumulated amortisation	
At 30th March 2012 (date of acquisition of Lowell Group Limited)	–
Charge for period to 31st May 2012	(1,387)
At 31 May 2012	(1,387)
Net book value	
At 30th March 2012 (date of acquisition of Lowell Group Limited)	156,148
At 31st May 2012	154,761

Goodwill is being amortised over twenty years.

Monthly analysis of goodwill amortisation for the 3 months ended May 31, 2012:

	months to 1st May 2012 000	(1) May 2012 £000	(1) April 2012 £000	(2) March 2012 £000
Goodwill Amortisation	791	672	715	404
	791	,672	715	404

(1) Consolidated Profit and Loss Account of Lowell Finance Holdings Limited

(2) Consolidated Profit and Loss Account of Lowell Group Limited

6. Tangible fixed assets

	Office equipment £000
Cost	
At 29th February 2012	10,481
Additions	568
At 31st May 2012	11,049
Accumulated depreciation	
At 29th February 2012	(6,414)
Charge for the 3 months	(509)
At 31st May 2012	(6,923)
Net book value	
At 29th February 2012	4,067
At 31st May 2012	4,126

7. Debtors

	31st May 2012 £000	29th February 2012 £000	31st May 2011 £000
Trade debtors	80	45	86
Other debtors	12,706	6,196	5,060
Deferred taxation	418	418	612
Prepayments and accrued income	3,256	3,565	6,447
	16,460	10,224	12,205

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

	31st May 2012 £000	29th February 2012 £000	31st May 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

	31st May 2012 £000	29th February 2012 £000	31st May 2011 £000
Senior bank loans bearing interest at market rates (note 9)	–	288	209
Other loan repayable on demand	–	36,602	–
Bond Loan interest (10.75%)	3,699	–	–
Trade creditors	4,234	2,141	921
Other taxes and social security	653	661	701
Corporation tax	2,039	3,051	6,092
Other creditors	393	272	52
Accruals and deferred income	4,734	1,230	1,659
Fair value of interest rate swap	–	74	97
	15,752	44,319	9,731

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

	31st May 2012 £000	29th February 2012 £000	31st May 2011 £000
13% cumulative redeemable preference shares (note 13)	–	180,399	164,662
Senior bank loans bearing interest at market rates	–	84,270	83,923
Mezzanine bank loans bearing interest at market rates	–	–	34,529
Bond Loan (10.75%)	200,000	–	–
	200,000	264,669	283,114

At 31st May 2012, the Group had available undrawn committed borrowing facilities for which conditions precedent had been met.

On 15th September 2011 the Mezzanine loan was fully repaid.

On 30th March 2012 the Group raised £200 million in the form of a listed bond with a fixed interest rate of 10.75% per annum and a maturity date of 30th March 2019. Following the issue of the bond:

a) The senior bank loan was repaid on 30 March 2012

b) The outstanding fixed cumulative preference dividend as at 30 March 2012 was paid. Following payment of the dividend the preference shares were converted to £0.10 ordinary shares.

The rights attached to the preference shares were 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

	(1) 31st May 2012 £000	(2) 29th February 2012 £000	(2) 31st May 2011 £000
Authorised, called up, allotted and fully paid			
756,357 'A' ordinary shares of £0.10 each	–	76	76
39,977 'B' ordinary shares of £0.10 each	–	4	4
178,206 'C' ordinary shares of £0.10 each	–	18	18
25,458 'E' ordinary shares of £0.10 each	–	2	2
182,913,396 ordinary shares of £1.00 each	182,913	–	–
	182,913	100	100

(1) Lowell Finance Holdings Limited

(2) Lowell Group Limited

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 31st May 2012 £000	**3 months to 31st May 2011 £000**
Operating profit for the 3 months	14,786	16,607
Depreciation, amortisation and impairment charges	509	465
Increase in loan portfolios	(18,226)	(8,434)
Increase in debtors	1,080	130
Increase / (decrease) in creditors	2,609	(146)
Net cash inflow from operating activities	758	8,622

Increase in loan portfolios includes amortisation, discretionary loan portfolio acquisitions and portfolio amortisation.

12. Analysis of cash flows

	3 months to 31st May 2012 £000	**3 months to 31st May 2011 £000**
Returns on investment and servicing of finance		
Bond & RCF fees paid	(6,550)	–
Interest paid	(4,064)	(2,488)
	(10,614)	(2,488)
Taxation		
UK Corporation tax paid	(1,012)	(1,875)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(568)	(745)
Financing		
Bank loans	15,971	(4,462)

13. Related party transactions

During the period movements in preference shares issued to related parties are detailed below:

	Directors £000	Ultimate controlling party £000	Other shareholders £000	Total £000
As at 29th February 2012	–	(180,399)	–	(180,399)
Interest accrued to 30th March 2012	–	(1,665)	–	(1,665)
Preference dividend paid	–	65,063	–	65,063
Preference dividend waived	–	5,162	–	5,162
Conversion to £0.10 ordinary shares	–	111,839	–	111,839
As at 31st May 2012	–	–	–	–

Preference dividend paid, preference dividend waived and conversion to £0.10 ordinary shares all took place on 30 March 2012.

Key Reconciliations and Definitions

Definitions

(1) ERC means the estimated remaining collections, which represent the expected collections of the Purchased Assets over an 84-month period, based on the company's proprietary valuation model and methodology. 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 Lowell own as of the date specified.

(4) Number of owned debt portfolios represents the number of individual portfolios of accounts that Lowell 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 £34.5 million and £0.0 million of third-party debt in the three months ended May 31, 2011 and May 31, 2012, respectively.

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

(7) Servicing costs represents the 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 the 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 the aggregate Unlevered Net IRR for the 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 May 31, 2011 and May 31, 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 May 31, 2011 and May 31, 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 May 31, 2011	2012
Operating profit	16.6	14.8
Depreciation	0.5	0.5
Fair value movement in Loan Portfolios[(a)]	(6.1)	(2.8)
Amount of purchase cost recovered[(b)]	11.2	12.4
Adjusted EBITDA	22.2	24.9

(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 the company's 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 May 31, 2011	2012
Increase/(Decrease) in cash in the period	**(0.9)**	**4.5**
Movement in debt[(1)]	4.5	(16.0)
Portfolio purchases[(2)]	13.1	25.0
Debt servicing[(3)]	2.5	10.6
Tax servicing [(4)]	1.9	1.0
Other cash flows[(5)]	0.0	0.0
Cash flow before debt and tax servicing	**21.0**	**25.2**
Capital expenditure[(6)]	0.7	0.6
Working capital[(7)]	0.5	(0.9)
Adjusted EBITDA[(8)]	**22.2**	**24.9**

(1) Movement in debt relates to the net movement on borrowings 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 May 31, 2011	2012
Calculation of purchases from consolidated financial statements		
Opening Purchased Asset value	169.6	194.5
Less: Amortization[(a)]	(5.2)	(9.6)
Less: Closing Purchased Asset value	(178.1)	(212.7)
Reported portfolio purchases	(13.6)	(27.8)
Reported portfolio purchases (see above)	13.6	27.8
Portfolio purchases (cash flow)	13.1	25.0
Timing difference[(b)]	(0.5)	(2.8)

(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 the Senior Facilities Agreement and, until it was repaid in September 2011, the 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 shown in the table on page 8 with the Consolidated profit and loss account in the consolidated financial statements for the three month period to May 31, 2012:

	Three months ended May 31 ,	
(£ in millions)	**2011**	**2012**
Servicing costs in adjusted EBITDA table		
Servicing Costs	(9.5)	(11.0)
Consolidated Financial Statements		
Cost of Sales	(4.1)	(4.4)
Administrative expenses	(5.4)	(6.6)
Total	(9.5)	(11.0)

Reconciliation of Consolidated Profit & Loss Account to the Profit and Loss Account in the Consolidated Balance Sheet

The following table sets out a reconciliation of the profit on ordinary activities after taxation for the period, as set out on the "Consolidated Profit and Loss Account" on Page 17 to the "Profit and Loss Account" as set out on the "Consolidated Balance Sheet" on Page 18.

Lowell Finance Holdings Limited (LFHL) was incorporated on March 12, 2012. It commenced trading on March 30, 2012, the date the company acquired Lowell Group Limited and its subsidiaries.

The consolidated profit and loss account, as set out on Page 17, reflects:

1) March 2012 – Consolidated profit / loss of Lowell Group Limited
2) April 2012 - Consolidated profit / loss of LFHL
3) May 2012 - Consolidated profit / loss of LFHL

	£000
Profit on ordinary activities after taxation (a)	1,749
Add:	
Tax charge (b)	1,751
Less:	
Lowell Group Limited profit for March 2012 (c)	(595)
Profit and Loss Account (d)	2,905

a) Profit on ordinary activities after taxation for the period – this is the profit after tax per the "Consolidated Profit and Loss Account" for LFHL as set out on Page 17.
b) The tax charge for the period as set out on Page 17 is not reflected in the Consolidated Balance Sheet of LFHL.
c) The Consolidated Balance Sheet of LFHL only reflects the consolidated profit / loss of LFHL from March 30, 2012. Therefore, the consolidated profit of Lowell Group Limited for March 2012 needs to be deducted. The consolidated profit of Lowell Group Limited for March 2012 is £595k.
d) "Profit and Loss Account" per the "Consolidated Balance Sheet" of LFHL as set out on Page 18.

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