Financial Statements
1st Credit Limited

For the Year Ended 31 December 2014

Registered number: 03752940

Company Information

Directors	S Dighton C Holland E Nott B McLaren
Company secretary	S Dighton
Registered number	03752940
Registered office	The Omnibus Building Lesbourne Road REIGATE Surrey RH2 7JP
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus BIRMINGHAM West Midlands B4 6AT
Bankers	RBS Group 280 Bishopsgate LONDON EC2M 2AL
Solicitors	Travers Smith LLP 10 Snow Hill LONDON EC1A 2AL

Contents

Strategic Report
For the Year Ended 31 December 2014

Principal activity

The principal activity of the Company is the collection of non-performing loan portfolios ('NPL's') in the UK.

Business review

The Company provides services to Group companies and a select number of partners at a commission rate based on collections.

The 1st Credit Group is increasing its purchasing of portfolios and the business is starting to recognise the benefit of this additional activity as new purchases represent an increasing proportion of revenue. Growth is planned for the current year through the collections from further portfolio purchases. The phasing of purchases was concentrated in the final quarter of 2014 and therefore the benefit will be seen in 2015. In 2014 revenue increased from £13.1m to £14.4m as the Group's back book amortised in line with expectation.

Costs continue to be below budget at £16.1m (2013: £13.9m).

There has been a pre-tax loss of £1,628k (2013: £845k).

KPIs

The following KPIs are used to monitor the progress of the business:

	2014	2013
	£000	£000
Revenue	14,428	13,089
Pre-tax loss	(1,628)	(845)

Strategic Report (continued)
For the Year Ended 31 December 2014

Principal risks and uncertainties

The Directors recognise that the proper management of risk is crucial to the business. This process is managed through a risk register which is reviewed by a Board committee each quarter and by the full Board annually or more frequently if required.

1) Economic Uncertainty

The Directors recognise that changes in the economy may lead to differing market conditions. To mitigate this risk the business has developed a model which incorporates movements in key economic indicators to price and sensitise model projections.

In addition 1st Credit has developed a collection process which is predominantly based on securing affordable arrangement plans rather than focusing on settlement campaigns. The average monthly customer payment is below the sector average, providing a shelter against sudden changes in the economy.

2) IT

The business has developed its own proprietary operational software, CreditSolve®. This platform is flexible and adaptive to change. The business employs an in house team to continuously upgrade and develop the software thereby mitigating the risk of obsolescence.

The data held by the system is personal and is kept secure under both regulatory and banking guidelines. The Company addresses this risk by implementing stringent security procedures and has obtained ISO 27001 in relation to information security.

In addition the business is implementing an outsourced solution which will provide greater expertise and resilience.

In order to protect against business interruption the business has a Disaster Recovery Plan which includes the use of an offsite facility. The business carries out tests every year to ensure that the operation can be run at the offsite centre.

3) FCA Regulation

From 1 April 2014 the FCA took over the responsibility for regulating the sector from the OFT. The FCA has engaged widely with the CSA and has published new detailed guidance.

1st Credit has reviewed these guidelines and obtained all the necessary interim permissions and licences. 1st Credit has been invited to apply for the new FCA licence from 1 July 2015. As a leading supporter of treating customers fairly the business believes it already follows the principals behind the FCA guidelines and is receiving external professional assurance to confirm all requirements are met.

Strategic Report (continued)
For the Year Ended 31 December 2014

4) EU Data Protection Regulations

The EU is currently undergoing a data protection consultation to implement a person's right to 'Erasure', i.e. the elimination of customer data if requested by the individual. If the regulation is fully adopted it effectively replaces UK data protection law and will result in less information being available for credit assessment and tracing.

This EU initiative is being vigorously opposed by the UK and may be adopted by way of a directive (which only has legal status in the unlikely circumstance it is then enshrined in UK law) rather than by regulation. If it is enacted by way of regulation, and the process is much delayed due to ongoing consultation, there will be an impact on the high street banks which will need to be priced into future purchases. The enactment of the EU Regulations is not expected to materially impact existing portfolios.

Funding and going concern

In concluding on the appropriateness of the going concern basis, the directors have considered the forecast trading and cash requirements of the Group and the Company, together with expectations of the availability of sufficient levels of funding for the foreseeable future.

The Company is directly controlled by 1st Credit (Funding) Limited and from their perspective the budget anticipates the business staying within its covenants on its senior facility. At 31 December 2014 the revolving credit facility ("RCF") is drawn by £13m from a total of £20m. The Group has extended this facility to £30m since the year end.

In order to test the ability of the business to meet its debts as they fall due the directors have looked at the impact on the business if it ceased purchasing, other than the contracts on committed purchases. In this scenario the closing net drawn position (against an unadjusted facility) would be £6m at 31 December 2015, and the Private Placement Instrument of £100m.

The LTV is within its limits and the only other covenant that exists on the RCF is the fixed interest cover. Both of these covenants are limiting covenants restricting the amount of buying or further debt that can be taken out and are not events of default.

As a result, the directors have a reasonable expectation that the Company and Group have adequate financial resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

This report was approved by the board and signed on its behalf by:

E Nott
Director
Date: 3 March 2015

Directors' Report
For the Year Ended 31 December 2014

The directors present their report and the Financial Statements for the year ended 31 December 2014.

Results and dividends

The loss for the year, after taxation, amounted to £668k (2013: £845k).

Matters covered in the Strategic Report

See the Strategic Report for details of the principal activity, a review of the business, details of principal risks and uncertainties and details of financial risk management objectives and policies.

Directors

The directors who served during the year were:

S Dighton
C Holland
E Nott
B McLaren

Directors' responsibilities statement

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report
For the Year Ended 31 December 2014

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

E Nott
Director
Date: 3 March 2015

Grant Thornton

Independent Auditor's Report to the Members of 1st Credit Limited

We have audited the Financial Statements of 1st Credit Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements
A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements
In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

GrantThornton

Independent Auditor's Report to the Members of 1st Credit Limited

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

David Munton (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
BIRMINGHAM
Date: 3 March 2015

Profit and Loss Account

For the Year Ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	**14,428**	13,089
Administrative expenses		**(16,055)**	(13,880)
Operating loss	3	**(1,627)**	(791)
Interest payable and similar charges	6	**(1)**	(54)
Loss on ordinary activities before taxation		**(1,628)**	(845)
Tax on loss on ordinary activities	7	**960**	-
Loss for the financial year	15	**(668)**	(845)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

The notes on pages 10 to 18 form part of these Financial Statements.

Balance Sheet
As at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	8		**645**		70
Current assets					
Debtors	9	**3,774**		524	
Cash at bank		**834**		2,434	
		4,608		2,958	
Creditors: amounts falling due within one year	10	**(3,207)**		(3,256)	
Net current assets/(liabilities)			**1,401**		(298)
Total assets less current liabilities			**2,046**		(228)
Provisions for liabilities					
Other provisions	12		**(52)**		(110)
Net assets/(liabilities)			**1,994**		(338)
Capital and reserves					
Called up share capital	13		**300**		300
Share premium account	15		**3,000**		-
Profit and Loss Account	15		**(1,306)**		(638)
Equity Shareholders' funds/(deficit)	14		**1,994**		(338)

The Financial Statements were approved and authorised for issue by the board and were signed on its behalf by:

SG

S Dighton
Director
Date: 3 March 2015

The notes on pages 10 to 18 form part of these Financial Statements.

Notes to the Financial Statements

For the Year Ended 31 December 2014

1. Accounting Policies

1.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

In concluding on the appropriateness of the going concern basis, the directors have considered the forecast trading and cash requirements of the Group and the Company, together with expectations of the availability of sufficient levels of funding for the foreseeable future.

The Company is directly controlled by 1st Credit (Funding) Limited and from their perspective the budget anticipates the business staying within its covenants on its senior facility. At 31 December 2014 the revolving credit facility ("RCF") is drawn by £13m from a total of £20m. The Group has extended this facility to £30m since the year end.

In order to test the ability of the business to meet its debts as they fall due the directors have looked at the impact on the business if it ceased purchasing, other than the contracts on committed purchases. In this scenario the closing net drawn position (against an unadjusted facility) would be £6m at 31 December 2015, and the Private Placement Instrument of £100m.

The LTV is within its limits and the only other covenant that exists on the RCF is the fixed interest cover. Both of these covenants are limiting covenants restricting the amount of buying or further debt that can be taken out and are not events of default.

As a result, the directors have a reasonable expectation that the Company and Group have adequate financial resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

1.3 Turnover

Turnover represents fees and commissions earned in respect of the collection of consumer and commercial debt owed to third parties and related parties, excluding VAT.

Turnover is recognised on receipt of collections.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	Over the shorter of the term of the lease and its useful economic life
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Financial Statements

For the Year Ended 31 December 2014

1. Accounting Policies (continued)

1.5 Taxation

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

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognistion of gains and losses in the Financial Statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilites are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilites are not discounted.

1.7 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Pensions

Defined contributions made to employees' approved personal pension plans are charged to the Profit and Loss Account on an accruals basis.

1.9 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group whose Consolidated Financial Statements are publicly available, is exempt from the requirement to draw up a Cash Flow Statement in accordance with FRS 1.

Notes to the Financial Statements
For the Year Ended 31 December 2014

1. Accounting Policies (continued)

1.10 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Finance costs and gains or losses relating to financial liabilities are included in the Profit and Loss Account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

1.11 Provisions

The Company has provisions for onerous contracts and other provisions based over the periods to which they relate.

2. Turnover

The whole of the turnover is attributable to the collection of non-performing consumer and commercial debt.

All turnover arose within the United Kingdom.

3. Operating loss

The operating loss is stated after charging:

	2014	2013
	£000	£000
Depreciation of tangible fixed assets:		
- owned assets	158	126
Auditor's remuneration	11	13
Auditor's remuneration - non-audit	77	3
Operating lease rentals:		
- plant and machinery	41	-
- other operating leases	479	605

Notes to the Financial Statements

For the Year Ended 31 December 2014

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2014 £000	2013 £000
Wages and salaries	**6,910**	6,133
Social security costs	**765**	700
Other pension costs	**246**	225
	7,921	7,058

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
Average number of employees, including directors	**184**	161

5. Directors' remuneration

	2014 £000	2013 £000
Remuneration	**1,507**	1,255
Company pension contributions to defined contribution pension schemes	**93**	75

During the year retirement benefits were accruing to 4 directors (2013: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £391,000 (2013: £355,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £36,000 (2013: £35,000).

6. Interest payable

	2014 £000	2013 £000
Bank loans	**-**	52
Other interest payable	**1**	2
	1	54

Notes to the Financial Statements

For the Year Ended 31 December 2014

7. Taxation

	2014 £000	2013 £000
Analysis of tax charge in the year		
Deferred tax (see note 11)		
Credit for the year	**(960)**	-
Tax on loss on ordinary activities	**(960)**	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013: higher than) the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Loss on ordinary activities before tax	**(1,628)**	(845)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	**(350)**	(196)
Effects of:		
Expenses not deductible for tax purposes	**60**	2
Capital allowances for year (greater)/less than depreciation	**(154)**	27
Fixed asset differences	**14**	-
Short term timing differences	**6**	-
Utilisation of tax losses in the period	**424**	167
Current tax charge for the year (see note above)	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2014

8. Tangible fixed assets

	Leasehold Property £000	Fixtures & fittings £000	Computer Equipment £000	Total £000
Cost				
At 1 January 2014	207	710	2,895	3,812
Additions	442	205	86	733
Disposals	(207)	(672)	(1,571)	(2,450)
At 31 December 2014	442	243	1,410	2,095
Depreciation				
At 1 January 2014	207	702	2,833	3,742
Charge for the year	63	30	65	158
On disposals	(207)	(672)	(1,571)	(2,450)
At 31 December 2014	63	60	1,327	1,450
Net book value				
At 31 December 2014	379	183	83	645
At 31 December 2013	-	8	62	70

9. Debtors

	2014 £000	2013 £000
Trade debtors	39	60
Amounts owed by Group undertakings	2,249	62
Other debtors	3	4
Prepayments and accrued income	523	398
Deferred tax asset (see note 11)	960	-
	3,774	524

Amounts owed by Group undertakings are trading amounts which are unsecured, are not subject to an interest charge and have no fixed repayment date.

Notes to the Financial Statements

For the Year Ended 31 December 2014

10. Creditors:
Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**693**	551
Amounts owed to Group undertakings	**-**	811
Other taxation and social security	**329**	201
Other creditors	**209**	483
Accruals and deferred income	**1,976**	1,210
	3,207	3,256

Amounts owed to Group undertakings are trading amounts and are unsecured, are not subject to an interest charge and have no fixed repayment date.

11. Deferred taxation

	2014 £000	2013 £000
At beginning of year	**-**	-
Credit for the year	**960**	-
At end of year	**960**	-

The deferred taxation balance is made up as follows:

	2014 £000	2013 £000
Tax losses carried forward	**960**	-

A deferred tax asset has been recognised based on the forecast of future taxable profits of the Company.

Notes to the Financial Statements

For the Year Ended 31 December 2014

12. Provisions

	Other provisions £000
At 1 January 2014	**110**
Additions	**26**
Utilised in the year	**(84)**
At 31 December 2014	**52**

Other provisions

The Company has provisions for onerous contracts and other provisions based over the periods to which they relate.

13. Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
300,002 (2013: 300,001) Ordinary shares of £1 each	**300**	300

14. Reconciliation of movement in equity shareholders' funds

	2014 £000	2013 £000
Opening shareholders' (deficit)/funds	**(338)**	507
Loss for the financial year	**(668)**	(845)
Share premium on shares issued	**3,000**	-
Closing shareholders' funds/(deficit)	**1,994**	(338)

15. Reserves

	Share premium account £000	Profit and Loss Account £000
At 1 January 2014	-	**(638)**
Loss for the year	-	**(668)**
Premium on shares issued during the year	**3,000**	-
At 31 December 2014	**3,000**	**(1,306)**

On 19 December 2014 one Ordinary share was issued for cash at a premium of £3,000,000.

Notes to the Financial Statements

For the Year Ended 31 December 2014

16. Pension commitments

Accrued pension contributions at the year end in respect of defined contribution schemes amounted to £33,000 (2013: £3,000).

17. Operating lease commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Office Equipment	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Expiry date:				
Within 1 year	**-**	107	**19**	-
Between 2 and 5 years	**382**	-	**3**	-
After more than 5 years	**-**	382	**-**	-

18. Client money

Excluded from the Balance Sheet are cash balances of £128,000 (2013:£97,000) held in trust in respect of monies due to clients.

19. Related party transactions

The Company paid fees to MLR Consulting of £41,200 (2013: £40,000), a partnership of which one of the directors is a member.

The Company has taken advantage of the exemption available in FRS 8 Related Party Disclosures and has not disclosed transactions with other members of the Group where 100% of the share capital is owned within the Group.

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is 1st Credit (Holdings) Limited, a company incorporated in Great Britain.

The directors consider the ultimate parent undertaking to be 1st Credit (Funding) Limited, a company registered in England and Wales and incorporated in Great Britain. The directors consider the ultimate controlling party to be Bridgepoint Advisors Group Ltd.

The smallest group of which the Company is a member and for which group accounts are drawn up is 1st Credit (Holdings) Limited. The Consolidated Financial Statements of 1st Credit (Holdings) Limited are publicly available and can be obtained from the registered office.

The largest group of which the Company is a member and for which group accounts are drawn up is 1st Credit (Funding) Limited. The Consolidated Financial Statements of 1st Credit (Funding) Limited are publicly available and can be obtained from the registered office.