Lowell. GROUP a better way forward

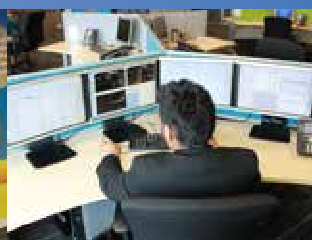
Lowell Group

Annual Review And Summary Financial Statements

30th September 2014

Embracing customer centricity and data analytics to achieve better results...



Lowell. GROUP a better way forward

We are Lowell.

We are a leading provider of debt recovery services in the UK.

Typically investing in defaulted consumer debt portfolios, our strategy is to recover outstanding balances through realistic assessment of each customer's ability to pay. Our ethical approach means we seek to establish practical, affordable and personalised payment plans that give our customers a realistic opportunity to repay their debts.

Our vision is to continue to deliver sustainable, profitable growth by developing Better People, Better Practices and Better Systems. In doing so, we believe we will deliver not only better and fairer outcomes for our customers, but also better and more sustainable results for our team members, clients and investors.

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Investor in Customers

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Investor in Customers

1: What We Do

An introduction to Lowell, our vision and our purpose

What We Do

Lowell Group is widely acknowledged as one of the UK's leading investors in consumer debt portfolios and also a significant player in consumer debt servicing.

Our business comprises two distinct operations: Lowell Financial and Interlaken. Both Lowell Financial and Interlaken are committed to excellence in their respective fields of investing in debt portfolios/consumer debt servicing, united by a common desire to harness data analytics and customer insight to deliver better results for all our stakeholders. We have a long track record. Lowell Financial was formed in 2004, while Interlaken, which the Group acquired in May 2013, was established in 1992.

Our Group headquarters are in Leeds and we have operations in Leeds and Surrey. We employ 1,100 people and are ideally placed to offer integrated debt management strategies across the consumer credit lifecycle.

A focus upon achieving fair customer outcomes underpins all that we do, as both Lowell Financial and Interlaken have a shared commitment to the fair and ethical treatment of customers. By harnessing the data and insight that comes from having acquired over 15 million accounts, our collection strategies benefit from historical and current understanding of our customers' ability to pay. We offer every customer a personalised, affordable and sustainable payment plan, and seek to deliver a fair outcome that comes from treating people as individuals.

Our customer-centricity, along with a commitment to continuous improvement and a keen focus on technology, data and insight explains why our clients include many of the UK's leading providers of consumer finance (including banks, credit card providers, communications and home shopping companies and utilities providers).

Over the years we have won numerous awards and are the only investor in consumer debt portfolios to have been consistently ranked by OC&C (leading industry consultants) as one of the top three credit management businesses in Europe for the last seven years. We are proud to be one of less than 300 organisations in the UK to be awarded 'Investor in People Champion' status for our commitment to investing in our team. We believe well informed, well engaged and well recognised teams perform better, stay longer and progress further. While we are often described as a 'big data' business, we do not lose sight that our people are our biggest asset. After all, it is our people who work with our customers to deliver fair outcomes and, by having great conversations with our customers day in and day out, who earned us the 'exceptional' award for customer service when assessed by the third party, Investor in Customers in October 2014.

Lowell's Vision...

Continue to deliver sustainable, profitable growth by developing Better People, Better Practices and Better Systems. In doing so, we believe we will deliver not only better and fairer outcomes for our customers, but also better and more sustainable results for our team members, clients and investors.

Lowell's Purpose

To secure sustainable business growth by developing our core strengths in data analytics and customer insight, continuing to place our customers at the heart of our business and providing a market-leading FAIR customer experience whilst adding value to our clients.

* Lowell Financial is a trading term used to cover Lowell Portfolio I Ltd and Lowell Financial Ltd

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2: Review Of The Year

Our year in numbers
and our CEO's report

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Our Year In Numbers

Overview

2014 has been another excellent year for the Lowell Group, having invested in consumer debt portfolios with a face value of £2.1 billion, achieved cash collections in keeping with both our pricing and forecasting assumptions, and recorded accelerated growth across all our key metrics.

Portfolio Investments
£162m
32% increase
2013: £123m

Cash Collections
£197m
21% increase
2013: £162m

Adjusted EBITDA
£126m
14% increase
2013: £111m

Estimated Remaining Collections (84 months)
£714m
34% increase
2013: £532m

Face Value of Debt Owned
£13.1bn
19% increase
2013: £11bn

Total Individual Customer Accounts
8.4m
24% increase
2013: 6.8m

Estimated Remaining Collections (120 months)
£801m
35% increase
2013: £593m

Leverage LTV
50%
2013: 51%

Net Debt
£356m
2013: £270m

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CEO Report

The essence of 2014: Sustainability.

To us, sustainability is about generating fair outcomes and fair profit for all of our stakeholders; our customers, clients, regulators and investors to name just four. To illustrate what this means in practice, our annual report is more detailed than in prior years in order that we can be open with all our stakeholders. This annual report will consequently outline what we do, how we do it and the results that we achieve, communicating our ambitions, the strategy we seek to deliver, and the financial and relevant non-financial KPIs that reflect our performance.

This approach represents a step forward in terms of our annual reporting. It's certainly a timely development in allowing us to better explain how 2014 has been our most productive year to date.

Operationally, we moved our Head Office and our largest contact centre to a new site in Leeds, achieved an 'exceptional' rating from independent assessors Investor in Customers for the quality of our customer service, and strengthened our Executive and Leadership team through a number of key appointments.

Commercially, we successfully raised new debt in the bond markets to further finance our growth and we made great progress in developing our market proposition to the extent that an ever greater number of our clients have contractually committed to us over longer terms in what we call forward flow agreements. We are also proud to have attracted Ontario Teachers' Pension Plan as an investor whereby they acquired a significant interest in the Group. We continued to record consistent, predictable and sustained growth in earnings, adding to an unbroken track record that now extends over a decade. All of this having been achieved against a backdrop of a strong balance sheet, conservative leverage and a highly cash accretive business model.

Underpinning all of this however has been a culture anchored upon driving fair outcomes with our customers using our better people and better systems - combined with our data and our better practices.

We believe we benefit from significant data advantages. Our ownership of over 15 million accounts means we are the archetypical 'big data' business. A cliché perhaps, but one that's comforting when you consider that in the last year we invested over £160 million pounds on new portfolios.

We also appreciate that our long term success is ultimately dependent upon our customers' willingness to repay their debts.

> "...we achieved an 'exceptional' rating from independent assessors Investor in Customers for the quality of our customer service.."

Cont...

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CEO Report

The essence of 2014: Sustainability.

Achieving the financial returns that we do and treating our customers fairly are not mutually exclusive. Far from it. By working hard to proactively engage with our customers and understanding their financial circumstances we benefit from an open dialogue that enables us to achieve an all round fair outcome that ultimately helps us deliver an impressive customer experience. This is what I mean by driving sustainable and profitable growth.

"We look forward with optimism, conscious of the competitive challenges our environment represents, but buoyed by another year of record performance."

To this end we are very clear as to our responsibilities - setting out what customers can expect in their interactions with us, using data effectively to help us further understand their ability to repay their debts, and making sure that where appropriate we help our customers by setting up long term sustainable repayment plans that they can commit to. We consequently believe we have an important role to play not only in the credit collection cycle, but also in society. Being in debt is a serious matter and we aim to work with our customers so that we are part of the solution to their indebtedness rather than an ongoing part of their problems.

The UK consumer debt portfolios market is highly competitive and transitioned to a new regulator in the form of the Financial Conduct Authority during the course of the year. Against this backdrop, we look forward with optimism, conscious of the competitive challenges our environment represents, but buoyed by another year of record performance and with a company that has strong foundations and many tangible advantages. Sustainability requires a clear idea of purpose and ethics. It also requires good judgement predicated upon both the power of analysis and experience. These are the reasons why we believe Lowell will thrive not just today, but tomorrow and beyond.

James Cornell

3: Strategic Review

Our business strategy, our performance, our approach to risk management and our views on sustainability and future prospects

Industry Context And Background

The UK consumer debt market remains highly competitive but offers encouraging prospects for significant growth. We believe major opportunities exist across both our historic areas of focus and in emerging areas such as the public sector.
We have the people, practices, processes, reputation and advantages from market growth and have confidence in the long term prospects of our Group.

Market Heritage

The consumer debt investment market was largely established in the United Kingdom in the late 1990s, following the success of more established markets in the United States and Scandinavia, and has grown considerably since then. The market was initially developed as a method for providers of credit to manage defaulted debts and to accelerate capital release for debts whose value had already been significantly written down to little value on their balance sheet.

The market commenced with initial small-scale transactions by debt collection agencies (DCAs) who generally had access to private money which enabled them to acquire small-scale assets portfolios from their clients. As the market developed, access to funding increased and new investors in consumer debt portfolios entered the market.

Competitive Landscape Today

The consumer debt investment market today is an integral component of the debt recovery process in many markets and helps providers of credit manage their balance sheet, capital adequacy ratios and cash flows. The consumer investment market has grown to the extent that over £700 million was invested on defaulted debt in 2013 versus £150m in 2004. However, the consumer debt investment market is far from homogenous. Portfolios can be categorised using a number of criteria: time since first default, whether it includes customers who are paying or not, the sector in which the debt was originated and/or the balance size.

Whilst competitive on all portfolio types our core focus has been on low balance, non paying portfolios where our cost efficiency and scale of data represents a superior advantage. The specialism means we can and do successfully compete in the purchase of other debt types.

We also seek to develop long-term strategic relationships with our clients in order that we both agree to pre-determined spend commitments over a fixed period (typically one to two years). We call these agreements forward flows; we currently have 11 such arrangements with our clients and enter our 2015 financial year with £62 million committed investment for the period to September 2015. Our forward flows are underpinned by pricing sophistication, with downside protection provided by dynamic pricing determined by the type of debt and customer demographic/characteristics that flow through to us.

The number of consumer debt investors in the UK market space is rapidly consolidating and pricing currently remains competitive but in the main rational. We believe that those debt portfolios that require the least operational skills to collect are attracting the most price competition. Increasingly, clients are emphasising compliance credentials. Collection practices are as important as price in determining which prospective investors will ultimately be successful. We believe that this momentum will continue, and as a result, the market is likely to see further consolidation and the emergence of an ever smaller number of proven, well funded, market leaders.

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Our Strategy In Practice

1 Strong Client Relationships

We are one of the largest investors in consumer debt portfolios in the UK, having acquired 877 debt portfolios over the last 10 years from major companies across the financial services, communications, home retail credit, utility and insurance industries with an aggregate face value of £13.1 billion comprised of 15.6 million accounts.

We have been able to achieve this scale as our clients trust us to pay a fair market price for the portfolios we invest into and to work with our customers in a fair and ethical manner.

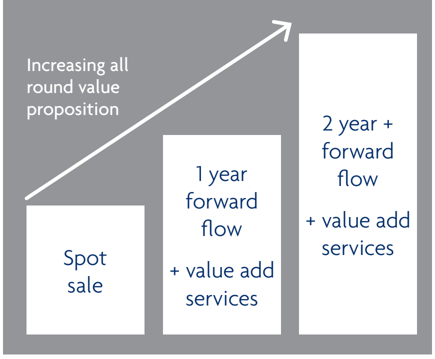
Since acquiring Interlaken Group in 2013 we have been well placed to offer clients a 'one stop shop' for all their debt recovery needs - and even offer services above and beyond pure debt recovery.

Our clients take confidence from the fact that we are consistently recognised as one of a select few leading investors in consumer debt portfolios in Europe. We are the only credit management business to have consistently been ranked in the top three of the OC&C index over the last seven years and have also been named Credit Today's 'Debt Purchaser of the Year' in three of the last eight years.

We seek to build long term client relationships. Our success in doing so is evident in the fact that we have enjoyed repeat business with 71 per cent of our clients. We have seen a drop year-on-year in the percentage of repeat business due to the diversification of portfolio investments as we have acquired a number of material portfolios in 2014 from new clients.

Indeed many of our clients no longer seek to sell their portfolios on the open market and have instead entered into 'forward flow arrangements' with ourselves. These pre agreed investment commitments allow our clients to have visibility of both the proceeds they will receive from regular portfolio sales over a predetermined period, whilst we benefit from a certainty of investment spend. Forward flows are the epitome of the mutually beneficial, long term relationships based on trust and commercial reciprocity that we seek to establish with all of our clients.

Evolving Client relationships



2 In-house Collection Platform

We have developed an integrated and scalable platform to manage over 15.6 million owned customer accounts across the debt investment and collection lifecycle. Our in-house collection platform is a key source of cost efficiency, greater compliance and control and enhanced customer experience.

Sophistication - Integrated Platform

People + Technology + Process

1,000+ FTE

- Portfolio Origination
- Pricing & Portfolio Purchase
- Analytics & Strategy
- Collections

Across the Group we deliver...

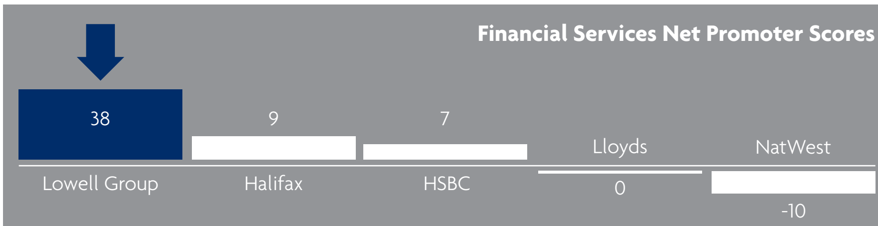
›5 million conversations per year	**›5,000** plans set up per day	**c1.1 million** payments per month	**£1.3 billion** collected in the last 5 years

a) Cost Efficiency

Our highly customer-centric technology driven in-house collection platform, together with the scale of our data assets, science and decision analytics enables us to benefit from low collection activity costs. As a result we compete very effectively in market sectors characterised by lower balance accounts - such as communications and utilities. By regularly cross-checking and supplementing the data we hold on our customers, our integrated platform drives effective and compliant collection strategies tailored to the individual customer's financial circumstances, optimising cost-effective collections and minimising our customers defaulting on their plans with us.

b) Compliance Risk Management

With an integrated in-house platform, we have increased control and oversight over all functions including team member training and performance monitoring. Training and monitoring is further aided by the integration of technical tools such as speech analytics, which records all of our calls and gives us indepth oversight of our phone-based customer interactions, enabling quality assessments and coaching to team members if and when required.



Source: VoxPopMe 2014

c) Customer Experience

Managing the vast majority of customer contact through our own people helps us in our aspiration to deliver market leading customer experience. In 2013, we became the first ever consumer debt investor to receive an 'outstanding' rating from the independent customer experience consultancy Investor in Customers for our customer service. This accreditation followed our Investors in People 'Champion' award in 2012, which made us one of less than 300 organisations in the UK to have received such recognition.

The Investor in Customer rating was obviously pleasing (as was the subsequent step up in rating to 'exceptional' in October 2014) but we were encouraged to see that more of our customers were advocates of our services as opposed to detractors - making us just one of a few financial services businesses surveyed able to demonstrate a positive net promoter score.

This is even more impressive when you consider that our customers did not choose to become our customers in the first place.

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3 Unmatched Data Asset

We own a significant data asset as a result of having purchased over 15.6 million owned accounts that relate to 8.4 million individual customers. Our data asset is further bolstered from having an engagement and collection history of over ten years.

We believe the scale of our data asset, combined with the skills of our team, enable us to deeply analyse the data we own and benefit from two key competitive advantages.

Firstly, the ability to more accurately price portfolios that come to market, enabling us to pay a fair price to our clients and walk away from portfolios where we believe the price necessary to secure a deal would be inequitable. We typically already have a relationship with the majority of the customers that comprise the portfolios we are pricing - a clear advantage in understanding who is likely to pay, how much they can afford and how much it will cost us to engage with them.

Secondly, the ability to achieve collections in a cost effective and compliant manner and deliver the right outcome for each customer based on their individual circumstances. Our data means we are able to locate customers, make contact through an appropriate communication channel and engage with them following a detailed understanding of their ability and willingness to pay.

4 Differentiated Origination Capabilities

Unlike some of our competitors, we do not focus solely upon the financial services sector. We believe financial services to be important, but have chosen to pursue an acquisition strategy that is more diversified than many of our competitors and means we are less exposed to the 'lumpy' nature of when financial services portfolio sales occur. We purchase debt from financial services, telecommunications, home retail, insurance and utilities. In addition, through Interlaken, we are working with central government to understand the possibilities of working more closely together.

In 2014, we made investments with some 30 clients.

Our strategy of diversification also encompasses the size of the portfolios that we invest in. We typically invest in a large number of small portfolios. In 2014, we invested in 162 portfolios with an average spend of £1 million.

The final element of our strategy, as stated earlier, is to secure portfolios through forward flow as well as individual 'spot sales'. 36% of total portfolio investments in the financial year ended 30 September 2014 originated from forward flow arrangements.

We believe that diversification helps us to manage the risk that the flow of debt to the market may prove erratic in some sectors and allows us to better manage the risk of having an individual portfolio that fails to achieve our investment expectations.

5 Effective Controls And Risk Management

We are very focused upon ensuring our processes operate as intended supported by a robust framework of controls, checks and balances.

In addition, we have developed and refined our approach to risk management. Each year, we undertake a full review of the inherent risks we believe are appropriate to our business and our Executive Team then make a considered judgment as to whether to accept or mitigate each individual risk.

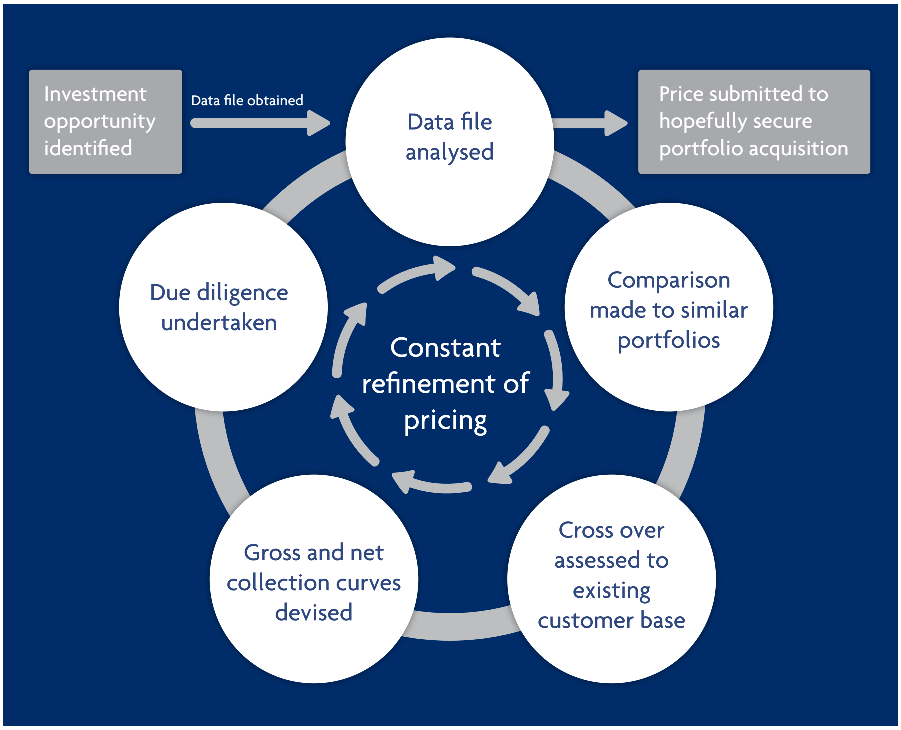
We also operate a monthly Operational Risk and Control Committee (ORCC) to consider the strength of our control and risk framework throughout the year.

The ORCC, in addition to our Pricing Committee and Portfolio Valuation Committee, is an established element of our Executive Team's operating framework, and an important part of our overall risk management process with information from this meeting flowing up to the Risk Committee (a sub committee of the Main Board).

6 Strong Financial Discipline

Our financial stability is of paramount importance to us. 2014 saw the business once again maintain high levels of operating and free cashflow together with an efficient capital structure at an appropriate level of gearing. Indeed, during the year, we successfully raised an additional £115 million bond for general corporate purposes at a then market leading rate of 5.875%.

Our performance relative to our pricing assumptions and to our ongoing collection forecasts goes to the very heart of our financial performance. Against both measures our cash collections have performed in line with our expectations.



7 Proven Cash Generation And Earnings Visibility

Our business is highly cash accretive. We generate strong money multiples when considering the cash collections achieved to date plus those expected over the next 120 months. For the portfolios acquired in 2014, we expect to deliver a two times cash return on our investments.

In addition, we also benefit from having highly predictable cash flows as our cash repayment profiles are relatively front loaded with 48% of our cash flow forecasts on existing assets (ERC) liquidating as cash within 24 months. The visibility of our cashflows is aided by the fact that 63% of our 2014 collections came from long-term payment plans, of which the majority of customers chose to make payment through predictable automated payment methods such as direct debit. Finally our business enjoys very strong earnings visibility. This is because a high proportion of our earnings comes from assets on our balance sheet going into any given financial period. For example, 78% of our cash collections in the current year came from assets we owned as at 30 September 2013.

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Strategic Focus

For 2014 the business had four key strategic focuses.

Strategic Focus	Aim	Assessment
Maintain and enhance the relationship with our customers	Improve the customer experience ensuring Lowell is seen as part of a customer's debt solution not part of their problem	Low levels of complaints referred to the FOS again evident at just 20 per million financial services accounts (2013: 14 per million). Of the complaints referred, 18% were resolved in the customer's favour (2013: 27%). Default rates reduced year on year showing our plans are even more affordable and realistic.
Further our strong client relationships	Develop ever more embedded, mutually beneficial, relationships to enable us to sustainably increase our investment volumes	Number of clients committed to forward flows grew from 4 to 11. Portfolio investments increased by 32% from £123 million in the year to September 2013 to £162 million in 2014.
Grow and develop the intelligent use of our data asset	Expand our data intelligence to facilitate better outcomes for the business and our customers	Number of accounts acquired since inception grew from 12.3 million at the end of 2013 to 15.6 million at the end of the current year
Continue to pursue a diversified portfolio investment strategy	Spread the risks of an uneven purchase pipeline and pricing inaccuracy by making multiple purchases from multiple clients across multiple sectors	162 individual portfolios invested in as compared to 122 in the 12 months to 30th September 2013. Investments made across the entire spectrum of financial services, telecommunications, home retail, insurance and utilities. Investments made from 30 clients in the year (30 in 2013).

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Our Approach To Compliance And Risk Management

The consumer debt markets in the UK are highly regulated by a number of different governmental or regulatory bodies and this has recently evolved with the responsibility for the regulation of consumer credit being transferred from the OFT to the FCA on 1 April 2014.

Compliance is central to our operations. We believe that the regulatory environment creates strong barriers to entry and favours companies with scale and a strong track record, which are better placed to support the required governance, structure and oversight required. Clients are also increasingly favouring those investors that can demonstrate robust compliance processes along with shared values and a demonstrable commitment to the customer. Investors in consumer debt portfolios are increasingly required to evidence why the outcomes reached for their customers are appropriate based on their individual circumstances.

We have a record of low complaints with the regulators due to our carefully designed collection processes and communication strategies, including letters and telephone calls. Our success in this area is evidenced by the fact the number of complaints recorded internally, as a percentage of the average number of accounts owned, was approximately 0.08% in 2014 (2013: 0.08%).

We have a 150-strong compliance, governance, quality control, coaching, support and audit team with extensive experience. They are responsible for setting compliance policy, maintaining proactive regulator relationships, managing and responding to complaints, monitoring compliance, responding to client audits, setting up training programmes, management reporting, risk management framework and internal audit.

Investment in training to ensure the Group's employees are fully aware of the regulatory requirements and Group policies is key to our people promise, and is something which is regularly confirmed by auditing. We have a comprehensive operational quality assurance function in place that includes regular quality monitoring checks, data checks, performance reviews and other operational reviews to ensure that our collectors are operating within the Group's guidelines.

2014 saw further development of our FAIR programme which was originally launched in April 2013. The FAIR programme brings together all of our great work to help make sure:

- Customers are treated fairly
- Affordability is assessed
- Client audits are passed

FAIR is our commitment to our clients, customers and regulators. It is designed to ensure customers are treated fairly and that fair outcomes are achieved. All team members champion FAIR across the business with individuals having an objective embedded into the performance evaluation process. As a result, all of our team members understand and can evidence the role they play in delivering fair solutions for our customers.

> "Compliance is central to our operations..."

FAIR
BE BETTER | BE FAIR

FOCUSED BE BETTER | BE FAIR
Keep our customers at the heart of everything we do

ACCESSIBLE BE BETTER | BE FAIR
Make it easy for our customers; be approachable, helpful and clear

INFORMED BE BETTER | BE FAIR
Understand each customer's circumstances; agree solutions and keep them up to date

REASONABLE BE BETTER | BE FAIR
Deliver on our commitments; deliver fair outcomes for our customers

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Lowell Group Board of Directors

Group Risk Committee
Non-executive responsibility for establishing Group risk appetite, risk oversight and provision of advice to the Board on key risk-related matters and risk governance

Group Audit Committee
Non-executive responsibility for oversight and advice to the Board on matters relating to financial reporting and internal control

Group Remuneration Committee
Non-executive responsibility for setting the principles and parameters of the Group's remuneration policy and the actual remuneration of senior executives

Nomination Committee
Non-executive responsibility for the process of appointing candidates to the Board, subject to approval by the Board

Governance

We have a clear governance structure which enables us to conduct business in accordance with applicable rules, regulations and guidance.

Our Chief Risk Officer (who is a former President of the Credit Services Association (CSA) and currently represents compliance on its Board) has ultimate responsibility for all aspects of regulatory compliance and risk management across the Group. Further details are included in section five.

Risk Management

We have a formal continuous process for managing risk. Risks are categorised and logged on the Group's risk register and on a weekly basis reporting is prepared and distributed to the operational leadership team providing an overview of risks currently within the risk register with monthly reporting then made to the Operational Risk and Control Committee.

We also have a three lines of defence model which is a governance framework that helps us to control activities within our business by ensuring we have appropriate segregation of duties, independent oversight and monitoring. We have recently strengthened our three lines of defence through the engagement of PwC to co-source the provision of our Internal Audit function.

"We have a clear governance structure which enables us to conduct business in accordance with applicable rules, regulations and guidance..."

Our Three Lines Of Defence

1st Line Of Defence
Business Area Line Management

To ensure appropriate systems and controls are in place to manage day to day risks within the business, such as our e-learning training records, call monitoring and quality checks.

2nd Line Of Defence
Risk And Compliance Oversight

Ensuring an appropriate approach and structure is in place to allow for the identification, evaluation, assessment, monitoring and reporting of risks to key authority committees.

In addition to the above, oversight is also provided by an independent compliance team e.g. customer journey reviews, root cause analysis and check the checker tier 2 quality checks (verbal and written).

3rd Line Of Defence
Internal Audit Assurance

Assurance is provided by a dedicated and independent Internal Audit team.

They independently report on the adequacy and effectiveness of the control environment and structures in place across the business.

Key Risks

Our key risks and how we seek to mitigate them.

Regulatory Risk

RISK: *A failure to comply with applicable laws, regulations and codes of practice could result in investigations and enforcement actions, licences not being renewed or being revoked, fines or the suspension of our ability to trade. Changes to the UK regulatory environment or an increasing volume of legislation could limit our activities in the future or could significantly increase the cost of regulatory compliance.*

MITIGATION: We have a highly competent, skilled team of some 150-individuals who work across compliance, governance, quality control, coaching, support and audit supporting our Chief Risk Officer & Legal Counsel Sara de Tute. These teams take a proactive approach to monitoring the regulatory landscape, continually assessing and modifying our business practices accordingly to minimise risk and the cost of compliance.

Sara is a former president of the Credit Services Association, a trading body for which the Group is a strong participating member. We continue to invest heavily in training our employees with testing in place to confirm understanding.

RISK: *We occasionally supplement our in-house activities with third parties to service certain segments of our purchased portfolios. This typically accounts for less than 10% of our collections, but nonetheless the extent to which these third parties breach laws or other regulatory requirements, it could negatively impact our business and reputation.*

MITIGATION: We work closely with our key suppliers and our panel of Debt Collection Agencies (DCAs). The latter have structured monitoring and audit procedures in place to ensure their standards mirror our standards. In addition, we also have a third party oversight team within Lowell that both monitors and audits the DCAs that we partner.

Market Risk

RISK: *We may be unable to compete with businesses that offer higher prices than us for debt portfolios.*

MITIGATION: We continue to develop our systems and processes to enhance our pricing and operational decisions and accuracy. This, combined with our compliant approach which is highly valued by clients, and our focus on agreeing long-term forward flow arrangements, will help us maintain market position.

RISK: *There may not be sufficient supply of debt or appropriately priced debt to acquire to replace the debt portfolios we service.*

MITIGATION: Our long-term forward flow arrangements help maintain a steady state to replenish our future cash flows that are consumed as we successfully recover the amounts that are owed.

RISK: *Our forward flow agreements may contractually require us to invest in porfolios at unfavourable or uneconomic prices.*

MITIGATION: We only commit to long-term forward flow arrangements when we understand a client's business well and believe we are in a position to accurately forecast collections performance. We also protect ourselves by entering into risk based, flexible pricing, whereby the price we pay is determined by the characteristics of the accounts that we buy.

RISK: *A loss of any of our principal clients could impact financial position and returns.*

MITIGATION: The relative significance of individual debt originators changes from year to year and we seek to adopt a diversified purchase strategy. In the year ended 30 September 2014 we purchased from 30 clients.

RISK: *Our performance may be affected by deterioration of economic conditions in the United Kingdom. We could face increased servicing costs and lower average payments therefore reducing our financial returns.*

MITIGATION: During the start of the financial crisis in 2007-2008 we maintained growth and over performance of key metrics at a time when many in the consumer debt industry failed to do likewise. We believe this to be testimony to our strategy of diversification across multiple industries, clients, portfolios and customers.

Financial Risk

RISK: *We may not have access to sufficient investment to take advantage of portfolio investment opportunities.*

MITIGATION: We were the first UK consumer debt investor to issue a bond in 2012 and have the continued support of our investors, as evidenced by our recent £115m bond raise at a market leading rate of 5.875%. At year end we had cash in the bank of £34 million and an undrawn Revolving Credit Facility of £83 million.

RISK: *We may not achieve the recoveries forecasted by our pricing and valuation models, or the cost of those recoveries may be higher than anticipated.*

MITIGATION: We have a significant and increasing data asset which allows us to accurately forecast our collections.

RISK: *Tax compliance risks arise from the complex nature of tax legislation and practice.*

MITIGATION: The Group engages tax specialists to advise the Group regarding its tax compliance obligations and the application of tax legislation and practice to the transactions and activities undertaken by the Group.

Infrastructure Risk

RISK: *We are highly dependent on our intelligence systems and proprietary customer profiles. We rely to a large extent on data and some systems that are provided to us by third parties.*

MITIGATION: We have in place a five year contract with one of the market leading credit scoring bureaux. In addition, we enjoy an ongoing relationship with a second major player in this field. Also we have proven and established relationships with our IT providers and partners. Disaster recovery procedures are in place and have been tested.

RISK: *Our senior management team and key employees are important to our continued success. Additionally the industry in which we operate is very labour intensive and as other similar companies do, we experience higher employee turnover rates in the call centre operations.*

MITIGATION: Our people are very important to us and our commitment to making Lowell a chosen place to work is supported by our Investors in People Champion accreditation. We make a clear and tangible promise to connect, communicate, develop, recognise and involve our team members.

Reputation Risk

RISK: *Negative attention and news regarding the consumer debt industry may have a negative impact on our business such as attracting and retaining our investors.*

MITIGATION: We are focused upon collecting amounts owed to us in an ethical and fair manner. We seek to treat customers fairly and appropriately and help them to repay by setting up long-term, affordable payment plans.

"We were the first UK consumer debt investor to issue a bond in 2012..."

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Sustainability

Customers ▶ Clients ▶ Supplier ▶ People ▶ Communities ▶ The Environment

Our corporate social responsibility policy (CSR) centres around our commitment to conducting business in a fair, ethical and sustainable way, with respect for our customers, clients, suppliers, team members, communities and the environment.

Our Customers

We offer a complete support package for our customers, seeking to build realistic and affordable repayment solutions that are appropriate to their personal financial circumstances. We comply fully with all Government and industry regulations and guidelines relating to debt recovery and our team members are all trained to deal with customers sensitively and empathetically. Our focus is on finding the right outcome for our customers based on their individual circumstances. In addition, customer focus is one of our core Lowell behaviours which all team members are performance measured and remunerated against.

Our customer-centric approach is brought to life for all team members by our FAIR approach, which conveys the requirements of our regulators, the FCA, in a tangible and easy to digest format.

We have dedicated, specially trained teams responsible for dealing with vulnerable customers. We also have a separate specialist team trained to deal with and resolve customer disputes. As a general policy, we do not add any additional interest or account maintenance fees. We have dedicated policies and processes to engage with our customers and these are periodically reviewed and enhanced where necessary.

In 2013 we were the first investor in consumer debt to be recognised by independent customer experience consultants Investor in Customers. In 2014 we built on our initial rating and were awarded their highest accolade of three stars with an 'exceptional' rating.

Our Clients

We carefully consider which sectors we acquire debt from to ensure our clients are as committed to fair customer outcomes as we are. As part of this approach we share insight on portfolios both pre and post-sale. We further welcome visits and audits.

With some clients we have also developed bespoke risk-based pricing models and provide a further range of debt recovery options and value added services to suit their specific needs. We conduct regular in-house procedural audits and service updates to ensure continued legislative compliance and fair treatment of customers.

In the interest of our clients and the wider credit industry we contribute to all main UK credit reporting bureaux in accordance with the 'principles of reciprocity'.

Our focus on building long-term strategic partnerships with our clients ensures that relationships are built on shared values and often allows us to add value over and above debt recovery based on an in-depth understanding of their business and their customers.

Our Suppliers

We aim to develop long-term mutually beneficial relationships with suppliers that mirror our approach to CSR. As part of our due diligence on suppliers we expect to see a clear demonstration of commitment to equal opportunities, good working practices and sustainability.

"Our focus is on finding the right outcome for our customers based on their individual circumstances..."

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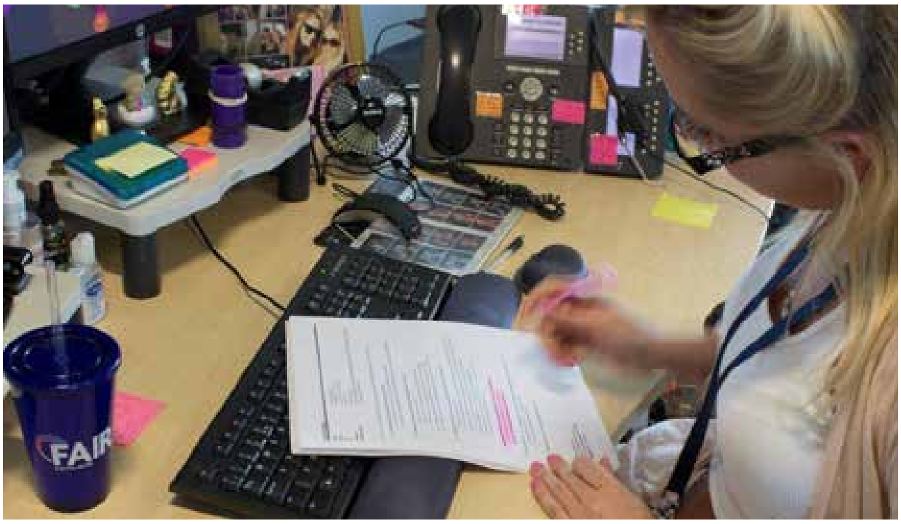

Our People

Our people are extremely important to us and create the culture that drives our business. Engaged team members work better and are motivated to understand customers' needs and deliver good customer service. We have a clear commitment to connect, communicate, develop, involve and recognise our team members - that is Lowell's People Promise. Specifically we promise our team members that we will:

- **Connect**
  We will ensure their manager gets to know them, understands them and respects them as an individual.
- **Communicate**
  We will maintain open, honest, engaging and transparent two-way communication.
- **Develop**
  We will invest in our people by providing learning to enable them to carry out their role and will provide opportunities for further development.
- **Involve**
  We will give them the opportunities to influence business decisions through listening to their opinions and reacting to their suggestions.
- **Recognise**
  We will acknowledge and reward their positive behaviours and performance.

We are an equal opportunities employer and offer above market remuneration, quality linked incentive schemes and annual bonuses.

We promote good working practices and conditions, and provide flexible working, discounted restaurant, childcare vouchers, life assurance, confidential care line and access to a free gym.

We aim to make Lowell more than just a place to work, arranging a full and varied calendar of social events. One of our key goals is to increase the number of people who would recommend Lowell Group as a place to work.

Following on from our Investors in People (IIP) award in 2012, in 2013 we were accredited as an Investors In People Champion, one of less than 300 Champion companies in the country.

Communities

We aim to support local community groups and charities through Lowell Giving, a special fundraising unit sponsored by one of the Executive team within the company. In 2014 we supported Cancer Research UK as our national charity and local charities Shooting Star children's hospice in the South and Forget me Not children's hospice in the North. Our 2015 national charity remains Cancer Research UK with local charities Great Ormond Street Hospital and Yorkshire Cancer Centre. All of our charities are nominated and voted for by team members who take part in a range of fundraising events and volunteering. We also offer financial support to those team members wishing to pursue their own charitable interests in the form of sponsorship and entry fees. Over the last three years we have raised and donated over £55,000 to charitable causes.

The Environment

We aim to be a responsible corporate citizen in protecting the environment and believe that we have an important role to play in facilitating the transition to a low-carbon, resource-efficient economy.

We aim to improve the efficiency of energy usage, reduce waste and increase recycling. We encourage team members to be environmentally aware and work with suppliers to minimise the impact of their operations on the environment.

We include pollution prevention and resource conservation opportunities in our business planning and operating decisions to help reduce our impact on the environment.

Lowell Group is committed to sustainable and quality business practices that include compliance with environmental regulations, advancement of environmental awareness, minimisation of environmental risks, reductions of emissions and waste, and conservation of energy and water.

> "Our people are extremely important to us and create the culture that drives our business. Engaged team members work better and are motivated to understand customers' needs and deliver good customer service..."

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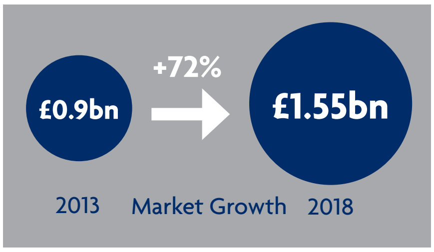
Market Outlook And Future Developments

Market Outlook

During the year we commissioned a study of the market from a leading industry consultant OC&C.

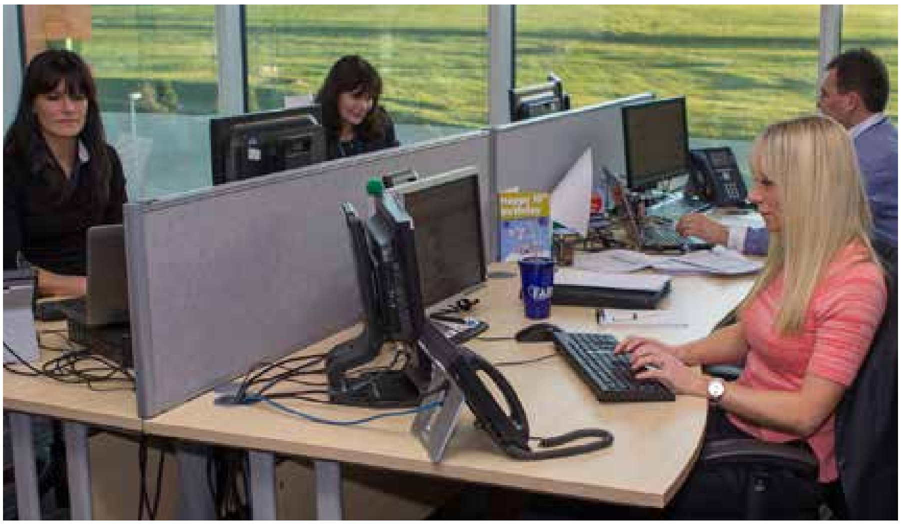
This study showed that the UK consumer debt investment market is expected to grow by 72% with annual investment spend increasing from £0.9 billion in 2013 to £1.55 billion by 2018.



OC&C also expect that those areas of the market that have historically been Lowell's areas of focus, namely non paying portfolios will represent the fastest growing elements of the consumer debt investment market.

Growth across the entire market is expected to come from financial services organisations selling backlogs of defaulted debt currently held on their balance sheets, a return to more normal levels of both underwriting rigour and customer default as consumer lending grows in keeping with improving macroeconomic conditions, and an increased appetite from the Government to partner with specialist consumer debt businesses in order to recover amounts owed to the public purse.

We believe we are well placed to benefit from such opportunities as a result of our reputation, relationships and deep skills.



Other Developments

There are a number of external factors which we believe will affect both our business and the industry as a whole.

Regulatory requirements in the consumer debt industry are expected to continue to increase reflecting the new FCA framework.

Our FAIR approach ensures that customers are at the heart of our business. In the year leading up to FCA regulation our risk management structure has been significantly enhanced and improvements made to the governance structure.

The consumer debt investor community is expected to consolidate around a smaller number of trusted partners. Clients are increasingly reducing their auction panel sizes as they seek to maintain relationships with those investors who can demonstrate compliance excellence.

We benefit from a strong track record in compliance; we have relationships with the majority of key clients and believe we have been invited to tender for 94% of UK investment opportunities in 2014.

Sale of debt portfolios within utilities is expected to become more mainstream as providers gain comfort and familiarity with it. Debt generated in the public sector is also now being serviced in the private sector with investment opportunities expected to increase over the next three years.

We also believe that our data asset positions the business well to potentially augment our core investment and servicing offerings, leveraging the knowledge that comes from owning over 15 million accounts to help our clients manage their holistic credit cycle from underwriting to contact through collection.

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4: Financial Review

Our financial performance and metrics

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Summary Of Results

During 2013, the financial year end of the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly the reported comparable figures stated for the period ended 30 September 2013 are not comparable with the current year ended 30 September 2014. This review therefore shows the comparable results for the 12 months to 30 September 2013 as well as the reported 13 months to 30 September 2013.

In 2014 the Group converted its accounting methodology from UK GAAP to IFRS. These financial statements are the first to be presented under IFRS. The comparative periods have been restated accordingly.

Financial Measures	Aim	Assessment
Investments	Achieve disciplined year on year growth consistently whilst maintaining diversification ambition.	Investments in portfolios during the 12 months to 30 September 2014 were at record levels of £162 million which consisted of 3.3 million accounts from 162 portfolios with a total face value of £2.1 billion.
Estimated Remaining Collections (ERC)	Maintain accurate forecasts and grow underlying net asset	84 month ERC grew from £532 million to £714 million in the last 12 months 120 month ERC grew from £593 million to £801 million in the last 12 months Collections in the year from assets owned as at 30th September 2013 were 100% of the forecast as at the same date
Gearing	Maintain a conservative and efficient capital structure	Leverage of 50% when assessing ERC to net debt (51% in 2013). £115 million bond raised at market leading rate of 5.875% in the year.
Cash Collections	Achieve steadily increasing collections proportionate to the mix and value of portfolios invested in and our ethical engagement to our customers	Cash collections of £197 million achieved in 2014 compared to £162 million in the last twelve months to September 2013.
Underlying Operating Profit	Achieve sustainable growth in operating profit before financing and exceptional items	Operating profit of £59 million achieved in 2014 compared to £46 million in the last twelve months to September 2013.

	30-Sep-14	As of and 12 months to 30-Sep-13	As of and 13 months to 30-Sep-13
Reported portfolio investments (£m)	162.2	123.0	124.4
Face value of portfolio investments (£m)	2,099.7	1,988.6	2,018.3
Number of portfolio investments	162	122	129
Number of accounts acquired since inception (m)	15.6	12.3	12.3
Number of portfolio investments since inception	877	715	715
84 Month ERC (£m)	713.9	532.1	532.1
120 Month ERC (£m)	800.9	593.4	593.4
Collections (£m)	196.8	161.9	173.2
Adjusted EBITDA (£m)	126.1	110.6	119.0
Adjusted EBITDA ratio (%)	64.0%	68.3%	68.8%
Underlying operating profit (£m)	59.3	46.1	51.1
Net debt of the Group (£m)	355.6	269.7	269.7

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Our Performance In Detail

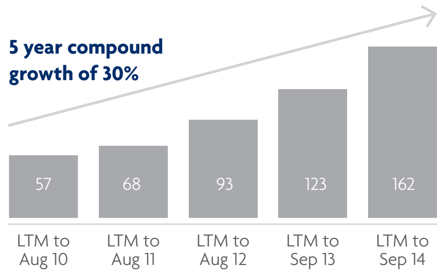
1 Portfolio Investments

AIM: Achieve disciplined year on year growth consistently whilst maintaining diversification ambition.

Investments in portfolios during the 12 months to 30 September 2014 were at record levels of £162 million which consisted of 3.3 million accounts from 162 portfolios with a total face value of £2.1 billion.

Portfolios were acquired from 30 clients, across five industry segments with an average portfolio investment of £1 million.

Since inception in 2004, the Group has invested £760 million acquiring 877 portfolios with an aggregate face value of £13.1 billion comprising approximately 15.6 million acquired accounts.



2 Estimated Remaining Collections

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Vintage	0-12m	13-24m	25-36m	37-48m	49-60m	61-72m	73-84m	Total
2005	0.9	0.7	0.6	0.5	0.4	0.4	0.3	3.9
2006	1.9	1.5	1.2	1.0	0.8	0.7	0.5	7.7
2007	3.4	2.7	2.2	1.8	1.5	1.2	1.0	13.9
2008	5.5	4.5	3.7	3.0	2.5	2.0	1.7	23.0
2009	9.6	7.8	6.2	5.0	4.1	3.3	2.6	38.6
2010	10.8	8.4	6.6	5.1	4.1	3.2	2.5	40.7
2011	15.4	11.9	9.3	7.3	5.8	4.6	3.6	57.9
2012	26.5	20.3	16.2	12.9	10.4	8.5	6.8	101.6
2013	45.0	33.1	26.0	20.7	16.4	13.0	10.4	164.6
2014	76.3	53.2	40.8	31.6	24.8	19.7	15.7	262.1
Total	195.3	144.3	112.9	89.0	70.8	56.5	45.1	713.9
Cumulative	27%	20%	16%	12%	10%	8%	6%	100%

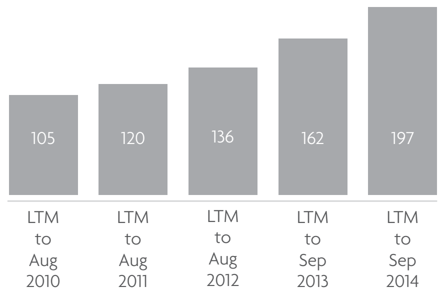
AIM: Maintain accurate forecasts and grow the underlying net asset.

We have continued to grow our asset base. Estimated remaining collections (ERC) grew from £532 million as at 30 September 2013 to £714 million at 30 September 2014. This is the future collections we expect to receive on our accounts acquired at 30 September 2014. The timing by which our ERC is collected is shown on the chart opposite. Approximately 48% of our ERC is expected to be recovered within the next two years meaning we benefit from more predictable and less risky cashflows. In addition we also believe there to be a material cash flow inherent in our portfolios past the 84 month ERC period which is not reflected in our balance sheet valuation. Estimated remaining collections on a 120 month basis grew from £593m as at 30 September 2013 to £801m at September 2014.

3 Cash Collections

AIM: Achieve steadily increasing collections proportionate to the mix and volume of portfolios invested in and our ethical engagement of our customers.

Collections in the year ended 30 September 2014 were £197 million, a growth of 21% from the previous 12 months ended 30 September 2013. A large proportion of the Group's collections come from long-term predictable payment plans set up based on a detailed understanding of a customer's financial circumstance rather than ad hoc payments. In the year ended 30 September 2014 63% of internal collections were made through such payment plans.



4 Underlying Operating Profit

AIM: Achieve sustainable growth in operating profit before financing and exceptional items.

We monitor this metric as it represents the underlying operating profitability of our business. Pleasingly, underlying operating profit grew from £46 million in the last twelve months of the financial year 2013 to £59 million in financial year 2014. This growth was the result of strong levels of investment spend and collections performance on acquired assets in keeping with our investment level expectations. The growth was also after our investment in a number of areas of our business, namely our compliance, internal audit, and analytics functions, our IT infrastructure and our new head office.

The table below shows the reconciliation to underlying operating profit.

	30-Sep-14 (£m)	12 months to 30-Sep-13 (£m)	13 months to 30-Sep-13 (£m)
Operating Profit	49.6	33.7	37.8
Non-recurring Items	9.7	12.4	13.3
Underlying Operating Profit	59.3	46.1	51.1

5 Gearing

AIM: Maintain an appropriate and efficient capital structure.

Our leverage has improved by 1 percentage point on the 84 month ERC measure between Sep-13 and Sep-14 – decreasing from 51% to 50%. Whilst softening over the past two years, our Net Debt to Adjusted EBITDA and Adjusted EBITDA / total interest payable are still more than manageable and stand scrutiny when compared to our peers.

Leverage and interest cover

	Metis BidCo		LFHL	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Net Debt to ERC	0.50	0.51	0.50	0.51
Net Debt to Adjusted EBITDA	2.82	2.44	2.84	2.44
Adjusted EBITDA / total interest payable	3.51	3.90	3.49	3.91

Net debt increased during the financial year 2014 as a result of the bond issuance highlighted above and growth in our portfolio investments.

	Metis BidCo		LFHL	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Senior secured notes & associated interest	390.0	275.0	390.0	275.0
Senior facilities agreement	0.0	10.0	0.0	10.0
Cash and cash equivalents	(34.4)	(15.3)	(33.7)	(14.8)
Net debt	355.6	269.7	356.3	270.2

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5: Governance

Our Director's Report, Corporate Governance update and biographies of our Executive and Board members

Corporate Governance

The Board of Directors is committed to the highest standards of corporate governance and compliance with the principles contained in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 and which is publicly available on their website at www.frc.org.

Whilst not required to adhere, we have given regard to the requirements of the Code which sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Throughout the year ended 30 September 2014 we were already compliant with many of the provisions of the Code which are described in this corporate governance report, together with the Audit Committee report.

The Board comprises eight members, including the Chairman, one Executive Director, four representatives from TDR Capital and two representatives from Ontario Teachers' Pension Plan.

Leadership

The Board of Directors is responsible for the long-term success of the company, its overall Group strategy, for approving major agreements, transactions and other financing matters and for monitoring the progress of the Group against budget. All Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings and there is a formal schedule of matters reserved for decision by the Board, which includes:

- determination and approval of the Group's objectives, strategy and annual budget
- investment decisions
- reviewing business performance
- material asset acquisitions
- overseeing risk management and internal control systems
- necessary resources in place to meet its objectives
- reviewing corporate governance policies
- shareholder return policies
- succession planning

All of the Directors bring to the company a broad and valuable range of experience. The names of the Directors in office at the date of this report and their biographical details are included on pages 30 and 31.

There is strong Non-Executive representation on the Board providing effective balance and challenge.

The Board operates through a number of committees covering certain specific matters.

Executive Committees consist of Executive Directors and heads of functions responsible for the day to day running of the business.

All Board committees operate within defined terms of reference. The terms of reference of the Group Remuneration Committee, Group Risk Committee and Group Audit Committee are available on request.

Further details on the Board committees are included on page 27.

Effectiveness

The Chairman is primarily responsible for the effective working of the Board and ensuring that each Director makes an effective contribution. The Chief Executive has responsibility for operational matters including the implementation of the Group strategy and approved policies.

Accountability

The Board is responsible for the Group's systems of internal control. Risk management is designed to mitigate risks, but it does not eliminate all risks. The Board has approved an appropriate suite of policies on internal control, and seeks regular assurance that it is able to satisfy itself that the systems of internal control are effective in managing risks in the manner in which it has approved.

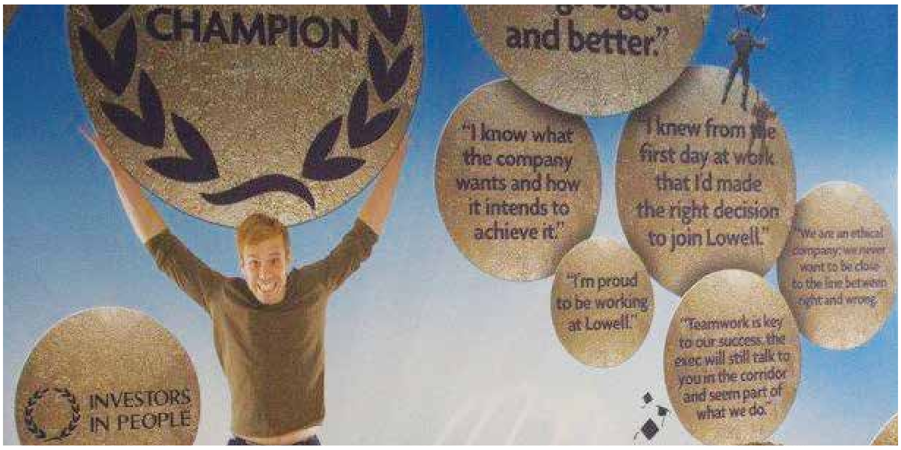
The Group has a Risk Committee in place discussed in more detail on page 27 which is responsible for identifying, evaluating and managing significant risks.

Detailed reviews of the performance of the Group's main business are included within the strategy report and also the financial review section. The Board uses this to present a fair, balanced and understandable assessment of the Group's position and prospects.

> "The Board is responsible for the Group's systems of internal control. Risk management is designed to mitigate risks, but it does not eliminate all risks..."

Relations With Shareholders

The Board considers that active dialogue with its shareholders, bondholders and revolving credit facility providers to be vital to the success of the business. The Chief Executive Officer and the Chief Financial Officer regularly speak and meet with key stakeholders. The Chairman is available to discuss governance and strategy with key stakeholders.



Group Risk Committee

The Group Risk Committee has responsibility for, among other things, establishing Group risk appetite, maintaining risk oversight and the provision of advice to the Board on key risk-related matters and risk governance.

The Group Risk Committee is also responsible for advising the Board on the Group's overall risk strategy. The Group Risk Committee reviews the Group's risk assessment processes and methodology and its capability for identifying and managing new risk, alongside advising on proposed portfolio purchases and reviewing reports on material breaches of risk limits.

The Committee normally meets every quarter and at such other times as required.

The terms of reference of the Group Risk Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the requirements of any quorum for, and the right to attend, meetings. The categories of responsibility of the Group Risk Committee covered in the terms of reference are: risk appetite, risk oversight, risk reporting to the Board and risk strategy. The terms of reference also set out the authority of the Committee to carry out its responsibilities.

Group Audit Committee

Details on the Group Audit Committee and its responsibilities can be seen on page 28.

Group Remuneration Committee

The Group Remuneration Committee has responsibility for determination of specific remuneration packages for each of the members of the Executive Committee and certain senior executives of the Group, including pension rights and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share options, or other performance-related schemes. More generally, it determines the Group's general remuneration policies, including any bonus and discretionary commission programmes (it meets at least twice a year).

The terms of reference of the Group Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements for quorum and the right to attend meetings. The responsibilities of the Group Remuneration Committee covered in its terms of reference relate to the following: determining and monitoring the remuneration policy (such policy to be subject to a binding shareholder vote) and determining, within the parameters of that policy, levels of remuneration, early termination, performance-related pay, pension arrangements, reporting and disclosure, share schemes, clawback, shareholder and employee consultation and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

Board Committees

Group Audit Committee
Group Renumeration Committee
Group Risk Committee

Executive Committees

Change Board
Collections Trading Board
Executive Committee
Operational Board
Operational Risk and Control Committee
Portfolio Valuation Committee
Pricing Committee

“The Group Risk Committee has responsibility for, among other things, establishing Group risk appetite, maintaining risk oversight and the provision of advice to the Board on key risk-related matters and risk governance...”

Group Audit Committee Report

The Group Audit Committee has responsibility for, among other things, monitoring of the financial integrity of the financial statements of the Group. The Group Audit Committee also oversees the involvement of the Group's auditors in that process and reviewing reports from management and the external auditors on accounting and internal control matters.

It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Group Audit Committee normally meets at least four times a year at the appropriate times in the financial reporting and audit cycle and at such other times as required.

The terms of reference of the Group Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the requirements of any quorum for, and the right to attend, meetings.

The categories of responsibility of the Group Audit Committee covered in the terms of reference are: financial reporting, whistle blowing, internal controls, internal audit and external audit.

Responsibilities

The committee's responsibilities include:

Financial Reporting

- Monitor the integrity of the financial statements both annual and interim
- Review and challenge estimates and judgments made by management
- Consider the appropriateness of accounting policies and compliance with accounting standards
- Review the content of the annual report and interim reports and advise whether it is fair, balanced and understandable
- Assess and challenge the going concern assessment undertaken by management.

External Audit

- Make recommendations on the appointment, reappointment and removal of the external auditor
- Oversee the relationship with the external auditor
- Review and approve the annual audit plan
- Hold meetings with the external auditor before the audit commences and to review their findings and recommendations
- Review reports prepared by the external auditor
- Approval of the policy for non-audit services provided by the external auditor.

Whistle Blowing

- Review the Group's procedures for whistle blowers and for detecting fraud.

Internal Audit

- Monitor and review the effectiveness of the Group's internal audit function
- Review the internal audit programme and ensure the function is adequately resourced
- Review the major findings of any significant internal audit.

Internal Controls And Risk Management

- Review internal audit reports on effectiveness of systems for internal control
- Review the Group's procedures for detecting financial reporting fraud
- Review management's reports on effectiveness of systems for risk management
- Review the Group's statement on internal control and risk management systems for the purpose of the Turnbull guidance on internal control, prior to endorsement by the Board.

Significant Areas

The committee considers whether the accounting policies adopted by the Group are suitable and whether significant estimates and judgements made by management are appropriate.

No material misstatements were reported to the Committee and no material amounts remain unadjusted.

Internal Audit

During the year the committee has considered and approved the Group internal audit plan which is based on an assessment of the key risks faced by the Group. It has monitored progress of the internal audit function against that plan, ensuring that the internal audit function has sufficient resource to carry out its duties effectively. We have recently strengthened our three lines of defence model with the engagement of PwC to co-source our Internal Audit function.

Reports on internal audit work have been received by the committee and where necessary appropriate actions have been recommended to the Board.

The Audit Committee is responsible for monitoring and reviewing the effectiveness of internal audit activities.

External Auditor

The committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment, reappointment and removal of external auditors. The committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

The committee is responsible for reviewing and approving the audit plan, ensuring it is consistent with the scope of the audit engagement and co-ordinated with the activities of the Internal Audit function. The committee will also discuss with the external auditor the nature and scope of the audit before the audit commences, and then, following the audit, the findings and recommendations.

Having considered KPMG Audit Plc's independence, compliance with regulatory and ethical standards and assessed its objectivity, the committee unanimously recommended that KPMG Audit Plc be reappointed.

"We have recently strengthened our three lines of defence model with the engagement of PwC to co-source with our internal audit function..."

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Director Profiles

During 2014 the day to day running of the business was the responsibility of an Executive team we believe to the strongest in our industry. Sitting above the Executive team exists our Board, comprising our Chairman, CEO and nominees of our investors. The Board complements the Executive by providing strategic direction and bringing extensive collective and individual experience to assist in the achievement of our shared business goals.

Executive team

A broad range of skills and backgrounds.

James Cornell
Chief Executive Officer
17 years of relevant experience

James joined Premier Seekers (subsequently re-branded as Lowell) in July 2003 and has been instrumental in the strategy and development of the business. James is responsible for all aspects of Lowell and its performance. Previous roles include Head of Risk, Caudwell Group and Commercial Director, B2B Division at Equifax Plc

Andrew Bartle
Chief Operating Officer
18 years of relevant experience

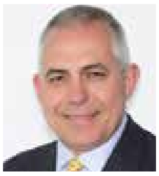
Andrew established Premier Seekers in 1996, developing the business alongside James into the business it is today. He was appointed as Chief Operating Officer with the formation of Lowell Group in April 2004. As COO, he is principally responsible for operations including our call centres, customer service and operational support.

Sara de Tute
Chief Risk Officer
16 years of relevant experience

Sara was appointed as a Director of Lowell Group in May 2012. She also has responsibility for compliance at the Credit Services Association (the debt collection and purchase trade association). Prior to joining Lowell Group, she was the Legal and Compliance Director at Wescot Credit Services which she joined in 2003.

Colin Storrar
Chief Financial Officer
21 years of relevant experience

Colin has served as Chief Financial Officer of Lowell Group since January 2013. From 2008 to 2013, Colin worked at HSBC, having been Chief Financial Officer for First Direct and HSBC's contact centres, before taking on overall general management responsibility for the business units.



Richard Davies
Business Development Director
24 years of relevant experience

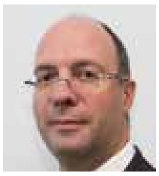
Dicky joined Lowell Group in October 2010 as Business Development Director. He is responsible for portfolio origination, namely establishing and maintaining relationships with debt originators, in order that we can successfully invest in portfolios. Previously, Dicky was a Senior Vice President heading up the New Business Solution teams for Visa Europe.

Gary Edwards
Chief Information Officer
30+ years of relevant experience

Gary was appointed as Chief Information Officer of Lowell Group in November 2012. Gary joined Lowell Group in November 2012 from Thomas Cook plc where he was formerly Group Chief Information Officer.

Dominic Briggs
MD Interlaken
17 years of relevant experience

Dominic joined Lowell Group as MD of Interlaken in 2013. He was previously Head of Volume Collections at BT following a number of senior commercial, operational and finance roles.



Mike Lynn Jones
HR Director
20 years of relevant experience

Mike joined Lowell as Group HR Director in 2014 from the construction and services group Carillion plc where he was HR Director - Carillion Services. He has previously held executive and board level positions in high profile blue chip plc companies including Tibbett & Britten Group, Wolseley UK, Caudwell Group and Wincanton Group.

Board of Directors

Adrian Hill
Chairman
30+ years of relevant experience

Adrian has been Chairman of Lowell Group since 2008 and has Board oversight of the Group's Compliance and Regulatory functions. He was formerly a General Manager of HSBC Bank and CEO of HFC Bank, a Non-Executive Director of Tesco Bank and is Chairman of a number of other private equity owned companies.

Jonathan Rosen
Partner, TDR Capital
22 years of relevant experience

Jon joined TDR Capital in November 2006. Prior to joining TDR, he was a Partner at Hampshire Equity Partners for nine years, where he was responsible for sourcing, executing and managing private equity and distressed debt investments. Previously Jon worked at BT Capital Partners. He has over 20 years of private equity and principal investing experience. Jon graduated from Duke University with a degree in Economics and Public Policy Studies.

Manjit Dale
Founding Partner, TDR Capital
25 years of relevant experience

Manjit founded TDR Capital with Stephen Robertson in 2002, with whom he had previously worked at DB Capital Partners. He has over 25 years' experience in private equity, leveraged finance and consulting. Previously Manjit was Managing Director and Head of DB Capital Partners Europe and predecessor firm BT Capital Partners, which he joined in 1994. He started his career in the Management Consultancy division of Arthur Andersen and moved into private equity in 1989 with 3i plc, and later with NM Rothschild. Manjit holds a Masters degree in Economics from Cambridge University.

Thibaut Large
Partner, TDR Capital
13 years of relevant experience

Thibaut joined TDR Capital in November 2009. Prior to joining TDR, he spent five years at Apax Partners, where he focused on leveraged buyouts in the media sector. Previously Thibaut worked at Goldman Sachs and Crescendo Ventures, in investment banking and venture capital. Thibaut received an MBA from Harvard Business School, as a Baker Scholar, and an MEng in Aeronautical Engineering, with first class honours, from Imperial College.

Iain Kennedy
Director, Teachers' Private Capital
20 years of relevant experience

Iain joined TPC in 2014. Prior to that, he spent eighteen years in private equity with Duke Street and Gresham Private Equity in London. He started his career by qualifying as a Chartered Accountant with Price Waterhouse.

Marvin Teubner
Senior Principal, Teachers' Private Capital
13 years of relevant experience

Marvin joined TPC in 2011. He has been a private equity investor for over 10 years with Warburg Pincus, Rhone Capital and TPC in London. He started his career in investment banking at Deutsche Bank and Merrill Lynch, where he advised financial institutions on mergers and acquisitions.

6: Group Structure

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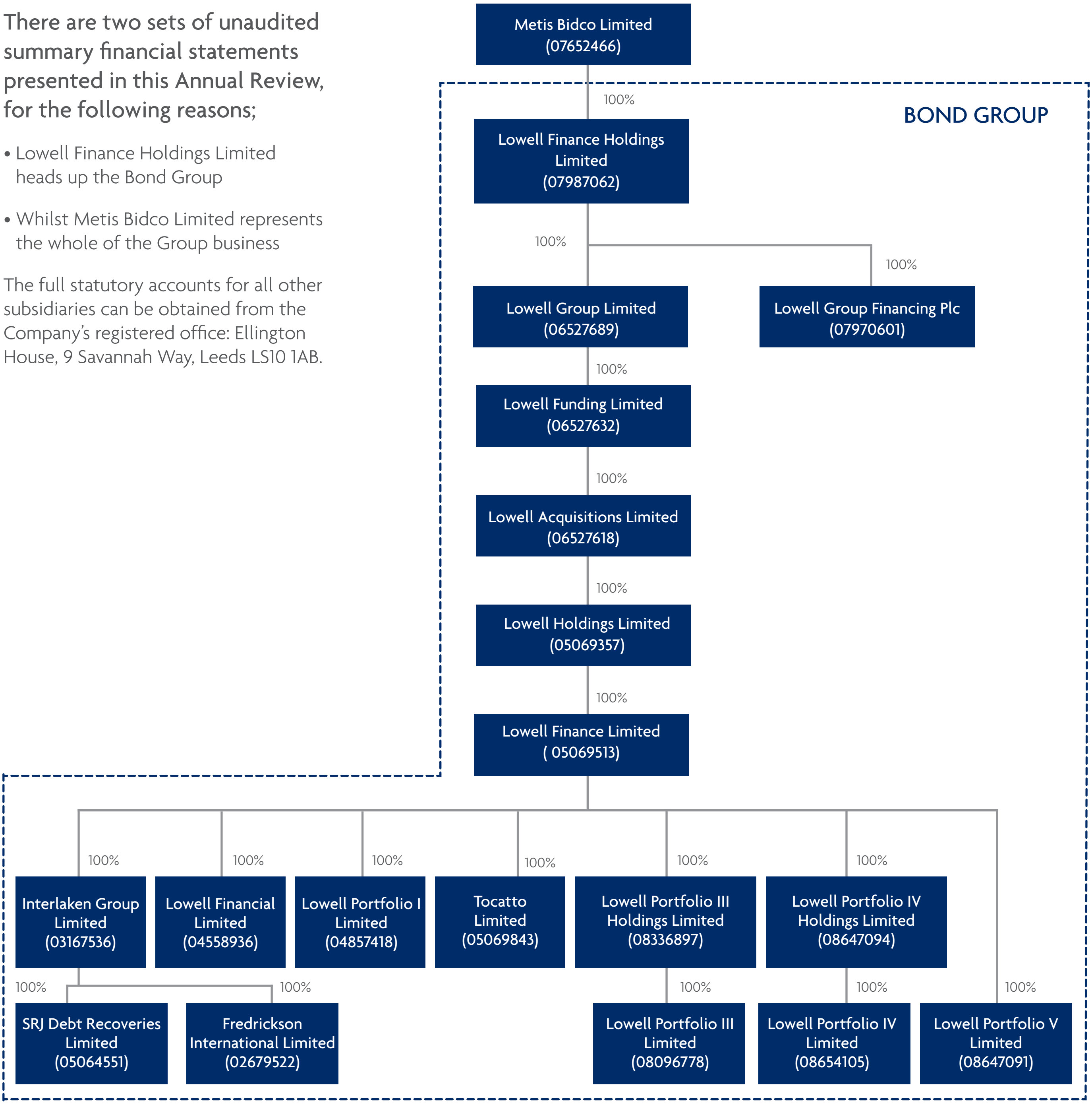
Group Structure

There are two sets of unaudited summary financial statements presented in this Annual Review, for the following reasons;

- Lowell Finance Holdings Limited heads up the Bond Group
- Whilst Metis Bidco Limited represents the whole of the Group business

The full statutory accounts for all other subsidiaries can be obtained from the Company's registered office: Ellington House, 9 Savannah Way, Leeds LS10 1AB.



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7: Unaudited Summary Financial Statements: Metis Bidco Limited

During 2013, the financial year end of the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly the reported comparable figures stated for the period ended 30 September 2013 (13 month period) are not directly comparable with the current year ended 30 September 2014 (12 month period). The comparative figures stated for the period ended 30 September 2013 have been fully audited with the audit reports being unqualified.

INVESTORS IN PEOPLE Champion

Investor in Customers

METIS BIDCO LIMITED

Unaudited Summary Financial Statements 2014

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METIS BIDCO LIMITED

Unaudited Summary Financial Statements 2014

Officers and Professional Advisers

Directors

J J Cornell
M Dale
A R Hill
T J H Large
J B Rosen
B J Thompson
I A Kennedy (appointed 25 September 2014)
M Teubner (appointed 25 September 2014)

Company secretary

M A Gilbert (appointed 25 March 2014)

Registered office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

METIS BIDCO LIMITED

Directors' Report

Year ended 30 September 2014

The directors present their annual report and the audited consolidated financial statements of Metis Bidco Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2014.

In 2014 the Company and Group converted its accounting methodology from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). These financial statements are the first to be presented by the Company and Group under IFRS. The directors have decided that the effective date of the transition is to be 1 September 2012 and as a result the comparative periods have been restated accordingly.

In 2013 the financial year end of the Company and the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly, the prior year financial statements are prepared for the 13 months from 1 September 2012 to 30 September 2013, and as a result, the comparative figures stated in the consolidated statement of comprehensive income and notes are not comparable.

During the current year the directors of Tocatto Ltd, a subsidiary of the Company, took the decision to end the trading of that company. The operational site of Tocatto Ltd, located in Preston, was formally closed in December 2013 and the expectation is that all trade and operations will cease by the end of September 2015.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Lowell Group of companies.

The principal activities of the Group are the acquisition and collection of non-performing consumer debt portfolios.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the investment into and recovery of non-performing debt portfolios in the UK. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (13 months ended 30 September 2013: £nil).

EMPLOYEES

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the year that kept our people fully informed and updated on business activities. The Group's intranet and magazine are used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are shown on page 1.

METIS BIDCO LIMITED

Directors' Report (continued)

Year ended 30 September 2014

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £6,397 (13 months ended 30 September 2013: £1,238).

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

J J Cornell
Director

January 2015

METIS BIDCO LIMITED

Strategic Report

Year ended 30 September 2014

OBJECTIVES & STRATEGY

The Group's strategy is to flourish as a debt recovery organisation, achieve significant growth across all key performance indicators and find innovative, ethical, cost-effective and fair solutions for our customers, clients and team members.

In the year to 30 September 2014 the Group's key objectives were to build capacity and capability, to provide a first class service to our clients, to ensure the customer is at the heart of what we do, to increase profitable collections, to develop and create new market opportunities, to maximise efficiency and reduce cost, and to manage our risks with effective governance.

THE BUSINESS MODEL

The Group's business model remains unchanged from the prior year – the acquisition and collection of non-performing consumer debt portfolios through a largely in-house, UK based, integrated collection platform.

PRINCIPAL RISKS AND UNCERTAINITIES

Details of the Group's financial risk management policies are set out in Notes 1 and 25.

FINANCIAL PERFORMANCE

It is estimated that the Group, through its subsidiaries, is invited to bid upon over 94% of the portfolios brought to market. The business acquired portfolios from 30 vendors during the year (13 months ended 30 September 2013: 30).

The overall fair value of portfolio investments stood at £368.3m at 30 September 2014 (2013: £275.4m), growth of 34% over the year.

The Group continues to be funded by the £200m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 17), which the subsidiary, Lowell Group Financing Plc, had issued on 30 March 2012. An additional £75m was issued on 11 February 2013 under the same terms, and a further £115m was issued on 11 March 2014 under the same terms apart from the interest rate of 5.875%. Semi-annual interest payments have been made during the year.

In addition, on 28 November 2013 the facility available under the Revolving Credit Facility ("RCF") was increased from £55m to £66m. Specific conditions in the RCF allowed the facility to be increased to £83m. As at 30 September 2014 these conditions had been met and the Group therefore has an available facility of £83m.

The Group has performed strongly in the year, with 84 months ERC (Estimated Remaining Collections) of £713.9m at 30 September 2014 (2013: £532.1m), an increase of 34%. 120 month ERC was £800.9m at 30 September 2014 (2013: £593.4m).

The Group defines ERC as the expected collections on acquired portfolios over an 84 month period, based on our proprietary valuation model.

Adjusted EBITDA is defined as collections on acquired portfolios plus other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs. The Adjusted EBITDA in the year ended 30 September 2014 is £126.1m (13 months ended 30 September 2013: £119.0m).

ERC and Adjusted EBITDA are non-IFRS financial measures but are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

The Group has included other non-IFRS financial measures, including Net Debt and certain other financial measures and ratios, to aid the reader of these financial statements.

These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's Senior Secured Notes due 2019. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

METIS BIDCO LIMITED

Strategic Report (continued)

Year ended 30 September 2014

FINANCIAL PERFORMANCE (continued)

KEY PERFORMANCE INDICATORS (KPIs)

	2014	2013
Cumulative face value of debt acquisitions	£13.1bn	£11.0bn
Cumulative number of accounts	15.6m	12.3m
Collections on acquired portfolios	£196.8m	£173.2m
Portfolio investments	£368.3m	£275.4m
ERC (Estimated Remaining Collections)	£713.9m	£532.1m
Consolidated Adjusted EBITDA	£126.1m	£119.0m
Fixed charge cover ratio (Consolidated Adjusted EBITDA / Fixed Charges)	3.51	3.90
Bond covenant (Net Debt* / ERC)	0.50	0.51
Drawdown on RCF** (Revolving Credit Facility)	-	£10.0m
10.75% Senior Secured Notes	£275.0m	£275.0m
5.875% Senior Secured Notes	£115.0m	-
Net Debt* / portfolio investments	96.5%	97.9%

* Net Debt is total indebtedness of £390.0m (2013: £285.0m) less cash in bank of £34.4m (2013: £15.3m).

** Facility available under the RCF as at 30 September 2014 is £83.0m (2013: £55.0m). The RCF was increased from £55.0m to £66.0m on 28 November 2013. Under the terms of the RCF, if certain conditions are achieved this will allow the facility to increase to a maximum limit of £83.0m. As at 30 September 2014 these conditions had been met and therefore the available facility is £83.0m. (see Note 17 for further details).

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC at 30 September 2014. Our forecast tail of cash flow from month 84 to month 120 is £87.0m (2013: £61.3m), which is in addition to the £713.9m (2013: £532.1m) ERC.

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

J J Cornell
Director

January 2015

METIS BIDCO LIMITED

Statement of Directors' Responsibilities in Respect of the Directors' Report, Strategic Report and the Financial Statements

Year ended 30 September 2014

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

METIS BIDCO LIMITED

Consolidated Statement of Comprehensive Income

Year ended 30 September 2014

	Note	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Continuing operations			
Revenue			
Income from portfolio investments	1,14	107,050	93,295
Portfolio write up	1,14	25,338	11,911
Portfolio fair value release	14	(4,882)	(7,268)
Other revenue	1	18,688	6,849
Total revenue		**146,194**	**104,787**
Operating expenses			
Collection activity costs	1	(33,486)	(23,591)
Other expenses	5	(63,117)	(43,374)
Total operating expenses		**(96,603)**	**(66,965)**
Operating profit		**49,591**	**37,822**
Interest income	6	127	206
Finance costs	7	(63,931)	(60,952)
Goodwill impairment	9	-	(785)
Loss before tax	4	**(14,213)**	**(23,709)**
Income tax expense	8	(1,874)	(1,755)
Loss for the period attributable to equity shareholders		**(16,087)**	**(25,464)**
Other comprehensive income		-	-
Total comprehensive expenditure for the period attributable to equity shareholders	20,21	**(16,087)**	**(25,464)**

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages 14 to 62 form part of these financial statements.

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METIS BIDCO LIMITED

Consolidated Statement of Financial Position

30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Goodwill	9	169,819	169,819	140,205
Other intangible assets	10	5,622	7,434	9,322
Property, plant and equipment	11	3,987	2,072	2,346
Portfolio investments	14	204,600	146,098	119,519
Deferred tax asset	16	250	4,310	930
Total non-current assets		**384,278**	**329,733**	**272,322**
Current assets				
Portfolio investments	14	163,677	129,290	105,670
Trade and other receivables	15	33,153	14,796	9,226
Cash and cash equivalents	22	34,373	15,303	9,020
Total current assets		**231,203**	**159,389**	**123,916**
Total assets		**615,481**	**489,122**	**396,238**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(72,866)	(56,779)	(31,315)
Total deficit attributable to shareholders	21	**(71,502)**	**(55,480)**	**(30,097)**
Liabilities				
Non-current liabilities				
Borrowings	17	650,023	508,344	403,089
Current Liabilities				
Trade and other payables	18	36,909	25,774	11,202
Borrowings	17	-	10,000	9,018
Current tax liabilities		51	484	3,026
Total current liabilities		**36,960**	**36,258**	**23,246**
Total equity and liabilities		**615,481**	**489,122**	**396,238**

*Prior period figures have been restated due to the change from UK GAAP to IFRS.
See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
January 2015

The notes on pages 14 to 62 form part of these financial statements.

METIS BIDCO LIMITED

Company Statement of Financial Position

Year ended 30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Investments	12	176,102	176,102	176,102
Current assets				
Trade and other receivables	15	5,200	2,466	2,692
Cash and cash equivalents		695	482	81
Total current assets		**5,895**	**2,948**	**2,773**
Total assets		**181,997**	**179,050**	**178,875**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(98,935)	(64,551)	(33,446)
Total deficit attributable to shareholders	21	**(97,571)**	**(63,252)**	**(32,228)**
Liabilities				
Non-current liabilities				
Borrowings	17	268,600	240,698	210,428
Current Liabilities				
Trade and other payables	18	10,968	1,604	675
Total equity and liabilities		**181,997**	**179,050**	**178,875**

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
January 2015

The notes on pages 14 to 62 form part of these financial statements.

METIS BIDCO LIMITED

Statement of Changes in Equity

Year ended 30 September 2014

Group

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(31,315)**	**(30,097)**
Loss for the period (Restated*)	-	-	(25,464)	(25,464)
Issuance of shares	18	63	-	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(56,779)**	**(55,480)**
Loss for the year	-	-	(16,087)	(16,087)
Issuance of shares	65	-	-	65
Balance at 30 September 2014	**1,295**	**69**	**(72,866)**	**(71,502)**

Company

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(33,446)**	**(33,228)**
Loss for the period (Restated*)	-	-	(31,105)	(31,105)
Issuance of shares	18	63	-	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(64,551)**	**(63,252)**
Loss for the year	-	-	(34,384)	(34,384)
Issuance of shares	65	-	-	65
Balance at 30 September 2014	**1,295**	**69**	**(98,935)**	**(97,571)**

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages 14 to 62 form part of these financial statements.

METIS BIDCO LIMITED

Statement of Cash Flow

Year ended 30 September 2014

Group

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	(81,247)	(57,085)
Investing activities			
Interest received		127	206
Purchase of property, plant and equipment		(3,148)	(916)
Purchase of intangible assets		(1,768)	(1,795)
Proceeds of sale of property, plant and equipment		41	-
Acquisition of subsidiary		-	(29,163)
Net cash from investing activities		(4,748)	(31,668)
Financing activities			
New borrowings		115,000	95,036
Repayment of borrowings		(10,000)	-
New share issue		65	-
Net cash from financing activities		105,065	95,036
Net increase in cash and cash equivalents		19,070	6,283
Cash and cash equivalents at beginning of period		15,303	9,020
Cash and cash equivalents at end of period		34,373	15,303

The notes on pages 14 to 62 form part of these financial statements.

METIS BIDCO LIMITED

Statement of Cash Flow (continued)

Year ended 30 September 2014

Company

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	143	316
Investing activities			
Interest received		5	4
Net cash from investing activities		5	4
Financing activities			
New share issue		65	81
Net cash from financing activities		65	81
Net increase in cash and cash equivalents		213	401
Cash and cash equivalents at beginning of period		482	81
Cash and cash equivalents at end of period		695	482

The notes on pages 14 to 62 form part of these financial statements.

METIS BIDCO LIMITED

Notes to the Financial Statements

Year ended 30 September 2014

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 19 (amended)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

No new or revised Standards and Interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

- IFRS 9 – Financial Instruments – will impact the measurement and disclosures for Financial Instruments. The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages 8 and 9. In addition, Note 25 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group is in a net liabilities position as a result of funding structures in place from investment by the immediate parent, Metis Holdco Limited. These funding structures relate to redeemable cumulative preference shares and a shareholder loan (see Note 17 for further details), both of which have a fixed interest rate and are not due to be redeemed until September 2021. The interest due is not payable until the redemption date.

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the year ended 30 September 2014 with the Adjusted EBITDA of £126.1m (13 months ended 30 September 2013 Adjusted EBITDA £119.0m).

The business as a whole is cash generative, receiving £196.8m in gross cash collections for the year ended 30 September 2014 (2013: £173.2m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Other than the funding from the immediate parent the Group has two other sources of funding at 30 September 2014, £390m of listed Senior Secured loan notes ("Notes"), and an £83m Revolving Credit Facility ("RCF"). These are due for repayment on 1 April 2019 and 1 April 2018 respectively. The key covenant for the Loan Notes is the Loan to Value ratio ("LTV") and for the RCF is the Super Senior Loan to Value ratio ("SSLTV"). The LTV is defined as the Net Debt to estimated remaining collections ("ERC") and cannot exceed 75%. As at 30 September 2014 the LTV was 50%. The SSLTV is defined as the percentage of utilised RCF to ERC and cannot exceed 25%. At 30 September 2014 the RCF was unutilised. As at 30 September 2014 the gross ERC would need to fall by 34% to £471.1m before the covenant would be breached.

There are long term business plans and short term forecasts in place which are reviewed and updated on a 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 adopt the going concern basis of accounting in preparing these financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 25). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is treated for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (CGU), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income ("SCI") line item.

When an individual portfolio's carrying value is completely recovered, the Group recognises collections as revenue as they are received.

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on 15 September 2011 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 14). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Revenue recognition and effective interest rate method (continued)

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position ("SFP") date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group historically (prior to 1 September 2012) entered into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group did not and 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 the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page 17).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 25.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections profile over seven years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees.
Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years (4 years prior to October 2013)
Fixtures and fittings	5 years (4 years prior to October 2013)
Hardware	5 years (4 years prior to October 2013)
Leasehold improvements	Life of lease (4 years prior to October 2013)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years (4 years prior to October 2013)	Straight line
Licences	3 years (4 years prior to October 2013)	Straight line
Development costs	Not amortised	
Acquired customer contracts	Expected life of the underlying contract (Collection profile)	

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

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METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. UK company law and IFRS require the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/- 2.5% has the following impact on the income from portfolio investments:

	Year ended 30 Sept 2014 £000	Restated 13 months ended 30 Sept 2013 £000
Plus 2.5%		
Income from portfolio investments	5,377	4,340
Portfolio write-up	(8,992)	(6,208)
Decrease of income	(3,615)	(1,868)
Minus 2.5%		
Income from portfolio investments	(5,102)	(3,952)
Portfolio write-up	9,063	6,054
Increase of income	3,961	2,102

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections ("ERC") of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 9 for further details regarding goodwill.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS

These financial statements are the first to be presented by Metis Bidco Limited under IFRS. The financial statements for the periods ended 30 September 2013 and 31 August 2012 were both prepared under the UK Companies Act and applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The directors have decided that the effective date for the first time adoption of IFRS for these financial statements will be 1 September 2012. Consequently IFRS accounting policies have been applied consistently for the period ended 30 September 2013.

3.1 Adjustments to profit attributable to shareholder and shareholder's equity

a) Acquired portfolio investment accounting

Portfolio investments were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Group, on transition to IFRS a policy of amortised cost, under IAS 39 (Financial Instruments), has been adopted.

b) Reversal of goodwill amortisation

Goodwill was previously amortised under UK GAAP. This is not permitted under IFRS so the previously amortised amounts have been reversed.

c) Identification of separable intangible assets

IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) require recognition of identifiable, separable intangible assets prior to recognising goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortised over their useful economic lives.

d) Expenditure of capitalised costs

Costs in relation to business combinations were previously capitalised under UK GAAP as part of the recognised goodwill. IFRS is more restrictive on this matter and any costs that did not meet the capitalisation criteria in IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) have been expensed.

e) Reclassifications

i) Under UK GAAP portfolio investments were recognised within current assets however under IFRS they have been split between current and non-current assets.

ii) Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortisation as per IAS 38 (Intangible Assets).

iii) Upfront set up fees and any premium paid for the listed Loan Notes have been reclassified to Borrowings under the amortised cost method.

iv) Under UK GAAP corporation tax is recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

v) Under UK GAAP RCF borrowings were recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

f) Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

g) Goodwill impairment

As at 30 September 2013 the goodwill within Tocatto Ltd was fully written down under UK GAAP. As a result of the IFRS conversion the previous amortisation was reversed leaving an outstanding balance at 30 September 2013. An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of loss under UK GAAP to total comprehensive expenditure under IFRS

Group

13 months to 30 September 2013

	UK GAAP £000	Porftolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassif-ications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Revenue									
Income from portfolio investments	173,684	(80,389)	-	-	-	-	-	-	93,295
Portfolio write up	10,997	914	-	-	-	-	-	-	11,911
Portfolio fair value release	-	(7,268)	-	-	-	-	-	-	(7,268)
Amount of acquisition cost recovered	(74,527)	74,527	-	-	-	-	-	-	-
Other revenue	6,849	-	-	-	-	-	-	-	6,849
Total revenue	**117,003**	**(12,216)**	**-**	**-**	**-**	**-**	**-**	**-**	**104,787**
Collection activity costs	(23,591)	-	-	-	-	-	-	-	(23,591)
Other operating expenses	(49,310)	-	9,479	(2,710)	(833)	-	-	-	(43,374)
Total operating expenses	**(72,901)**	**-**	**9,479**	**(2,710)**	**(833)**	**-**	**-**	**-**	**(66,965)**
Operating profit / (loss)	**44,102**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**-**	**-**	**-**	**37,822**
Interest income	944	-	-	-	-	(738)	-	-	206
Finance costs	(61,690)	-	-	-	-	738	-	-	(60,952)
Goodwill impairment	-	-	-	-	-	-	-	(785)	(785)
Loss before tax	**(16,644)**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**-**	**-**	**(785)**	**(23,709)**
Income tax expense	(4,752)	2,096	-	767	-	-	6	128	(1,755)
Loss for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**-**	**6**	**(657)**	**(25,464)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive deficit for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**-**	**6**	**(657)**	**(25,464)**

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METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Non-current assets									
Goodwill	174,249	234	17,447	(8,553)	(12,807)	-	34	(785)	169,819
Intangible assets	-	-	-	4,798	-	2,636	-	-	7,434
Property, plant and equipment	4,708	-	-	-	-	(2,636)	-	-	2,072
Portfolio investments	-	(44,773)	-	-	-	190,871	-	-	146,098
Deferred tax asset	-	4,815	-	(960)	-	473	(18)	-	4,310
	178,957	**(39,724)**	**17,447**	**(4,715)**	**(12,807)**	**191,344**	**16**	**(785)**	**329,733**
Current assets									
Portfolio investments	299,465	20,696	-	-	-	(190,871)	-	-	129,290
Trade and other receivables	22,623	-	-	-	-	(7,827)	-	-	14,796
Cash and cash equivalents	15,303	-	-	-	-	-	-	-	15,303
Total assets	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**
Equity									
Share capital	1,230	-	-	-	-	-	-	-	1,230
Share premium	69	-	-	-	-	-	-	-	69
Retained deficit	(36,907)	(19,028)	17,447	(4,715)	(12,807)	-	16	(785)	(56,779)
	(35,608)	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**-**	**16**	**(785)**	**(55,480)**
Non-current liabilities									
Borrowings	515,698	-	-	-	-	(7,354)	-	-	508,344
	515,698	**-**	**-**	**-**	**-**	**(7,354)**	**-**	**-**	**508,344**
Current liabilities									
Trade and other payables	36,258	-	-	-	-	(10,484)	-	-	25,774
Borrowings	-	-	-	-	-	10,000	-	-	10,000
Current tax liabilities	-	-	-	-	-	484	-	-	484
Total equity and liabilities	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**

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METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 1 September 2012

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	IFRS £000
Non-current assets								
Goodwill	152,728	2	7,968	(8,553)	(11,974)	-	34	140,205
Intangible assets	-	-	-	7,508	-	1,814	-	9,322
Property, plant and equipment	4,160	-	-	-	-	(1,814)	-	2,346
Portfolio investments	-	(48,743)	-	-	-	168,262	-	119,519
Deferred tax asset	-	2,660	-	(1,727)	-	149	(152)	930
	156,888	**(46,081)**	**7,968**	**(2,772)**	**(11,974)**	**168,411**	**(118)**	**272,322**
Current assets								
Portfolio investments	236,759	37,173	-	-	-	(168,262)	-	105,670
Trade and other receivables	16,714	-	-	-	-	(7,488)	-	9,226
Cash and cash equivalents	9,020	-	-	-	-	-	-	9,020
Total assets	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**
Equity								
Share capital	1,212	-	-	-	-	-	-	1,212
Share premium	6	-	-	-	-	-	-	6
Retained deficit	(15,511)	(8,908)	7,968	(2,772)	(11,974)	-	(118)	(31,315)
	(14,293)	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**-**	**(118)**	**(30,097)**
Non-current liabilities								
Borrowings	410,428	-	-	-	-	(7,339)	-	403,089
	410,428	**-**	**-**	**-**	**-**	**(7,339)**	**-**	**403,089**
Current liabilities								
Trade and other payables	23,246	-	-	-	-	(12,044)	-	11,202
Borrowings	-	-	-	-	-	9,018	-	9,018
Current tax liabilities	-	-	-	-	-	3,026	-	3,026
Total equity and liabilities	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 30 September 2013

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,466	-	2,466
Cash and cash equivalents	482	-	482
Total current assets	**2,948**	**-**	**2,948**
Total assets	**191,024**	**(11,974)**	**179,050**
Equity			
Share capital	1,230	-	1,230
Share premium	69	-	69
Retained deficit	(52,577)	(11,974)	(64,551)
	(51,278)	**(11,974)**	**(63,252)**
Non-current liabilities			
Borrowings	240,698	-	240,698
Current liabilities			
Trade and other payables	1,604	-	1,604
Total equity and liabilities	**191,024**	**(11,974)**	**179,050**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed. See page 28 for further details.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. **EXPLANATION OF TRANSITION TO IFRS (continued)**

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 1 September 2012

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,692	-	2,692
Cash and cash equivalents	81	-	81
Total current assets	**2,773**	**-**	**2,773**
Total assets	**190,849**	**(11,974)**	**178,875**
Equity			
Share capital	1,212	-	1,212
Share premium	6	-	6
Retained deficit	(21,472)	(11,974)	(33,446)
	(20,254)	**(11,974)**	**(32,228)**
Non-current liabilities			
Borrowings	210,428	-	210,428
Current liabilities			
Trade and other payables	675	-	675
Total equity and liabilities	**190,849**	**(11,974)**	**178,875**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

4. LOSS BEFORE TAX

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period is after charging/(crediting):		
Release of contingent consideration obligation (Note 18)	(5,200)	-
Impairment of goodwill (Note 9)	-	785
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Loss on disposal of property, plant and equipment (Note 11)	314	-
Loss on disposal of intangible assets (Note 10)	131	-
Staff costs (Note 5c)	35,681	25,039
Rentals under operating leases (Note 23)	2,233	1,098

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Staff costs (Note 5c)	35,681	25,039
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Other	23,109	13,128
Total other operating expenses	**63,117**	**43,374**

b) Auditor's remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Audit of Parent Company and consolidated financial statements	3	4
Audit of financial statements of subsidiaries	67	87
Other services	1,032	-
Total auditor's remuneration	**1,102**	**91**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

5. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

c) Staff costs

The average number of employees (including executive directors) was:

	Year ended 30 Sept 2014 Number	13 months ended 30 Sept 2013 Number
Customer account associates	548	310
Other operational staff	244	231
Business support	288	199
Total	**1,080**	**740**

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Wages and salaries	32,071	22,541
Social security costs	3,300	2,387
Pension costs (Note 24)	310	111
Total	**35,681**	**25,039**

d) Directors' remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Directors' remuneration		
Directors' emoluments to current directors	518	557
Company contributions to defined contribution scheme	2	1
	520	**558**

The aggregate of emoluments of the highest paid director was £370.4k (2013: £402.7k) and company pension contributions of £2.1k (2013: £0.2k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is one (2013: one).

Only one of the directors receives emoluments from the Company for their services as directors. However JJ Cornell received emoluments from a subsidiary undertaking of the Company (Lowell Financial Ltd) for his services as a director to the Group. The total of these emoluments is disclosed above.

The above does not include any emoluments for M Dale, T J H Large, J B Rosen, B J Thompson, I A Kennedy and M Teubner who are paid by a parent undertaking for their services to the Group.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

5. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

e) Holiday pay

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014 a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay. A UK Employment Appeal Tribunal is also considering whether commission payments should be included in the calculation and is expected to conclude in 2015. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are likely to be capped at two years.

6. INTEREST INCOME

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Bank interest receivable	**127**	**206**

7. FINANCE COSTS

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Interest payable on the £200m Notes	21,500	23,292
Fees payable on the £200m Notes	1,152	1,297
Interest payable on the £75m Notes	8,062	5,151
Fees payable on the £75m Notes	242	156
Release of premium on £75m Notes (Note A)	(1,161)	(738)
Interest payable on the £115m Notes	3,754	-
Fees payable on the £115m Notes	326	-
Interest payable on preference shares to Metis Holdco Limited	24,249	26,661
Interest payable preference shares to other parties	968	703
Interest payable on loan notes to Metis Holdco Limited	2,672	2,906
Interest payable on loan notes to other parties	13	-
Interest and fees payable on revolving credit facility	2,154	1,524
	63,931	**60,952**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 17 and 18 respectively.

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METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Current taxation		
UK corporation tax	(2,164)	5,313
Adjustment in respect of previous periods	(22)	(97)
Total current tax (credit) / charge	(2,186)	5,216
Deferred tax		
Origination and reversal of temporary differences	4,469	(4,136)
Prior period adjustment	(3)	(8)
Change in estimate of recoverable deferred tax	-	(42)
Impact of change in tax rate	(406)	725
Total deferred tax charge / (credit) (Note 16)	4,060	(3,461)
Total tax expense	**1,874**	**1,755**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

b) Reconciliation of effective tax rate

The tax assessed for the year is higher (13 months ended 30 September 2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 September 2014 of 22.00% (13 months ended 30 September 2013: 23.54%) The differences are explained below:

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Loss on ordinary activities before tax	(14,213)	(23,709)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 22.00% (13 months ended 30 September 2013: 23.54%)	(3,127)	(5,581)
Effects of:		
Expenses not deductible for tax purposes	6,717	6,754
Income not taxable for tax purposes	(1,144)	-
Effects of other tax rates	(547)	726
Adjustment to tax charge in respect of previous periods	(25)	(105)
Change in estimate of recoverable deferred tax asset	-	(42)
Group relief paid for	-	3
Total tax expense	**1,874**	**1,755**

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

9. GOODWILL

	Total £000
Cost	
At 1 September 2012	140,205
Addition on acquisition of Interlaken Group on 16 May 2013 (Note 13)	30,399
At 30 September 2013 and 2014	170,604
Impairment	
At 1 September 2012	-
Charge for the period – Tocatto Limited	(785)
At 30 September 2013 and 2014	(785)
Net book value	
At 30 September 2014	169,819
At 30 September 2013	169,819
At 1 September 2012	140,205

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance relating to Tocatto Ltd being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGU on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

9. GOODWILL (continued)

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Lowell Group CGU	11.81%	13.66%	13.81%
Interlaken Group CGU	19.57%	18.68%	-

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following two years at a flat rate. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 30 September 2014 the five year forecast assumed acquisitions growth of between 9% and 11% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell Group CGU
Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (41% at 30 September 2013 and 35% at 1 September 2012).

Interlaken Group CGU
Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (13% at 30 September 2013).

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 September 2012	2,790	-	11,404	14,194
Acquisition of subsidiary (Note 13)	56	-	-	56
Additions	1,795	-	-	1,795
At 30 September 2013	4,641	-	11,404	16,045
Additions	271	1,497	-	1,768
Reclassification	1,138	(1,293)	-	(155)
Disposals	(1,829)	-	-	(1,829)
At 30 September 2014	4,221	204	11,404	15,829
Accumulated amortisation				
At 1 September 2012	(976)	-	(3,896)	(4,872)
Charge for the period	(1,029)	-	(2,710)	(3,739)
At 30 September 2013	(2,005)	-	(6,606)	(8,611)
Charge for the year	(1,625)	-	(1,669)	(3,294)
Disposals	1,698	-	-	1,698
At 30 September 2014	(1,932)	-	(8,275)	(10,207)
Net book value				
At 30 September 2014	2,289	204	3,129	5,622
At 30 September 2013	2,636	-	4,798	7,434
At 1 September 2012	1,814	-	7,508	9,322

Reclassifications: Development costs can be a combination of "Software and Licences" and "Property, Plant and Equipment". When projects go live and development costs are reclassified they are transferred to "Software and Licences" or "Property, Plant and Equipment" (Note 11).

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 September 2012	33	1,399	2,199	5,189	8,820
Acquisition of subsidiary (Note 13)	11	-	118	149	278
Additions	-	89	738	89	916
At 30 September 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	400	199	3,148
Disposals	-	(1,294)	(817)	(1,699)	(3,810)
Reclassification	-	-	155	-	155
At 30 September 2014	143	2,644	2,793	3,927	9,507
Accumulated depreciation					
At 1 September 2012	(18)	(819)	(839)	(4,798)	(6,474)
Charge for the period	(13)	(381)	(766)	(308)	(1,468)
At 30 September 2013	(31)	(1,200)	(1,605)	(5,106)	(7,942)
Charge for the year	(18)	(337)	(546)	(132)	(1,033)
Disposals	-	1,279	525	1,651	3,455
At 30 September 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Net book value					
At 30 September 2014	94	2,386	1,167	340	3,987
At 30 September 2013	13	288	1,450	321	2,072
At 1 September 2012	15	580	1,360	391	2,346

Reclassifications: Development costs can be a combination of "Software and Licences" and "Property, Plant and Equipment". When projects go live and development costs are reclassified they are transferred to "Software and Licences" or "Property, Plant and Equipment" (Note 10).

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

12. NON-CURRENT ASSET INVESTMENTS

Company

Subsidiary undertakings

	£000
Cost	
At 30 September 2014 and 2013 and 1 September 2012	176,102

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Overdales Legal Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

*Held directly by the Company.

All subsidiaries are included in the consolidation.

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. Further details of the acquisition are set out in Note 13.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.9m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets. The potential undiscounted amount of all future payments that could be required under the contingent consideration is between £nil and £5.2m. The fair value of the contingent consideration was calculated by estimating the probability of achieving the defined revenue targets.

During the year ended 30 September 2014 it was assessed that these revenue targets will not be achieved and the decision was taken to release the contingent consideration to the SCI (see Notes 4 and 18).

In addition, the Group incurred professional fees of £0.8m on the acquisition of Interlaken Group Limited.

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting. Included below is a fair value adjustment which has been made to the portfolio investments acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an increase in the portfolio value of £0.4m. The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

	£000
Assets and liabilities acquired at fair value:	
Intangible assets (Note 10)	56
Property, plant & equipment (Note 11)	278
Portfolio investments (Note 14)	999
Trade and other receivables	4,197
Cash	827
Trade and other payables	(1,427)
Payables: deferred tax liability (Note 16)	(140)
	4,790
Goodwill (Note 9)	30,399
Consideration	35,189

The goodwill arising and the justification for the acquisition can be attributed to a combination of how Interlaken's debt management capability aids Lowell Portfolio I's acquisition ambitions, the value of the workforce, the going concern of the business, and expectations of future growth. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £4.2m, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £nil.

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

For the period since acquisition on 16 May 2013 to 30 September 2013, the consolidated unaudited management accounts of Interlaken Group Limited showed the following:

	£000
Turnover	6,933
Gross Profit	2,897
Profit before taxation	130

If the acquisition of Interlaken Group Limited had been completed on the first day of the financial period on 1 September 2012, Group revenues for the period would have been £12.4m, and group profit after tax would have been £50k.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

14. PORTFOLIO INVESTMENTS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Portfolio investments	204,600	146,098	119,519
Current			
Portfolio investments	163,677	129,290	105,670
Total	368,277	275,388	225,189

The movements in acquired portfolio investments were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
As at the period brought forward	275,388	225,189	-
Portfolios acquired during the period	162,209	124,447	90,682
Portfolios acquired through acquisitions	-	999	189,295
Collections in the period	(196,826)	(173,185)	(135,902)
Income from portfolio investments	107,050	93,295	68,649
Portfolio fair value release	(4,882)	(7,268)	(8,777)
Portfolio write-up	25,338	11,911	21,242
As at the period end	368,277	275,388	225,189

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

15. TRADE AND OTHER RECEIVABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade receivables	2,176	2,961	126
Litigation deferred costs	14,410	2,888	-
Other receivables	6,162	3,706	4,719
Prepayments and accrued income	6,818	5,070	4,381
Directors' loans (Note A)	-	171	-
Corporation tax recoverable	3,587	-	-
	33,153	14,796	9,226

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Amounts owed by group undertakings (Note B)	5,146	2,245	2,577
Other receivables	18	18	18
Other taxes and social security	-	-	59
Prepayments and accrued income	-	32	38
Directors' loans (Note A)	-	171	-
Corporation tax recoverable	36	-	-
	5,200	2,466	2,692

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: All directors loans were repaid in full during the year ended 30 September 2014.

Note B: These balances are non- interest bearing and repayable on demand.

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METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

16. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 September 2012	382	548	-	930
Credited to the income statement*	267	3,194	-	3,461
Credited to goodwill (Note A)	-	59	-	59
Deferred tax acquired in the period (note 13)	(140)	-	-	(140)
At 30 September 2013	509	3,801	-	4,310
Credited/(charged) to the income statement*	467	(6,615)	2,088	(4,060)
At 30 September 2014	976	(2,814)	2,088	250

Note A: Deferred tax charged/(credited) to goodwill represents deferred tax adjustments to the acquired balance sheet as a result of converting to IFRS. These adjustments have altered the net assets acquired and consequently the goodwill arising on the relevant acquisition.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

* See Note 8.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

17. BORROWINGS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	-	-
Total unsecured	268,600	240,698	210,428
Secured borrowing at amortised cost			
Senior secured notes	390,000	275,000	200,000
Prepaid costs on senior secured notes	(8,577)	(7,354)	(7,339)
Total Secured	381,423	267,646	192,661
Total borrowings due for settlement after 12 months	650,023	508,344	403,089
Current			
Unsecured borrowing at amortised cost			
Revolving credit facility	-	10,000	-
Total unsecured	-	10,000	-
Secured borrowing at amortised cost			
Interest on senior secured notes	-	-	9,018
Total Secured	-	-	9,018
Total borrowings due for settlement before 12 months	-	10,000	9,018

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

17. BORROWINGS (continued)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	-	-
Total unsecured	268,600	240,698	210,428
Total borrowings due for settlement after 12 months	268,600	240,698	210,428

All borrowings are denominated in Sterling.

The other principal features of the Group's borrowings are as follows:

Redeemable Cumulative Preference Shares ("Preference Shares")
The rights attached to the 165,810,093 preference shares, with a nominal value of £1.00 each, are as follows:

Voting
Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company. Preference Shares may not vote at general meetings in respect of their preference shares.

Dividends
Each preference share shall accrue a fixed preferential dividend at 15.25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share. The right to the preference dividend has priority over the dividend rights of the holders of any other class of share.

Return of capital
On a return of capital on a liquidation, reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares: (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend. The preference shares do not confer any further right of participation in the profits or assets of the Company.

The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue (15 September 2011). The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

17. BORROWINGS (continued)

Senior Secured Notes ("Notes")

On 30 March 2012 the Company issued £200m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 October 2012, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

On 11 February 2013 the Company issued a further £75m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 April 2013, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 3 February 2013.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 18) and is being released to the SCI over the remaining term of the Notes. The release to the SCI during the year ended 30 September 2014 was £1.2m (13 months ended 30 September 2013: £0.7m). As at 30 September 2014 and 30 September 2013 the outstanding loan premium is £5.2m and £6.4m respectively.

On 11 March 2014 the Company issued £115m 5.875% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 5.875% for the entirety of its term. Commencing on 1 October 2014, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 4 March 2014.

Unsecured Loan Notes 2021 ("Shareholder Loan")

The Unsecured Loan Notes 2021 were issued by the Company on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

As at 30 September 2014 the amount of Shareholder Loan outstanding was £25.8m (2013: £23.1m), comprising loan principal of £17.6m (2013: £17.6m) and accrued interest of £8.2m (2013: £5.5m).

Revolving Credit Facility ("RCF")

The current RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On 28 November 2013 the facility was further increased to £66m. Under the terms of the RCF, if certain conditions were achieved this would allow the facility to increase to £83m. As at 30 September 2014 these conditions had been met and the available facility, which is unutilised at 30 September 2014, is £83m.

The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility. The current RCF ceases on 1 April 2018.

The weighted average interest rates during the period were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Notes	9.83%	10.75%	10.75%
RCF	4.49%	4.28%	5.10%
Shareholder Loan	15.25%	15.25%	15.25%
Preference Shares	15.25%	15.25%	15.25%

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

18. TRADE AND OTHER PAYABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade payables	6,257	2,886	1,769
Amounts owed to Metis Holdco Limited (Note A)	2,785	3,773	1,087
Amounts owed to other parties (Note B)	1,361	-	-
Other taxes and social security	1,533	1,115	377
Accruals and deferred income	5,763	4,235	3,636
Other payables	4,682	1,381	441
Other payables – acquired portfolio investments	9,302	797	3,892
Other payables – contingent consideration	-	5,200	-
Loan notes premium	5,226	6,387	-
	36,909	25,774	11,202

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Trade payables	3,358	30	71
Amounts owed to Metis Holdco Limited (Note A)	2,785	1,279	-
Amounts owed to other parties (Note B)	1,361	-	-
Amounts owed to group undertakings (Note C)	1,101	-	227
Other taxes and social security	4	14	6
Accruals and deferred income	2,359	281	363
Other payables	-	-	8
	10,968	1,604	675

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: This group relief balance due to Metis Holdco Limited is non- interest bearing and repayable on demand.

Note B: This group relief balance due to other parties is interest bearing and repayable on demand. The loan attracts a fixed interest rate of 5.4% payable annually.

Note C: These balances are non- interest bearing and repayable on demand.

Other payables – acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the year end. In all cases the obligation is settled within one month.

Other payables – contingent consideration: this relates to the acquisition of Interlaken Group Limited on 16 May 2013. During the year ended 30 September 2014 the decision was taken to release the obligation to pay the contingent consideration. Further details see Note 13.

Loan notes premium – for further details see Notes 7 and 17.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

19. SHARE CAPITAL

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Called up, allotted and fully paid:			
940,478 (2012 & 2013: 940,478) A ordinary shares of £1.00 each	940	940	940
226,190 (2012 & 2013: 226,190) B ordinary shares of £1.00 each	226	226	226
128,082 (2013: 62,836; 2012: 45,515) C ordinary shares of £1.00 each	128	63	46
23,810 (2013: 23,810; 2012: 6,250) D ordinary shares of £0.01 each	1	1	-
	1,295	1,230	1,212

The rights attached to the ordinary shares are as follows:

Voting
The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Parent company. On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them.

Dividends
The profits of the Parent company available for distribution and resolved to be distributed shall be distributed as follows: (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them; and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them.

Return of capital
On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority: (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price; (ii) thereafter, of the balance remaining: (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them; and (b) 1 / 1,000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them.

During the 13 month period ended 30 September 2013 the Company issued 17,321 C ordinary shares and 17,560 D ordinary shares at a subscription price of £1.00 and £3.57 respectively for cash. This gave rise to a share premium on the D ordinary shares of £63k.

During the year ended 30 September 2014 the Company issued 65,246 C ordinary shares at a subscription price of £1.00 for cash.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

20. RETAINED DEFICIT

Group

	£000
At 1 September 2012 (Restated*)	(31,315)
Loss for the period (Restated*)	(25,464)
At 30 September 2013 (Restated*)	(56,779)
Loss for the year	(16,087)
At 30 September 2014	(72,866)

Company

	£000
At 1 September 2012 (restated)	(33,446)
Loss for the period	(31,105)
At 30 September 2013	(64,551)
Loss for the year	(34,384)
At 30 September 2014	(98,935)

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

21. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' DEFICIT

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(55,480)	(30,097)	-
Issue of share capital	65	18	1,212
Share premium on shares issued	-	63	6
Loss for the financial period	(16,087)	(25,464)	(31,315)
Closing total shareholders' deficit	(71,502)	(55,480)	(30,097)

Company

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(63,252)	(32,228)	-
Issue of share capital	65	18	1,212
Share premium on shares issued	-	63	6
Loss for the financial period	(34,384)	(31,105)	(33,446)
Closing total shareholders' deficit	(97,571)	(63,252)	(32,228)

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

22. NOTES TO THE CASHFLOW STATEMENT

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(16,087)	(25,464)
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Impairment of goodwill (Note 9)	-	785
Release of deferred consideration	(5,200)	-
Interest receivable	(127)	(206)
Loss on sale of property, plant and equipment	314	-
Loss on sale of intangible assets	131	-
Tax expense	1,874	1,755
Finance costs	63,931	60,952
	49,163	43,029
Increase in portfolio investments	(92,889)	(49,201)
Increase in trade and other receivables	(14,229)	(1,270)
Increase/(decrease) in trade and other payables	17,123	(970)
Cash generated from operating activities	(40,832)	(8,412)
Interest paid	(38,954)	(43,804)
Income taxes paid	(1,461)	(4,869)
Net cash from operating activities	(81,247)	(57,085)

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	34,373	15,303	9,020

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

22. NOTES TO THE CASHFLOW STATEMENT (continued)

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(34,384)	(31,105)
Adjustments for:		
Interest receivable	(5)	(4)
Finance costs	27,902	30,270
	(6,487)	(839)
(Increase) / decrease in trade and other receivables	(2,735)	226
Increase in trade and other payables	9,365	929
Net cash from operating activities	143	316

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	695	482	81

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Lease payments under operating leases recognised as an expense in the period	2,233	1,098

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
No later than one year	1,275	1,137	805
Later than one year and no later than five years	4,622	989	1,943
Later than five years	5,898	-	1,326
	11,795	2,126	4,074

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of one to three years with various options for breaks. The car leases run for three years with the option to extend.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £310k (13 months ended 30 September 2013: £111k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes

As at 30 September 2014, contributions of £66k (30 September 2013: £41k) due in respect of the current reporting period had not been paid over to the schemes.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	34,373	15,303	9,020
Loans and receivables	368,277	275,388	225,189
Trade and other receivables	33,153	14,796	9,226
Financial liabilities			
Borrowings	(650,023)	(508,344)	(412,107)
Borrowings – Revolving Credit Facility (RCF)	-	(10,000)	(9,018)
Trade and other payables	(36,909)	(20,574)	(11,202)
Tax liability	(51)	(484)	(3,026)
Contingent consideration (FVTPL)	-	(5,200)	-

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	695	482	81
Trade and other receivables	5,200	2,466	2,692
Financial liabilities			
Borrowings	(268,600)	(240,698)	(210,428)
Trade and other payables	(10,968)	(1,604)	(675)

Financial risk management objectives

As a result of its normal business activities, the Company and Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

This note presents information about the exposure of the Company and Group to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Company and Group manages these risks through the Board of Directors.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives (continued)

The Group has no significant exposure in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is considered immaterial by the Group. The Conpamy has no exposures in foreign currency.

The Company and Group have no exposure to equity markets and do not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual debtors and the relatively low value of each of the individual's debts. At 30 September 2014 the Group had 15.6m individual customer accounts, of those 10.6m were still open and of those 1.0m made at least one payment during the last 12 months. The average balance on a customer account at 30 September 2014 was £839.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business. This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 30 September 2014 is 15.52% (30 September 2013 17.47%, 1 September 2012 19.72%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.).

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables. The Group's maximum exposure to credit risk as at 30 September 2014 is £435.8m (30 September 2013: £305.5m, 1 September 2012: £243.4m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company's maximum exposure to credit risk as at 30 September 2014 is £5.9m (30 September 2013: £2.9m, 1 September 2012: £2.8m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's or the Group's reputation.

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2014, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on banking facilities.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	9.31	381,423	553,434	-	18,159	535,275	-
Preference shares	15.25	242,777	418,670	-	-	-	418,670
Shareholder loan	15.25	25,823	54,764	-	-	-	54,764
Other liabilities	-	36,960	36,960	36,960	-	-	-
Total liabilities		686,983	1,063,828	36,960	18,159	535,275	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	267,646	437,593	-	14,781	118,250	304,562
RCF	4.49	10,000	10,000	10,000	-	-	-
Preference shares	15.25	217,560	418,670	-	-	-	418,670
Shareholder loan	15.25	23,138	54,764	-	-	-	54,764
Other liabilities	-	21,058	21,058	21,058	-	-	-
Contingent consideration	-	5,200	5,200	-	-	5,200	-
Total liabilities		544,602	947,285	31,058	14,781	123,450	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	201,679	350,560	10,810	10,750	86,000	243,000
Preference shares	15.25	190,196	418,670	-	-	-	418,670
Shareholder loan	15.25	20,232	54,764	-	-	-	54,764
Other liabilities	-	14,228	14,228	14,228	-	-	-
Total liabilities		426,335	838,222	25,038	10,750	86,000	716,434

* Includes Loan principal outstanding and accrued interest (Note 17).
Other liabilities: this includes "Trade and other payables" and "Tax liabilities".

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

The following tables show the Company's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	242,777	418,670	-	-	-	418,670
Shareholder loan	15.25	25,823	54,764	-	-	-	54,764
Other liabilities	-	10,968	10,968	10,968	-	-	-
Total liabilities		279,568	484,402	10,968	-	-	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	217,560	418,670	-	-	-	418,670
Shareholder loan	15.25	23,138	54,764	-	-	-	54,764
Other liabilities	-	1,604	1,604	1,604	-	-	-
Total liabilities		242,302	475,038	1,604	-	-	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	190,196	418,670	-	-	-	418,670
Shareholder loan	15.25	20,232	54,764	-	-	-	54,764
Other liabilities	-	675	675	675	-	-	-
Total liabilities		211,103	474,109	675	-	-	716,434

Other liabilities: includes "Trade and other payables".

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's and the Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set on the next page.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Group financing facilities

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
RCF			
Amount used	-	10,000	-
Amount unused	83,000	45,000	40,000
	83,000	55,000	40,000

The Company has no separate financing facilities.

Operational risk
Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk
Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place £390m of senior secured loan notes along with an £83m RCF facility. At 30 September 2014 the RCF facility was unutilised. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk
Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk
Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital, in particular Preference Shares that have a fixed coupon for the whole term, and from 30 March 2012 by a series of Senior Secured Notes with fixed interest rates for the whole term.

The Group's RCF has a variable interest rate however at 30 September 2014 this was fully unutilised.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. Historically the Group entered into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the Group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 17 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 to 20.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Investments and receivables	401,430	290,184	234,415
Total financial assets	401,430	290,184	234,415
Financial liabilities			
Fair value through SCI	-	(5,200)	-
Financial liabilities measured at amortised cost	(686,983)	(539,402)	(426,335)
Total financial liabilities	(686,983)	(544,602)	(426,335)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Receivables	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692
Financial liabilities			
Financial liabilities measured at amortised cost	(279,568)	(242,302)	(211,103)
Total financial liabilities	(279,568)	(242,302)	(211,103)

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the year ended 30 September 2014 would be £nil (30 September 2013: decrease/increase £0.1m, 1 September 2012: £nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Interest rate swap contracts

Under interest rate swap contracts, the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date was determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. As at 30 September 2014 the Company and the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Group

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Investments and receivables:						
Portfolio investments	368,277	275,388	225,189	387,177	299,465	236,759
Trade and other receivables	33,153	14,796	9,226	33,153	14,796	9,226
Total financial assets	401,430	290,184	234,415	420,330	314,261	245,985
Financial liabilities						
Financial liabilities measured at amortised cost:						
Senior secured notes	(381,423)	(267,646)	(201,679)	(408,088)	(311,094)	(208,272)
RCF	-	(10,000)	-	-	(10,000)	-
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(34,175)	(17,285)	(13,141)	(34,175)	(17,285)	(13,141)
Amounts owed to parent	(2,785)	(3,773)	(1,087)	(2,785)	(3,773)	(1,087)
Contingent consideration	-	(5,200)	-	-	(5,200)	-
Total financial liabilities	(686,983)	(544,602)	(426,335)	(713,648)	(588,050)	(432,928)

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

Company

	Carrying amount			Fair Value		
	30 Sept 2014 £000	**30 Sept 2013 £000**	**1 Sept 2012 £000**	**30 Sept 2014 £000**	**30 Sept 2013 £000**	**1 Sept 2012 £000**
Financial assets						
Receivables:						
Trade and other receivables	5,200	2,466	2,692	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692	5,200	2,466	2,692
Financial liabilities						
Financial liabilities measured at amortised cost:						
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(8,183)	(325)	(448)	(8,183)	(325)	(448)
Amounts owed to parent	(2,785)	(1,279)	(229)	(2,785)	(1,279)	(229)
Total financial liabilities	(279,568)	(242,302)	(211,105)	(279,658)	(242,302)	(211,105)

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value. All of the Company's financial assets and liabilities have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as "paying" at the point of acquisition and 12% and 10% for portfolios that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed on page 56.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2013		
	Level 1	**Level 2**	**Level 3**
	£000	**£000**	**£000**
Financial liabilities at fair value			
Contingent consideration	-	-	(5,200)

	30 September 2014		
	Level 1	**Level 2**	**Level 3**
	£000	**£000**	**£000**
Financial liabilities at fair value			
Contingent consideration	-	-	-

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Holdco Limited, which prepares consolidated financial statements. The consolidated financial statements of Metis Holdco Limited are available from the company's registered office at 20 Bentinck Street, London, W1U 2EU.

The tables below set out the related party transactions and year end balances between the Company and its related parties and also the Group and its related parties.

Group and Company

Year ended 30 September 2014

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 30 September 2013	23,138	-	23,138
Principal and accrued interest transferred	(9,294)	9,294	-
Interest charged (Note 7)	2,672	13	2,685
As at 30 September 2014	16,516	9,307	25,823
Preference Shares			
Principal and accrued interest at 30 September 2013	213,114	4,446	217,560
Principal and interest transferred	(85,794)	85,794	-
Interest charged (Note 7)	24,249	968	25,217
As at 30 September 2014	151,569	91,208	242,777

13 months ended 30 September 2013

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 1 September 2012	20,232	-	20,232
Interest charged (Note 7)	2,906	-	2,906
As at 30 September 2013	23,138	-	23,138
Preference Shares			
Principal and accrued interest at 1 September 2012	184,647	5,549	190,196
Principal and interest transferred	1,806	(1,806)	-
Interest charged (Note 7)	26,661	703	27,364
As at 30 September 2013	213,114	4,446	217,560

INVESTORS IN PEOPLE Champion

Investor in Customers

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

26. RELATED PARTY TRANSACTIONS (continued)

Group and Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Other year end balances with related parties			
Metis Holdco Limited (group relief)	(2,785)	(3,773)	(1,087)
Other related parties (group relief)	(1,361)	-	-
Directors' loans	-	171	-

In addition, the Company also had the following transactions and year end balances with other related parties.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Transactions with related parties		
Expenses and costs recharged to Lowell Financial Limited	1,286	801
Expenses and costs recharged to Tocatto Ltd	13	162
Expenses and costs recharged to Fredricksons International Limited	384	-

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Lowell Portfolio I Ltd (trading)	(793)	(155)	2,442
Lowell Portfolio I Ltd (group relief)	1,902	2,093	4
Tocatto Ltd	(4)	8	135
Lowell Group Limited	-	11	(7)
Fredrickson International Limited	(44)	-	-
Lowell Financial Ltd (trading)	(260)	87	(220)
Lowell Financial Ltd (group relief)	3,244	2,653	1,083

Group

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Short-term employee benefits	1,483	1,195

The above details relate to five key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by a subsidiary company (Lowell Financial Ltd) for their services to the Group.

METIS BIDCO LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

27. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, the Company's immediate parent undertaking, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at 20 Bentinck Street, London, W1U 2EU.

8: Unaudited Summary Financial Statements: Lowell Finance Holdings Limited

During 2013, the financial year end of the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly the reported comparable figures stated for the period ended 30 September 2013 (13 month period) are not directly comparable with the current year ended 30 September 2014 (12 month period). The comparative figures stated for the period ended 30 September 2013 have been fully audited with the audit reports being unqualified.

LOWELL FINANCE HOLDINGS LIMITED

Unaudited Summary Financial Statements 2014

Contents

LOWELL FINANCE HOLDINGS LIMITED

Unaudited Summary Financial Statements 2014

Officers And Professional Advisers

Directors

J J Cornell
T J H Large
S L Leckenby
C G Storrar

Company secretary

S L Leckenby (resigned 25 March 2014)
M A Gilbert (appointed 25 March 2014)

Registered office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

LOWELL FINANCE HOLDINGS LIMITED

Directors' Report

Year ended 30 September 2014

The directors present their report and the audited consolidated financial statements of Lowell Finance Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2014.

In 2014 the Company and the Group converted its accounting methodology from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). These financial statements are the first to be presented by the Company and the Group under IFRS. The directors have decided that the effective date of the transition is to be 1 September 2012 and as a result the comparative periods have been restated accordingly.

In 2013 the financial year end of the Company and the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly, the prior year financial statements are prepared for the 13 months from 1 September 2012 to 30 September 2013, and as a result, the comparative figures stated in the consolidated statement of comprehensive income and notes are not comparable.

During the current year the directors of Tocatto Ltd, a subsidiary of the Company, took the decision to end the trading of that company. The operational site of Tocatto Ltd, located in Preston, was formally closed in December 2013 and the expectation is that all trade and operations will cease by the end of September 2015.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Lowell companies that collectively form the Bond group.

The principal activities of the Group are the acquisition and collection of non-performing consumer debt portfolios.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the investment into and recovery of non-performing debt portfolios in the UK. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (13 months ended 30 September 2013: £nil).

EMPLOYEES

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the year that kept our people fully informed and updated on business activities. The Group's intranet and magazine are used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company's immediate parent Metis Bidco Limited.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are shown on page 1.

LOWELL FINANCE HOLDINGS LIMITED

Directors' Report (continued)

Year ended 30 September 2014

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £6,397 (13 months ended 30 September 2013: £1,238).

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

C G Storrar
Director

January 2015

LOWELL FINANCE HOLDINGS LIMITED

Strategic Report

Year ended 30 September 2014

OBJECTIVES & STRATEGY

The Group's strategy is to flourish as a debt recovery organisation, achieve significant growth across all key performance indicators and find innovative, ethical, cost-effective and fair solutions for our customers, clients and team members.

In the year to 30 September 2014 the Group's key objectives were to build capacity and capability, to provide a first class service to our clients, to ensure the customer is at the heart of what we do, to increase profitable collections, to develop and create new market opportunities, to maximise efficiency and reduce cost, and to manage our risks with effective governance.

THE BUSINESS MODEL

The Group's business model remains unchanged from the prior year – the acquisition and collection of non-performing consumer debt portfolios through a largely in-house, UK based, integrated collection platform.

PRINCIPAL RISKS AND UNCERTAINITIES

Details of the Group's financial risk management policies are set out in Notes 1 and 25.

FINANCIAL PERFORMANCE

It is estimated that the Group, through its subsidiaries, is invited to bid upon over 94% of the portfolios brought to market. The business acquired portfolios from 30 vendors during the year (13 months ended 30 September 2013: 30).

The overall fair value of portfolio investments stood at £368.3m at 30 September 2014 (2013: £275.4m), growth of 34% over the year.

The Group continues to be funded by the £200m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 17), which the subsidiary, Lowell Group Financing Plc, had issued on 30 March 2012. An additional £75m was issued on 11 February 2013 under the same terms, and a further £115m was issued on 11 March 2014 under the same terms apart from the interest rate of 5.875%. Semi-annual interest payments have been made during the year.

In addition, on 28 November 2013 the facility available under the Revolving Credit Facility ("RCF") was increased from £55m to £66m. Specific conditions in the RCF allowed the facility to be increased to £83m. As at 30 September 2014 these conditions had been met and the Group therefore has an available facility of £83m.

The Group has performed strongly in the year, with 84 month ERC (Estimated Remaining Collections) of £713.9m at 30 September 2014 (2013: £532.1m), an increase of 34%. 120 month ERC was £800.9m at 30 September 2014 (2013: £593.4m).

The Group defines ERC as the expected collections on acquired portfolios over an 84 month period, based on our proprietary valuation model.

Adjusted EBITDA is defined as collections on acquired portfolios plus other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs. The Adjusted EBITDA in the year ended 30 September 2014 is £125.5m (13 months ended 30 September 2013: £119.1m).

ERC and Adjusted EBITDA are non-IFRS financial measures but are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

The Group has included other non-IFRS financial measures in these financial statements, including Net Debt and certain other financial measures and ratios, to aid the reader of these accounts.

These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's Senior Secured Notes due 2019. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

LOWELL FINANCE HOLDINGS LIMITED

Strategic Report (continued)

Year ended 30 September 2014

FINANCIAL PERFORMANCE (continued)

KEY PERFORMANCE INDICATORS (KPIs)

	2014	2013
Cumulative face value of debt acquisitions	£13.1bn	£11.0bn
Cumulative number of accounts	15.6m	12.3m
Collections on acquired portfolios	£196.8m	£173.2m
Portfolio investments	£368.3m	£275.4m
ERC (Estimated Remaining Collections)	£713.9m	£532.1m
Consolidated Adjusted EBITDA	£125.5m	£119.1m
Fixed charge cover ratio (Consolidated Adjusted EBITDA / Fixed Charges)	3.49	3.91
Bond covenant (Net Debt* / ERC)	0.50	0.51
Drawdown on RCF **(Revolving Credit Facility)	-	£10.0m
10.75% Senior Secured Notes	£275.0m	£275.0m
5.875% Senior Secured Notes	£115.0m	-
Net Debt* / portfolio investments	96.7%	98.1%

* Net Debt is total indebtedness of £390.0m (2013: £285.0m) less cash in bank of £33.7m (2013: £14.8m).

** Facility available under the RCF as at 30 September 2014 is £83.0m (2013: £55.0m). The RCF was increased from £55.0m to £66.0m on 28 November 2013. Under the terms of the RCF, if certain conditions are achieved this will allow the facility to increase to a maximum limit of £83.0m. As at 30 September 2014 these conditions had been met and therefore the available facility is £83.0m. (see Note 17 for further details).

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC at 30 September 2014. Our forecast tail of cash flow from month 84 to month 120 is £87.0m (2013: £61.3m), which is in addition to the £713.9m (2013: £532.1m) ERC.

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

C G Storrar
Director

January 2015

LOWELL FINANCE HOLDINGS LIMITED

Statement of Directors' Responsibilities in Respect of the Directors' Report, Strategic Report and the Financial Statements

Year ended 30 September 2014

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and the Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

LOWELL FINANCE HOLDINGS LIMITED

Consolidated Statement of Comprehensive Income

Year ended 30 September 2014

	Note	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Continuing Operations			
Revenue			
Income from portfolio investments	1,14	107,050	93,295
Portfolio write up	1,14	25,338	11,911
Portfolio fair value release	14	(4,882)	(7,268)
Other revenue	1	18,518	6,849
Total revenue		**146,024**	**104,787**
Operating expenses			
Collection activity costs	1	(34,784)	(23,609)
Other expenses	5	(55,173)	(42,505)
Total operating expenses		**(89,957)**	**(66,114)**
Operating profit		**56,067**	**38,673**
Interest income	6	122	202
Finance costs	7	(36,029)	(30,682)
Goodwill impairment	9	-	(785)
Profit before tax	4	**20,160**	**7,408**
Income tax expense	8	(1,874)	(1,755)
Profit for the period attributable to equity shareholders		**18,286**	**5,653**
Other comprehensive income		-	-
Total comprehensive income for the period attributable to equity shareholders	20,21	**18,286**	**5,653**

*Prior period figures have been restated due to a change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages 13 to 52 form part of these financial statements.

LOWELL FINANCE HOLDINGS LIMITED

Consolidated Statement of Financial Position

30 September 2014

	Note	30 Sept 2014 £000	Restated * 30 Sept 2013 £000	Restated * 1 Sept 2012 £000
Assets				
Non-current assets				
Goodwill	9	177,246	177,246	147,631
Intangible assets	10	5,622	7,434	9,322
Property, plant and equipment	11	3,987	2,072	2,346
Portfolio investments	14	204,600	146,098	119,519
Deferred tax asset	16	250	4,310	930
Total non-current assets		**391,705**	**337,160**	**279,748**
Current assets				
Portfolio investments	14	163,677	129,290	105,670
Trade and other receivables	15	34,198	14,671	9,169
Cash and cash equivalents	22	33,678	14,820	8,939
Total current assets		**231,553**	**158,781**	**123,778**
Total assets		**623,258**	**495,941**	**403,526**
Equity				
Share capital	19	182,913	182,913	182,913
Retained earnings	20	26,684	8,398	2,745
Total equity attributable to shareholders	21	**209,597**	**191,311**	**185,658**
Liabilities				
Non-current liabilities				
Borrowings	17	381,423	267,646	192,661
Current liabilities				
Trade and other payables	18	32,187	26,500	13,163
Borrowings	17	-	10,000	9,018
Current tax liabilities		51	484	3,026
Total current liabilities		**32,238**	**36,984**	**25,207**
Total equity and liabilities		**623,258**	**495,941**	**403,526**

*Prior period figures have been restated due to a change from UK GAAP to IFRS.
See Note 3 for further details.

These financial statements of Lowell Finance Holdings Limited, Company No. 07987062 were approved by the Board of Directors on January 2015.

Signed on behalf of the Board of Directors by:

C G Storrar
Director

January 2015

The notes on pages 13 to 52 form part of these financial statements.

INVESTORS IN PEOPLE Champion

Investor in Customers

LOWELL FINANCE HOLDINGS LIMITED

Company Statement of Financial Position

30 September 2014

	Note	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current assets				
Investments	12	182,963	182,963	182,963
Total assets		**182,963**	**182,963**	**182,963**
Equity				
Share capital	19	182,913	182,913	182,913
Retained earnings	20	-	-	-
Total equity attributable to shareholders		**182,913**	**182,913**	**182,913**
Current liabilities				
Amounts owed to Company's immediate parent	18	50	50	50
Total equity and liabilities		**182,963**	**182,963**	**182,963**

These financial statements of Lowell Finance Holdings Limited, Company No. 07987062 were approved by the Board of Directors on January 2015.

Signed on behalf of the Board of Directors by:

C G Storrar
Director

January 2015

The notes on pages 13 to 52 form part of these financial statements.

LOWELL FINANCE HOLDINGS LIMITED

Statement of Changes in Equity

Year ended 30 September 2014

Group

	Share Capital £000	Retained Earnings £000	Total £000
Balance at 1 September 2012 (Restated*)	**182,913**	**2,745**	**185,658**
Profit for the period (Restated*)	-	5,653	5,653
Balance at 30 September 2013 (Restated*)	**182,913**	**8,398**	**191,311**
Profit for the year	-	18,286	18,286
Balance at 30 September 2014	**182,913**	**26,684**	**209,597**

Company

	Share Capital £000	Retained Earnings £000	Total £000
Balance at 1 September 2012	**182,913**	**-**	**182,913**
Profit for the period	-	-	-
Balance at 30 September 2013	**182,913**	**-**	**182,913**
Profit for the year	-	-	-
Balance at 30 September 2014	**182,913**	**-**	**182,913**

*Prior period figures have been restated due to a change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages 13 to 52 form part of these financial statements.

LOWELL FINANCE HOLDINGS LIMITED

Statement of Cash Flows

Year ended 30 September 2014

Group

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	(81,389)	(57,483)
Investing activities			
Interest received		122	202
Purchase of property, plant and equipment		(3,148)	(916)
Purchase of intangible assets		(1,768)	(1,795)
Proceeds of sale of property, plant and equipment		41	-
Acquisition of subsidiary		-	(29,163)
Net cash from investing activities		(4,753)	(31,672)
Financing activities			
New borrowings		115,000	95,036
Repayment of borrowings		(10,000)	-
Net cash from financing activities		105,000	95,036
Net increase in cash and cash equivalents		18,858	5,881
Cash and cash equivalents at beginning of period		14,820	8,939
Cash and cash equivalents at end of period		33,678	14,820

Company

The only financial transaction of the Company for the year ended 30 September 2014 (13 Months ended 30 September 2013: none) is the issue of one T share for £0.01 (see Note 19). Consequently no cash flow statement for the current year or prior period has been presented.

The notes on pages 13 to 52 form part of these financial statements.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30 September 2014

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 19 (amended)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

No new or revised Standards and Interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

- IFRS 9 – Financial Instruments – will impact the measurement and disclosures for Financial Instruments.

The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date in which control passes. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Lowell Finance Holdings Limited itself, as permitted by Section 408 of the Companies Act 2006.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages9 and 10. In addition, Note 25 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group is in a net assets position.

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the year ended 30 September 2014 with the Adjusted EBITDA of £125.5m (13 months ended 30 September 2013 Adjusted EBITDA £119.1m).

The business as a whole is cash generative, receiving £196.8m in gross cash collections for the year ended 30 September 2014 (2013: £173.2m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The Group has two sources of funding at 30 September 2014, £390m of listed Senior Secured loan notes ("Notes"), and an £83m Revolving Credit Facility ("RCF"). These are due for repayment on 1 April 2019 and 1 April 2018 respectively. The key covenant for the Loan Notes is the Loan to Value ratio ("LTV") and for the RCF is the Super Senior Loan to Value ratio ("SSLTV"). The LTV is defined as the Net Debt to estimated remaining collections ("ERC") and cannot exceed 75%. As at 30 September 2014 the LTV was 50%. The SSLTV is defined as the percentage of utilised RCF to ERC and cannot exceed 25%. At 30 September 2014 the RCF was unutilised. As at 30 September 2014 the gross ERC would need to fall by 34% to £471.1m before the covenant would be breached.

There are long term business plans and short term forecasts in place which are reviewed and updated on a 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 adopt the going concern basis of accounting in preparing these financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 25). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the date of acquisition, and is subject to a maximum of one year from the date of acquisition.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is treated for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (CGU), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are re-measured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income ("SCI") line item.

When an individual portfolio's carrying value is completely recovered, the Group recognises collections as revenue as they are received.

As part of the acquisition accounting around the purchase of Lowell Group Limited by Lowell Finance Holdings Limited the portfolios were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 14). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Impairment of acquired portfolio investments

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position ("SFP") date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group historically (prior to 1 September 2012) entered into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group did not and 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 the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page 16).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 25.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections profile over seven years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees.
Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs incurred in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years (4 years prior to October 2013)
Fixtures and fittings	5 years (4 years prior to October 2013)
Hardware	5 years (4 years prior to October 2013)
Leasehold improvements	Life of lease (4 years prior to October 2013)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years (4 years prior to October 2013)	Straight line
Licences	3 years (4 years prior to October 2013)	Straight line
Development costs	Not amortised	
Acquired customer contracts	Expected life of the underlying contract (Collection profile)	

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. UK company law and IFRS require the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/- 2.5% has the following impact on the income from portfolio investments:

	Year ended 30 Sept 2014 £000	Restated 13 months ended 30 Sept 2013 £000
Plus 2.5%		
Income from portfolio investments	5,377	4,340
Portfolio write-up	(8,992)	(6,208)
Decrease of income	(3,615)	(1,868)
Minus 2.5%		
Income from portfolio investments	(5,102)	(3,952)
Portfolio write-up	9,063	6,054
Increase of income	3,961	2,102

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections ("ERC") of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 9 for further details regarding goodwill.

3. EXPLANATION OF TRANSITION TO IFRS

These financial statements are the first to be presented by Lowell Finance Holdings Limited under IFRS. The financial statements for the periods ended 30 September 2013 and 31 August 2012 were both prepared under the UK Companies Act and applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The directors have decided that the effective date for the first time adoption of IFRS for these financial statements will be 1 September 2012. Consequently IFRS accounting policies have been applied consistently for the period ended 30 September 2013.

Company

No reconciliation of profit / (loss) under UK GAAP to total comprehensive income under IFRS is shown for the period ended 30 September 2013 on the basis that no adjustments were identified.

No reconciliation of equity under UK GAAP to equity under IFRS is shown as at 30 September 2013 on the basis that no adjustments were identified.

No reconciliation of equity under UK GAAP to equity under IFRS is shown as at 1 September 2012 on the basis that no adjustments were identified.

Group

Reconciliation of profit under UK GAAP to total comprehensive income under IFRS is set out on page 23.

Reconciliation of equity under UK GAAP to equity under IFRS as at 30 September 2013 and 1 September 2012 are set out on pages 24 and 25 respectively.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.1 Adjustments to profit attributable to shareholder and shareholder's equity

a) *Acquired portfolio investment accounting*

Portfolio investments were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Group, on transition to IFRS a policy of amortised cost, under IAS 39 (Financial Instruments), has been adopted.

b) *Reversal of goodwill amortisation*

Goodwill was previously amortised under UK GAAP. This is not permitted under IFRS so the previously amortised amounts have been reversed.

c) *Identification of separable intangible assets*

IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) require recognition of identifiable, separable intangible assets prior to recognising goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortised over their useful economic lives.

d) Expenditure of capitalised costs

Costs in relation to business combinations were previously capitalised under UK GAAP as part of the recognised goodwill. IFRS is more restrictive on this matter and any costs that did not meet the capitalisation criteria in IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) have been expensed.

e) Reclassifications

i) Under UK GAAP portfolio investments were recognised within current assets however under IFRS they have been split between current and non-current assets.

ii) Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortisation as per IAS 38 (Intangible Assets).

iii) Upfront set up fees and any premium paid for the listed Loan Notes have been reclassified to Borrowings under the amortised cost method.

iv) Under UK GAAP corporation tax is recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

v) Under UK GAAP RCF borrowings were recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

f) Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

g) Goodwill impairment

As at 30 September 2013 the goodwill within Tocatto Ltd was fully written down under UK GAAP. As a result of the IFRS conversion the previous amortisation was reversed leaving an outstanding balance at 30 September 2013. An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of profit under UK GAAP to total comprehensive income under IFRS

Group

13 months to 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassif-ications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Revenue									
Income portfolio investments	173,684	(80,389)	-	-	-	-	-	-	93,295
Portfolio write up	10,997	914	-	-	-	-	-	-	11,911
Portfolio fair value release	-	(7,268)	-	-	-	-	-	-	(7,268)
Amount of acquisition cost recovered	(74,527)	74,527	-	-	-	-	-	-	-
Other revenue	6,849	-	-	-	-	-	-	-	6,849
Total revenue	**117,003**	**(12,216)**	**-**	**-**	**-**	**-**	**-**	**-**	**104,787**
Collection activity costs	(23,609)	-	-	-	-	-	-	-	(23,609)
Other operating expenses	(48,204)	-	9,242	(2,710)	(833)	-	-	-	(42,505)
Total operating expenses	**(71,813)**	**-**	**9,242**	**(2,710)**	**(833)**	**-**	**-**	**-**	**(66,114)**
Operating profit / (loss)	**45,190**	**(12,216)**	**9,242**	**(2,710)**	**(833)**	**-**	**-**	**-**	**38,673**
Interest income	940	-	-	-	-	(738)	-	-	202
Finance costs	(31,420)	-	-	-	-	738	-	-	(30,682)
Goodwill impairment	-	-	-	-	-	-	-	(785)	(785)
Profit before tax	**14,710**	**(12,216)**	**9,242**	**(2,710)**	**(833)**	**-**	**-**	**(785)**	**7,408**
Income tax expense	(4,753)	2,096	-	767	-	-	6	128	(1,755)
Profit for the period attributable to equity shareholders	**9,957**	**(10,120)**	**9,242**	**(1,943)**	**(833)**	**-**	**6**	**(657)**	**5,653**
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period attributable to equity shareholders	**9,957**	**(10,120)**	**9,242**	**(1,943)**	**(833)**	**-**	**6**	**(657)**	**5,653**

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Non-current assets									
Goodwill	174,482	234	12,667	(8,553)	(833)	-	34	(785)	177,246
Intangible assets	-	-	-	4,798	-	2,636	-	-	7,434
Property, plant and equipment	4,708	-	-	-	-	(2,636)	-	-	2,072
Portfolio investments	-	(44,773)	-	-	-	190,871	-	-	146,098
Deferred tax asset	-	4,815	-	(960)	-	473	(18)	-	4,310
	179,190	**(39,724)**	**12,667**	**(4,715)**	**(833)**	**191,344**	**16**	**(785)**	**337,160**
Current assets									
Portfolio investments	299,465	20,696	-	-	-	(190,871)	-	-	129,290
Trade and other receivables	22,498	-	-	-	-	(7,827)	-	-	14,671
Cash and cash equivalents	14,820	-	-	-	-	-	-	-	14,820
Total assets	**515,973**	**(19,028)**	**12,667**	**(4,715)**	**(833)**	**(7,354)**	**16**	**(785)**	**495,941**
Equity									
Share capital	182,913	-	-	-	-	-	-	-	182,913
Retained earnings	21,076	(19,028)	12,667	(4,715)	(833)	-	16	(785)	8,398
	203,989	**(19,028)**	**12,667**	**(4,715)**	**(833)**	**-**	**16**	**(785)**	**191,311**
Non-current liabilities									
Borrowings	275,000	-	-	-	-	(7,354)	-	-	267,646
	275,000	**-**	**-**	**-**	**-**	**(7,354)**	**-**	**-**	**267,646**
Current liabilities									
Trade and other payables	36,984	-	-	-	-	(10,484)	-	-	26,500
Borrowings	-	-	-	-	-	10,000	-	-	10,000
Current tax liabilities	-	-	-	-	-	484	-	-	484
Total equity and liabilities	**515,973**	**(19,028)**	**12,667**	**(4,715)**	**(833)**	**(7,354)**	**16**	**(785)**	**495,491**

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LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

3. EXPLANATION OF TRANSITION TO IFRS (continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 1 September 2012

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Reclass-ifications £000 e)	Deferred tax £000 f)	IFRS £000
Non-current assets							
Goodwill	152,724	2	3,424	(8,553)	-	34	147,631
Intangible assets	-	-	-	7,508	1,814	-	9,322
Property, plant and equipment	4,160	-	-	-	(1,814)	-	2,346
Portfolio investments	-	(48,743)	-	-	168,262	-	119,519
Deferred tax asset	-	2,660	-	(1,727)	149	(152)	930
	156,884	**(46,081)**	**3,424**	**(2,772)**	**168,411**	**(118)**	**279,748**
Current assets							
Portfolio investments	236,759	37,173	-	-	(168,262)	-	105,670
Trade and other receivables	16,657	-	-	-	(7,488)	-	9,169
Cash and cash equivalents	8,939	-	-	-	-	-	8,939
Total assets	**419,239**	**(8,908)**	**3,424**	**(2,772)**	**(7,339)**	**(118)**	**403,526**
Equity							
Share capital	182,913	-	-	-	-	-	182,913
Retained earnings	11,119	(8,908)	3,424	(2,772)	-	(118)	2,745
	194,032	**(8,908)**	**3,424**	**(2,772)**	**-**	**(118)**	**185,658**
Non-current liabilities							
Borrowings	200,000	-	-	-	(7,339)	-	192,661
	200,000	**-**	**-**	**-**	**(7,339)**	**-**	**192,661**
Current liabilities							
Trade and other payables	25,207	-	-	-	(12,044)	-	13,163
Borrowings	-	-	-	-	9,018	-	9,018
Current tax liabilities	-	-	-	-	3,026	-	3,026
Total equity and liabilities	**419,239**	**(8,908)**	**3,424**	**(2,772)**	**(7,339)**	**(118)**	**403,526**

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

4. PROFIT BEFORE TAX

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Profit for the period is after charging/(crediting):		
Release of contingent consideration obligation (Note 18)	(5,200)	-
Impairment of goodwill (Note 9)	-	785
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Loss on disposal of property, plant and equipment	314	-
Loss on disposal of intangible assets	131	-
Staff costs (Note 5c)	35,513	24,864
Rentals under operating leases (Note 23)	2,233	1,098

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Staff costs (Note 5c)	35,513	24,864
Depreciation of property, plant & equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Other	15,333	12,434
Total other operating expenses	**55,173**	**42,505**

b) Auditor's remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Audit of Parent Company and consolidated financial statements	6	4
Audit of financial statements of subsidiaries	61	87
Other services	75	-
Total auditor's remuneration	**142**	**91**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

5. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

c) Staff costs

The average number of employees (including executive directors) was:

	Year ended 30 Sept 2014 Number	13 months ended 30 Sept 2013 Number
Customer account associates	548	310
Other operational staff	244	231
Business support	284	194
Total	**1,076**	**735**

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Wages and salaries	31,923	22,386
Social security costs	3,280	2,367
Pension costs (Note 24)	310	111
Total	**35,513**	**24,864**

d) Directors' remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Directors' remuneration		
Directors' emoluments to current directors	1,027	692
Directors' emoluments to past directors	-	147
Company contributions to defined contribution scheme	5	-
	1,032	**839**

The aggregate of emoluments of the highest paid director was £405.6k (2013: £402.7k) and company pension contributions of £1.7k (2013: £0.2k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is three (2013: two).

The four directors receive no emoluments from the Company for their services as directors. However JJ Cornell, SL Leckenby and CG Storrar received emoluments from a subsidiary undertaking of the Company (Lowell Financial Ltd) for their services as directors to the Group. The total of these emoluments is disclosed above.

The above does not include any emoluments for T J H Large who is paid by a parent undertaking for his services to the Group.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

5. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

e) Holiday pay

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014 a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay. A UK Employment Appeal Tribunal is also considering whether commission payments should be included in the calculation and is expected to conclude in 2015. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are likely to be capped at two years.

6. INTEREST INCOME

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Bank interest receivable	**122**	**202**

7. FINANCE COSTS

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Interest payable on the £200m Notes	21,500	23,292
Fees payable on the £200m Notes	1,152	1,297
Interest payable on the £75m Notes	8,062	5,151
Fees payable on the £75m Notes	242	156
Release of premium on £75m Notes (Note A)	(1,161)	(738)
Interest payable on the £115m Notes	3,754	-
Fees payable on the £115m Notes	326	-
Interest and fees payable on revolving credit facility	2,154	1,524
	36,029	**30,682**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 17 and 18 respectively.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Current taxation		
UK corporation tax	(2,164)	5,313
Adjustment in respect of previous periods	(22)	(97)
Total current tax (credit) / charge	(2,186)	5,216
Deferred tax		
Origination and reversal of temporary differences	4,469	(4,136)
Prior period adjustment	(3)	(8)
Change in estimate of recoverable deferred tax	-	(42)
Impact of change in tax rate	(406)	725
Total deferred tax charge / (credit) (Note 16)	4,060	(3,461)
Total tax expense	**1,874**	**1,755**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

b) Reconciliation of effective tax rate

The tax assessed for the year is lower (13 months ended 30 September 2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 September 2014 of 22.00% (13 months ended 30 September 2013: 23.54%) The differences are explained below:

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Profit on ordinary activities before tax	20,160	7,408
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 22.00% (13 months ended 30 September 2013: 23.54%)	4,435	1,744
Effects of:		
Expenses not deductible for tax purposes	93	294
Income not taxable for tax purposes	(1,144)	-
Effects of other tax rates	(547)	723
Adjustment to tax charge in respect of previous periods	(25)	(103)
Change in estimate of recoverable deferred tax asset	-	(42)
Group relief not paid for	(938)	(861)
Total tax expense	**1,874**	**1,755**

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

9. GOODWILL

	Restated* Total £000
Cost	
At 1 September 2012	147,631
Addition on acquisition of Interlaken Group Limited on 16 May 2013 (Note 13)	30,400
At 30 September 2013 and 2014	178,031
Impairment	
At 1 September 2012	-
Charge for the period – Tocatto Limited	(785)
At 30 September 2013 and 2014	(785)
Net book value	
At 30 September 2014	177,246
At 30 September 2013	177,246
At 1 September 2012	147,631

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance relating to Tocatto Ltd being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGU on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

9. GOODWILL (continued)

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Lowell Group CGU	11.81%	13.66%	13.81%
Interlaken Group CGU	19.57%	18.68%	-

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following two years at a flat rate in order to be prudent. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 30 September 2014 the five year forecast assumed acquisitions growth of between 9% and 11% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell Group CGU
Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (41% at 30 September 2013 and 35% at 1 September 2012).

Interlaken Group CGU
Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (13% at 30 September 2013).

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 September 2012	2,790	-	11,404	14,194
Acquisition of subsidiary (Note 13)	56	-	-	56
Additions	1,795	-	-	1,795
At 30 September 2013	4,641	-	11,404	16,045
Additions	271	1,497	-	1,768
Reclassification	1,138	(1,293)	-	(155)
Disposals	(1,829)	-	-	(1,829)
At 30 September 2014	4,221	204	11,404	15,829
Accumulated amortisation				
At 1 September 2012	(976)	-	(3,896)	(4,872)
Charge for the period	(1,029)	-	(2,710)	(3,739)
At 30 September 2013	(2,005)	-	(6,606)	(8,611)
Charge for the year	(1,625)	-	(1,669)	(3,294)
Disposals	1,698	-	-	1,698
At 30 September 2014	(1,932)	-	(8,275)	(10,207)
Net book value				
At 30 September 2014	2,289	204	3,129	5,622
At 30 September 2013	2,636	-	4,798	7,434
At 1 September 2012	1,814	-	7,508	9,322

Reclassifications: Development costs can be a combination of "Software and Licences" and "Property, Plant and Equipment". When projects go live and development costs are reclassified they are transferred to "Software and Licences" or "Property, Plant and Equipment" (Note 11).

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LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 September 2012	33	1,399	2,199	5,189	8,820
Acquisition of subsidiary (Note 13)	11	-	118	149	278
Additions	-	89	738	89	916
At 30 September 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	400	199	3,148
Disposals	-	(1,294)	(817)	(1,699)	(3,810)
Reclassification	-	-	155	-	155
At 30 September 2014	143	2,644	2,793	3,927	9,507
Accumulated depreciation					
At 1 September 2012	(18)	(819)	(839)	(4,798)	(6,474)
Charge for the period	(13)	(381)	(766)	(308)	(1,468)
At 30 September 2013	(31)	(1,200)	(1,605)	(5,106)	(7,942)
Charge for the year	(18)	(337)	(546)	(132)	(1,033)
Disposals	-	1,279	525	1,651	3,455
At 30 September 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Net book value					
At 30 September 2014	94	2,386	1,167	340	3,987
At 30 September 2013	13	288	1,450	321	2,072
At 1 September 2012	15	580	1,360	391	2,346

Reclassifications: Development costs can be a combination of “Software and Licences” and “Property, Plant and Equipment”. When projects go live and development costs are reclassified they are transferred to “Software and Licences” or “Property, Plant and Equipment” (Note 10).

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

12. NON-CURRENT ASSET INVESTMENTS

Company
Subsidiary undertakings

	£000
Cost	
At 30 September 2014 and 2013 and 1 September 2012	182,963

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Group Financing Plc	UK	Financing	100*
Lowell Group Limited	UK	Holding company	100*
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Overdales Legal Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

*Held directly by the Company.

All subsidiaries are included in the consolidation.

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. Further details of the acquisition are set out in Note 13.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.9m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets. The potential undiscounted amount of all future payments that could be required under the contingent consideration is between £nil and £5.2m. The fair value of the contingent consideration was calculated by estimating the probability of achieving the defined revenue targets.

During the year ended 30 September 2014 it was assessed that these revenue targets will not be achieved and the decision was taken to release the contingent consideration to the SCI (see Notes 4 and 18).

In addition, the Group incurred professional fees of £0.8m on the acquisition of Interlaken Group Limited.

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting. Included below is a fair value adjustment which has been made to the portfolio investments acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an increase in the portfolio value of £0.4m. The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

	£000
Assets and liabilities acquired at fair value:	
Intangible assets (Note 10)	56
Property, plant & equipment (Note 11)	278
Portfolio investments (Note 14)	999
Trade and other receivables	4,196
Cash	827
Trade and other payables	(1,427)
Payables: deferred tax liability (Note 16)	(140)
	4,789
Goodwill (Note 9)	30,400
Consideration	35,189

The goodwill arising and the justification for the acquisition can be attributed to a combination of how Interlaken's debt management capability aids Lowell Portfolio I's acquisition ambitions, the value of the workforce, the going concern of the business, and expectations of future growth. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £4.2m, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £nil.

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

For the period since acquisition on 16 May 2013 to 30 September 2013, the consolidated unaudited management accounts of Interlaken Group Limited showed the following:

	£000
Turnover	6,933
Gross Profit	2,897
Profit before taxation	130

If the acquisition of Interlaken Group Limited had been completed on the first day of the financial period on 1 September 2012, Group revenues for the period would have been £12.4m, and group profit after tax would have been £50k.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

14. PORTFOLIO INVESTMENTS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Portfolio investments	204,600	146,098	119,519
Current			
Portfolio investments	163,677	129,290	105,670
Total	368,277	275,388	225,189

The movements in acquired portfolio investment assets were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
As at the period brought forward	275,388	225,189	-
Portfolios acquired during the period	162,209	124,447	90,682
Portfolios acquired through acquisitions	-	999	189,295
Collections in the period	(196,826)	(173,185)	(135,902)
Income from portfolio investments	107,050	93,295	68,649
Portfolio fair value release	(4,882)	(7,268)	(8,777)
Portfolio write-up	25,338	11,911	21,242
As at the period end	368,277	275,388	225,189

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

15. TRADE AND OTHER RECEIVABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade receivables	2,176	2,961	126
Litigation deferred costs	14,410	2,888	-
Other receivables	6,142	3,686	4,699
Prepayments and accrued income	6,818	5,038	4,344
Amounts owed by Company's immediate parent (Note A)	1,101	98	-
Corporation tax recoverable	3,551	-	-
	34,198	14,671	9,169

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: These balances are non- interest bearing and repayable on demand.

16. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 September 2012	382	548	-	930
Credited to the income statement*	267	3,194	-	3,461
Credited to goodwill (Note A)	-	59	-	59
Deferred tax acquired in the period (Note 13)	(140)	-	-	(140)
At 30 September 2013	509	3,801	-	4,310
Credited/(charged) to the income statement*	467	(6,615)	2,088	(4,060)
At 30 September 2014	976	(2,814)	2,088	250

Note A: Deferred tax charged/(credited) to goodwill represents deferred tax adjustments to the acquired balance sheet as a result of converting to IFRS. These adjustments have altered the net assets acquired and consequently the goodwill arising on the relevant acquisition.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

* See Note 8.

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Notes to the Financial Statements (continued)

Year ended 30 September 2014

17. BORROWINGS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Secured borrowing at amortised cost			
Senior secured notes	390,000	275,000	200,000
Prepaid costs on senior secured notes	(8,577)	(7,354)	(7,339)
Total borrowings due for settlement after 12 months	381,423	267,646	192,661
Current			
Unsecured borrowing at amortised cost			
Revolving credit facility	-	10,000	-
Total unsecured	-	10,000	-
Secured borrowing at amortised cost			
Interest on senior secured notes	-	-	9,018
Total Secured	-	-	9,018
Total borrowings due for settlement before 12 months	-	10,000	9,018

All borrowings are denominated in Sterling.

The other principal features of the Group's borrowings are as follows:

Senior Secured Notes ("Notes")

On 30 March 2012 the Company issued £200m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 October 2012, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

On 11 February 2013 the Company issued a further £75m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 April 2013, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 3 February 2013.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 18) and is being released to the SCI over the remaining term of the Notes. The release to the SCI during the year ended 30 September 2014 was £1.2m (13 months ended 30 September 2013: £0.7m). As at 30 September 2014 and 30 September 2013 the outstanding loan premium is £5.2m and £6.4m respectively.

On 11 March 2014 the Company issued £115m 5.875% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 5.875% for the entirety of its term. Commencing on 1 October 2014, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 4 March 2014.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

17. BORROWINGS (continued)

Revolving Credit Facility ("RCF")

The current RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On 28 November 2013 the facility was further increased to £66m. Under the terms of the RCF, if certain conditions were achieved this would allow the facility to increase to £83m. As at 30 September 2014 these conditions had been met and the available facility, which is unutilised as at 30 September 2014, is £83m.

The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility. The current RCF ceases on 1 April 2018.

The weighted average interest rates during the period were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Notes	9.83%	10.75%	10.75%
RCF	4.49%	4.28%	5.10%

18. TRADE AND OTHER PAYABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade payables	2,898	2,901	1,698
Other taxes and social security	1,530	1,104	429
Accruals and deferred income	3,403	3,954	3,273
Other payables	4,682	1,384	434
Other payables – acquired portfolio investments	9,302	797	3,892
Other payables – contingent consideration	-	5,200	-
Loan notes premium	5,226	6,387	-
Amounts owed to Metis Bidco Limited (Note A)	-	-	2,350
Amounts owed to Metis Bidco Limited (Note B)	5,146	4,773	1,087
	32,187	26,500	13,163

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Amounts owed to group undertakings (Note A)	50	50	50

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: These balances are non- interest bearing and repayable on demand.

Note B: This group relief balance is non- interest bearing and repayable on demand.

Other payables – acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the year end. In all cases the obligation is settled within one month.

Other payables – contingent consideration: this relates to the acquisition of Interlaken Group Limited on 16 May 2013. During the year ended 30 September 2014 the decision was taken to release the obligation to pay the contingent consideration. Further details see Note 13.

Loan notes premium – for further details see Notes 7 and 17.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

19. SHARE CAPITAL

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Called up, allotted and fully paid:			
182,913,396 (2012 & 2013: nil) A Ordinary shares of £1.00 each	182,913	-	-
Nil (2012 & 2013: 182,913,396) Ordinary shares of £1.00 each	-	182,913	182,913
1 (2012 & 2013: nil) T Ordinary shares of £0.01 each	-	-	-
	182,913	182,913	182,913

On 24 September 2014 the Company:

a) re-designated its Ordinary Shares into A Ordinary Shares; and
b) issued one T Ordinary Share (nominal value of £0.01) at par for cash.

The rights attached to the Ordinary Shares are as follows:

T Ordinary Share (T Share)

Income:

In relation to each financial year the holder of the T Share shall accrue a fixed cumulative dividend of £1.00. The fixed cumulative dividend shall accrue on each date for payment until such time as the Company shall elect to pay.

Voting:

The holder of the T Share shall not be entitled to receive notice of, or attend and speak at or vote at any general meeting of the Company.

The holder of the T Share shall have the right to receive notice of, and to attend, any general meeting of the Company at which a resolution to elect a Director will be proposed. In respect of such resolution, have the right to speak and exercise 25% of the total number of votes (by way of poll), and for these purposes, each holder of T Shares shall have one vote for each T Share held.

Capital:

On a return of capital on liquidation, reduction of capital or otherwise the holder of the T Share shall be entitled to a sum equal to the issue price.

A Ordinary Shares (A Shares)

Income:

The profits of the Company available for distribution and resolved to be distributed shall be distributed to the holders of the A Shares pro rata to the number of A Shares held.

Voting:

The A Shares shall confer on each holder the right to receive notice of, and to attend, speak at and vote at any general meeting of the Company save that, in respect of any general meeting at which a Director is elected, the holders of the A Shares shall only be entitled to exercise 75% of the total number of votes (by way of poll) in respect of, any resolution to elect or remove a Director and for these purposes, each holder of A Shares shall have one vote for each A Share held.

Capital:

On a return of capital on liquidation, reduction of capital or otherwise the balance of any assets available for distribution shall be distributed in paying each holder of the A Shares a sum equal to the issue price, thereafter of the balance remaining to the holders of A Shares only, pro rata to the number of A Shares held.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

20. RETAINED EARNINGS

Group

	£000
At 1 September 2012 (Restated*)	2,745
Profit for the period (Restated*)	5,653
At 30 September 2013 (Restated*)	8,398
Profit for the year	18,286
At 30 September 2014	26,684

Company

As determined in accordance with the Companies Act 2006, the Company has not had any SCI transactions since its incorporation. Therefore an analysis of retained earnings for the Company has not been presented.

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

21. RECONCILIATION OF TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' funds	191,311	185,658	-
Issue of share capital	-	-	182,913
Profit for the financial period	18,286	5,653	2,745
Closing total shareholders' funds	209,597	191,311	185,658

*Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Opening total shareholders' funds	182,913	182,913	-
Issue of share capital	-	-	182,913
Profit for the financial period	-	-	-
Closing total shareholders' funds	182,913	182,913	182,913

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LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

22. NOTES TO THE CASHFLOW STATEMENT

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Profit for the period	18,286	5,653
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Impairment of goodwill (Note 9)	-	785
Release of deferred consideration	(5,200)	-
Interest receivable	(122)	(202)
Loss on sale of property, plant and equipment	314	-
Loss on sale of intangible assets	131	-
Tax expense	1,874	1,755
Finance costs	36,029	30,682
	55,639	43,880
Increase in portfolio investments	(92,889)	(49,201)
Increase in trade and other receivables	(15,435)	(1,200)
Increase/(decrease) in trade and other payables	11,711	(3,287)
Cash generated from operating activities	(40,974)	(9,808)
Interest paid	(38,954)	(43,806)
Income taxes paid	(1,461)	(3,869)
Net cash from operating activities	(81,389)	(57,483)

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	33,678	14,820	8,939

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Company

The only financial transactions of the Company for the year ended 30 September 2014 (13 Months ended 30 September 2013: none) is the issue of one T share for £0.01 (see Note 19). Consequently no cash flow statement and associated notes for the current year or prior period have been presented.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Lease payments under operating leases recognised as an expense in the period	2,233	1,098

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
No later than one year	1,275	1,137	805
Later than one year and no later than five years	4,622	989	1,943
Later than five years	5,898	-	1,326
	11,795	2,126	4,074

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of 1 to 3 years with various options for breaks. The car leases run for 3 years with the option to extend.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £310k (13 months ended 30 September 2013: £111k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes

As at 30 September 2014, contributions of £66k (30 September 2013: £41k) due in respect of the current reporting period had not been paid over to the schemes.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	33,678	14,820	8,939
Acquired portfolio investments	368,277	275,388	225,189
Trade and other receivables	34,198	14,671	9,169
Financial liabilities			
Borrowings - Notes	(381,423)	(267,646)	(201,679)
Borrowings – Revolving Credit Facility (RCF)	-	(10,000)	-
Trade and other payables	(32,187)	(21,300)	(13,163)
Tax liability	(51)	(484)	(3,026)
Contingent consideration (FVTPL)	-	(5,200)	-

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial liabilities			
Inter group liability	(50)	(50)	(50)

Financial risk management objectives

As a result of its normal business activities, the Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group manages these risks through the Board of Directors.

The Company is a dormant non trading holding company and therefore on a day to day basis is not exposed to these risks.

The Group has no significant exposures in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is considered immaterial by the Group.

The Group has no exposure to equity markets and does not hold any speculative equity positions.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual debtors and the relatively low value of each of the individual's debts. At 30 September 2014 the Group had 15.6m individual customer accounts, of those 10.6m were still open and of those 1.0m made at least one payment during the last 12 months. The average balance on a customer account at 30 September 2014 was £839.

The Groups principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business. This committee is in place to scrutinise all aspects of a debt acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 30 September 2014 is 15.52% (30 September 2013 17.47%, 1 September 2012 19.72%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.)

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables. The Group's maximum exposure to credit risk as at 30 September 2014 is £436.2m (30 September 2013: £304.9m, 1 September 2012: £243.3m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company has no financial assets as at 30 September 2014 (30 September 2013: none; 1 September 2012: none).

Liquidity risk management

Liquidity risk is the risk of the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2014, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on banking facilities.

As at 30 September 2014 the Company is a non- trading dormant holding company and has no financial liabilities except £50k due to a group undertaking. Consequently, as at 30 September 2014, the Company is not exposed to liquidity risk.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

The following tables shows the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates.

The Company has no financial liabilities except a balance due to a group undertaking of £50k (30 September 2013 and 1 September 2012: £50k) which is non-interest bearing and repayable on demand. For these reasons no further disclosure has been provided.

As at 30 September 2014

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	381,423	553,434	-	18,159	535,275	-
Other liabilities	32,238	32,238	32,238	-	-	-
Total liabilities	413,661	585,672	32,238	18,159	535,275	-

As at 30 September 2013

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	267,646	437,593	-	14,781	118,250	304,562
RCF	10,000	10,000	10,000	-	-	-
Other liabilities	21,784	21,784	21,784	-	-	-
Contingent consideration	5,200	5,200	-	-	5,200	-
Total liabilities	304,630	444,577	31,784	14,781	123,450	304,562

As at 1 September 2012

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	201,679	350,560	10,810	10,750	86,000	243,000
Other liabilities	16,189	16,189	16,189	-	-	-
Total liabilities	217,868	366,749	26,999	10,750	86,000	243,000

The weighted average interest rate for the Notes as at 30 September 2014 is 9.31% (30 September 2013 and September 2012: 10.75%). The weighted average interest rate for the RCF as at 30 September 2013 was 4.49%.

* Includes Loan principal outstanding and accrued interest (Note 17).
Other liabilities: this includes "Trade and other payables" and "Tax liabilities".

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out on the following page.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Group financing facilities

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
RCF			
Amount used	-	10,000	-
Amount unused	83,000	45,000	40,000
	83,000	**55,000**	**40,000**

The Company has no separate financing facilities.

Operational risk
Operational risk is defined by the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk
Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place £390m of senior secured loan notes along with an £83m RCF facility. At 30 September 2014 the RCF facility was unutilised. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk
Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk
Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital, in particular Preference Shares that have a fixed coupon for the whole term, and from 30 March 2012 by a series of Senior Secured Notes with fixed interest rates for the whole term.

The Group's RCF has a variable interest rate however at 30 September 2014 this was fully unutilised.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. Historically the Group entered into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the Group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 17 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 to 20.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Loans and receivables	402,475	290,059	234,358
Total financial assets	402,475	290,059	234,358
Financial liabilities			
Fair value through SCI	-	(5,200)	-
Financial liabilities measured at amortised cost	(413,661)	(299,430)	(217,868)
Total financial liabilities	(413,661)	(304,630)	(217,868)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial liabilities			
Financial liabilities measured at amortised cost	(50)	(50)	(50)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the year ended 30 September 2014 would be £nil (30 September 2013: decrease/increase £0.1m, 1 September 2012: £nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date was determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. As at 30 September 2014 the Company and the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Group	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Loans and receivables:						
Acquired portfolios	368,277	275,388	225,189	387,177	299,465	236,759
Trade and other receivables	34,198	14,671	9,169	34,198	14,671	9,169
Total financial assets	402,475	290,059	234,358	421,375	314,136	245,928
Financial liabilities						
Financial liabilities measured at amortised cost:						
Senior secured notes	(381,423)	(267,646)	(201,679)	(410,613)	(310,725)	(208,272)
RCF	-	(10,000)	-	-	(10,000)	-
Trade and other payables	(32,187)	(21,300)	(13,163)	(32,187)	(21,300)	(13,163)
Tax liability	(51)	(484)	(3,026)	(51)	(484)	(3,026)
Contingent consideration	-	(5,200)	-	-	(5,200)	-
Total financial liabilities	(413,661)	(304,630)	(217,868)	(442,851)	(347,709)	(224,461)

Company

The Company has no financial liabilities except a balance due to a group undertaking of £50k (30 September 2013 and 1 September 2012: £50k). The directors consider that the carrying amount approximate its fair value.

The fair value of the acquired portfolios is determined using a discounted cash flow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as "paying" at the point of acquisition and 12% and 10% for portfolios that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed on page 49.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2013		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	-	-	(5,200)

	30 September 2014		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	-	-	-

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Bidco Limited, which prepares consolidated financial statements. The consolidated financial statements of Metis Bidco Limited are available from the company's registered office at Ellington House, 9 Savannah Way, Leeds Valley Park West, Leeds, LS10 1AB.

The tables below set out the related party transactions and year end balances between the Company and its related parties and also the Group and its related parties.

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Transactions with related parties		
Management recharge from Metis Bidco Ltd	(1,683)	(859)
Group relief	(373)	(3,686)

Company

There were no related party transactions involving the Company during the year ended 30 September 2014 (13 months ended 30 September 2013: none) except the issue of one T Ordinary share to a related party on 24 September 2014 (See Note 19 for further details).

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Metis Bidco Limited (trading)	1,101	98	(2,350)
Metis Bidco Limited (group relief)	(5,146)	(4,773)	(1,087)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Lowell Group Financing Plc	(50)	(50)	(50)

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Short-term employee benefits	823	906

The above details relate to three key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by a subsidiary company (Lowell Financial Ltd) for their services to the Group. These emoluments are in addition to those disclosed in Note 5d.

LOWELL FINANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

Year ended 30 September 2014

27. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, incorporated in England and Wales and the smallest group which consolidates them is that headed by Metis Bidco Limited, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited and Metis Bidco Limited are each available from their registered offices at 20 Bentinck Street, London, W1U 2EU and Ellington House, Savannah Way, Leeds Valley Business Park, Leeds, LS10 1AB respectively.

9: Glossary

Glossary

84 Month ERC

The Group's estimated remaining collections on its purchased debt portfolios over a 84-month period, representing the expected future collections of its existing portfolio over a 84-month period (calculated at the end of each month based on the Group's ERC forecasting model, as amended from time to time). ERC as computed by us may not be comparable to similar metrics used by other companies in the industry.

120 Month ERC

The Group's estimated remaining collections on its purchased debt portfolios over a 120-month period, representing the expected future collections of its existing portfolios over a 120-month period (calculated at the end of each month based on the Group's ERC forecasting model, as amended from time to time). ERC as computed by us may not be comparable to similar metrics used by other companies in the industry.

Adjusted EBITDA

Collections including other revenue and total operating expenses, excluding the effects of depreciation and amortisation and exceptional items included in operating expenses. Adjusted EBTIDA as computed by us may not be comparable to similar metrics used by other companies in the industry.

Adjusted EBTIDA ratio

Adjusted EBTIDA as a percentage of collections.

Exceptional items

Items that by virtue of their nature, are not considered to be representative of the performance of the business.

Collections and collections on owned portfolios

Collections on the Group's existing portfolios or purchased assets

Collection activity costs

Direct costs of servicing both owned portfolios and managed portfolios for third parties; costs include print and postage costs, credit bureau costs and commissions paid to third-party outsourced providers

Default rate

During a specific month, total collections not received on individual customer accounts as a percentage of all monies due during such month on payment plans established and managed directly by the Group with respect to such customer accounts

Direct variable costs

Is collection activity costs plus front line collector staff costs less credit bureau costs.

Underlying operating income

Represents operating profit / (loss) for the period adjusted for the effect of exceptional operational costs. Underlying operating income as computed by us may not be comparable to similar metrics used by other companies in the industry.

Net debt

The sum of the senior secured notes and amounts outstanding under the senior facilities agreement less cash and cash equivalents.

INVESTORS IN PEOPLE | Champion

Investor in Customers

10: Shareholder Information

INVESTORS IN PEOPLE | Champion

Investor in Customers

Shareholder Information

Registered Office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditors
15 Canada Square
London
E14 5GL

Shareholder Information

You can find out further information about the Group and view this annual report and accounts, results, other announcements and presentations on the Company's investor relations website (www.lowellgroup.co.uk).