Equidebt Holdings Limited

Directors' report and financial statements

Registered number 5524029

30 April 2007

Contents

Directors' report

The directors present their directors report and financial statements for the year ended 30 April 2007

Principal activities

The principal activity of the business consists of the purchase and collection of unpaid consumer credit debts either directly from the borrower or on behalf of Banks Building Societies Finance Houses and Credit Card Companies

Business review

2006/7 was a key year for the Group as it continues to expand its operations

- £33 9m was spent on acquiring debt a huge increase on previous years
- ECI a Trace & Collect boutique operation was acquired increasing the company's ability to trace debtors
- Internal processes and procedures were materially enhanced to further improve debt purchase due diligence activities

During the year we experienced exceptional growth in our debt purchase income and the value of purchased debt accounts owned

The value of purchased debt owned increased by 172% as the company focused on expanding the debt purchase element of the business

A number of forward flow contracts operated during the year and were supported by judicious spot opportunities c 70% of the debt portfolio impairment charge relates to one portfolio acquisition this forward flow contract was not renewed

The increase in commission earned is due to the net effect of the loss of a material contingency client (that changed its strategy from primarily utilising Debt Collection Agency services to primarily selling its delinquent debt) and the gain of income following the acquisition of ECI

The Directors have continued with the hybrid strategy of offering solutions for contingency collections and debt purchase This enhances existing excellent relations with current clients and increases the opportunity to develop new relationships as we are able to provide a full suite of collection services

Key Performance Indicators

Key performance indicator	£'million 2007	£'million (8 mths) 2006
IFRS Interest Income [1]	13 4	4 9
Value of purchased debt accounts owned [2]	359 1	131 8
Commission Earned [3]	4 3	2 6
Value of contingent accounts under management [4]	281 6	242 2

Notes to Key Performance Indicators

1 IFRS interest income = the effective interest earned on collections from debtors whose balances we have purchased

2 Value of purchased debt accounts owned = the aggregate face value of all debtors balances that have been purchased by us and outstanding for collections activities at that point in time

3 Commission earned = commissions paid to us, by our clients for the collection of their debtors' outstanding balances The commission rate varies on a client by client basis and on the nature of the debt placed The commission earned is calculated as a percentage of the total collections from debtors achieved by us on behalf of each client

4 Value of contingent accounts under management = the aggregate face value of all debtors' balances placed with us for management and outstanding for collections activities by all clients at that point in time

The strength of our contingent collections operation allows us not only to create new relationships with major debt sellers, but to purchase debt directly from the contingent environment

Equidebt aims to increase shareholder value through the growth in and development of future cashflows arising from the purchase of debt portfolios and by providing an infrastructure and an environment conducive to providing opportunities to purchase debt and to effectively rehabilitate debtor's accounts on purchased debt

Principal risks and uncertainties facing the company

During 2006/7 the debt purchase market continued to grow with more of the UK's major creditors either entering the debt sale market for the first time or increasing the value of debt being made available for sale

The group entered into a number of forward flow contracts in the year and also availed of good spot opportunities mitigating risk by a) spreading purchases over a selection of sellers and b) improving documenting and externally validating the company s due diligence processes

Purchase prices have levelled off and the company does not anticipate prices to rise over the foreseeable future

The contingency collection market is competitive with the group participating on creditor panels for different allocations of different types of debt The pool of clients was increased during the year with the acquisition of ECI a Trace & Collection business acquired as a part of a pre-packaged administration The company's largest Debt Collection Agency client changed its strategy during the year converting from a creditor utilising primarily Debt Collection Agencies to optimise collections to a creditor that primarily sells its delinquent debt In this market the key risks are i) lost or reduced panel allocations as a result of performance ii) creditors choosing to sell debt earlier in their charge-off/collections cycle and iii) clients withdrawing portfolios of debt for strategic reasons The Group manages these risks predominantly by investing in collections systems, management information quality staff and training

Financial instruments

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt and liquidity risk

The group does not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures

The group's principal financial instruments comprise sterling cash and bank deposits bank loans and overdrafts other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations

Purchased debt represents portfolios of debts purchased at prices below the nominal value of the debts

Reporting follows the effective interest method where the book value of each portfolio corresponds to the present value of all forecast future cash flows discounted by an effective interest rate (EIR) determined on the date the portfolio was acquired Changes in the book value of portfolios arise where cashflows achieved, vary to those originally forecast These adjustments are recognised in the income statement on the interest and similar income line with the exception of movements arising because of impairment and reversals of impairment which are shown separately in the income statement

The main risks arising from the group's financial instruments can be analysed as follows

Credit risk

The group s principal financial assets are purchased debt debtor balances bank balances cash and trade debtors which represent the company's maximum exposure to credit risk in relation to financial assets

The group's credit risk is primarily attributable to its purchased debt debtor balances This is managed in appropriately pricing the portfolios of debt for purchase by rehabilitating a percentage of the debtors balances purchased into paying accounts and by continuously monitoring those debtor accounts The amounts presented in the balance sheet represent the acquisition cost to the Group in purchasing the portfolios of debt subsequently reduced by amortisation charges Regular impairment reviews are undertaken to ensure forecast future cashflows arising from the owned portfolios are sufficient to support the outstanding net book value of the purchased debt portfolios and to support the current amortisation policy This is regularly reviewed by management as are the changes in the current economic and regulatory environments and the impact these may have on current and future cashflows

The credit risk on trade debtors is managed by monitoring the aggregate amount and duration of exposure to any one client who on the whole are financial institutions with high credit-ratings assigned by international credit-rating agencies The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by the group's management based on prior experience and their assessment of the current economic environment

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk

The Group's policy has been to ensure continuity of funding through the generation of cashflows from the rehabilitation of purchased debtors' balances and arranging funding for the purchase of debt portfolios via medium-term revolving credit facilities

Cash flow interest rate risks

Interest bearing assets comprise cash and bank deposits all of which earn interest at a fixed rate The interest rate on the revolving credit facility is at senior lending rates and the group s policy is to keep the facility within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company

Environment

The group's aspirations to protect the environment and minimise the amount of natural resources it uses is supported by the commitment to

- Comply with all relevant environmental legislation regulations and approved codes of practice
- Protect the environment by striving to prevent and minimise our contribution to pollution of land air and water
- Seek to keep wastage to a minimum and maximise the efficient use of materials and resources
- Manage and dispose of all waste in a responsible manner
- Provide relevant training and guidance for all staff
- Develop our management processes to ensure that environmental factors are considered during planning and implementation
- Monitor and continuously improve our environmental performance

The policy statement will be regularly reviewed and updated as necessary

Proposed dividend

The directors do not recommend the payment of a dividend

Directors and directors' interests

The directors who held office during the year were as follows

W Mulligan appointed 23 May 2006
P Moore
P Wilding
R Scott
D Johnson
J Mosiewicz

The directors who held office at the end of the financial year had the following interests in the shares of group companies according to the register of directors' interests

	Company	Class of share (shares of 0 0001p each)	Interest at end of year	Interest at start of year or date of appointment
W Mulligan	Equidebt Holdings Limited	C Ordinary	200 000	200 000
P Moore	Equidebt Holdings Limited	C' Ordinary	100 000	100 000
P Wilding	Equidebt Holdings Limited	B' Ordinary	108,000	108 000
R Scott	Equidebt Holdings Limited	B Ordinary	846 000	846 000

D E Johnson, as a limited partner in the Royal London Private Equity SBS Fund which holds 'A' ordinary shares has a beneficial interest in the 'A' Ordinary shares

There have been no other changes in the shareholdings of the directors since the period end

According to the register of directors' interests, no rights to subscribe for shares in group companies were granted to any of the directors or their immediate families or exercised by them during the financial year

The directors benefit from certain indemnity insurances / provisions entered into by the Company These include Professional indemnity and directors and officers insurances

Employees

The quality and ongoing commitment of our staff at both Wellesbourne and Surbiton have played a major role in the business's success to date The willingness to strive for improvements is supported by a solid in-house training function

During the year each employee was issued with a Training Passport in which they could record all training that they had partaken in

In early 2007 a Quality Assurance System was introduced All calls are recorded and collectors undergo regular front-line management review of a proportion of their calls each month for training and compliance purposes

IPO abortive costs

In the first half of 2007 the Company embarked on a strategy to list on A I M in June 2007 The board decided to abort the listing process in June and IPO abortive costs of £414 300 have been reported in these financial statements A further £487 000 which was incurred post year end will be reported in the financial statements for the year ended 30 April 2008

Charitable donations

The following charitable donations were made during the year

Consumer Credit Counselling Service	£10 500
SPACE	£ 250

Disclosure of information to auditors

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 auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

P Moore
Director

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA
21st December 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors 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 IFRSs as adopted by the EU and applicable laws

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

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 judgments 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 proper accounting records that 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 1985 They have a 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

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the independent auditors to the members of Equidebt Holdings Limited

We have audited the group and parent company financial statements (the financial statements) of Equidebt Holdings Limited for the year ended 30 April 2007 which comprise the Consolidated Income Statement the Consolidated and parent company Balance Sheets the Consolidated and parent company Cash Flow Statement the Consolidated and parent company Statements of Recognised Income and Expense and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members as a body in accordance with section 235 of the Companies Act 1985 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors Responsibilities on page 6

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition we report to you if in our opinion the company has not kept proper accounting records if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group s and company s circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Report of the independent auditors to the members of Equidebt Holdings Limited *(continued)*

Opinion

In our opinion

- the group financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 30 April 2007 and of its profit for the year then ended
- the parent company financial statements give a true and fair view in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985 of the state of the parent company's affairs as at 30 April 2007
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc
Chartered Accountants
Registered Auditor

21st December 2007

Equidebt Holdings Limited

Consolidated Income Statement
For the year ended 30 April 2007

	Note	Year ended 30 April 2007 £000	8 months ended 30 April 2006 £000
Interest and similar income	2	13,564 2	4,973 5
Interest expense and similar charges	3	(4,551 1)	(1,995 0)
Net interest income		9,013 1	2,978 5
Fees and commission income	4	5,501 6	3,882 1
Net total income		14,514 7	6,860 6
Operating expenses - ongoing	5 6 7	(11,002 6)	(6,173 7)
- exceptional charge IPO abortive costs	25	(414 3)	-
		(11,416 9)	(6 173 7)
Impairment losses on loans and receivables		(2,757 6)	(1,668 7)
Profit/(loss) before income tax		340 2	(981 8)
Income tax credit/(expense)	8	312 6	(133 8)
Profit/(loss) for the period attributable to equity shareholders		652 8	(1,115 6)

All the Group's activities during the above periods relate to continuing operations

The notes on pages 13 to 45 form part of these accounts

Equidebt Holdings Limited

Statements of Recognised Income and Expense

For the year ended 30 April 2007

	Note	**Group Year ended 30 April 2007**	**Group 8 months ended 30 April 2006**	**Company Year ended 30 April 2007**	**Company 8 months ended 30 April 2006**
		£000	£000	£000	£000
Deferred tax recognised directly in equity	*13*	-	181 8	-	-
Profit/(loss) for the period		652 8	(1 115 6)	(1,274 7)	(743 8)
Total recognised income and expense		652 8	(933 8)	(1,274 7)	(743 8)

The notes on pages 13 to 45 form part of these accounts

Equidebt Holdings Limited

Balance Sheets

At 30 April 2007

	Note	Group 30 April 2007	Group 30 April 2006	Company 30 April 2007	Company 30 April 2006
		£000	£000	£000	£000
ASSETS					
Cash and cash equivalents		4,582 3	3,002 9	83 1	66 5
Loans and receivables – purchased debt	*9*	48,361 1	19,236 5	-	-
Other assets	*10*	2 793 1	3,016 3	5,974 5	953 7
Property, plant and equipment	*11*	481 5	407 2	-	-
Investments in subsidiaries	*14*	-	-	19,798 5	19,798 5
Intangible assets	*12*	17,124 1	16,610 5	-	-
Corporation Tax recoverable		-	-	9 8	-
Deferred tax assets	*13*	766 2	-	698 7	-
Total assets		74,108 3	42,273 4	26,564 6	20,818 7
LIABILITIES					
Loans and borrowings	*16*	42,786 6	20,352 4	3,000 0	3,000 0
Loan notes	*17*	16,504 8	9,985 2	16 504 8	9,985 2
Current tax liabilities		660 6	216 6	-	-
Deferred tax liabilities	*13*	855 7	1,058 5	-	-
Trade and other payables	*18*	4,991 0	3,168 9	487 7	151 7
Total liabilities		65,798 7	34,781 6	19,992 5	13,136 9
EQUITY					
Called up share capital	*19*	0 2	0 2	0 2	0 2
Share premium	*19*	8,590 4	8,425 4	8,590 4	8,425 4
Retained earnings	*19*	(281 0)	(933 8)	(2,018 5)	(743 8)
Total equity attributable to equity shareholders		8,309 6	7,491 8	6,572 1	7,681 8
Total equity and liabilities		74,108 3	42,273 4	26,564 6	20,818 7

The notes on pages 13 to 45 form part of these accounts

These financial statements were approved by the board of directors on 21st December 2007 and were signed on its behalf by

W Mulligan
Director

P Moore
Director

Equidebt Holdings Limited

Cash Flow Statements
For the year ended 30 April 2007

	Group Year ended 30 April 2007 £000	Group 8 months ended 30 April 2006 £000	Company Year ended 30 April 2007 £000	Company 8 months ended 30 April 2006 £000
Cash flows from operating activities				
Profit before tax	340 2	(981 8)	(1,983 2)	(743 8)
Adjustments to reconcile profit before tax to net cash flows from operating activities				
Net interest income	(9,013 1)	(2 978 5)	1,521 1	708 1
Interest received	15,665 2	7,692 1	-	5 3
Interest paid	(2,935 6)	(1,280 5)	-	-
Depreciation of property, plant and equipment	153 4	87 2	-	-
Amortisation of intangible assets	65 9	21 5	-	-
Amortisation of arrangement costs	227 9	182 3	47 8	26 6
Impairment of loans and receivables	2,757 6	1 668 7	-	-
Acquisition of loans and receivables	(33,889 2)	(5,918 4)	-	-
(Decrease)/increase in other assets	223 2	(727 0)	(4,777 9)	(806 6)
Increase in amounts due to banks	22,206 3	1,901 5	-	-
Increase in other liabilities	1,867 1	204 4	336 0	151 7
Tax paid	(212 0)	(218 0)	-	-
Net cash flows from operating activities	(2,543 1)	(346 5)	(4,856 2)	(658 7)
Investing activities				
Proceeds from sale of property, plant and equipment	18 6	-	-	-
Purchase cost of property, plant and equipment and intangible assets	(284 2)	(126 9)	-	-
Acquisition of subsidiary, net of cash acquired	(467 5)	(8 611 9)	-	(11,449 7)
Net cash flows used in investing activities	(733 1)	(8,738 8)	-	(11,449 7)
Financing activities				
Proceeds from issue of shares	16 5	3,017 8	16 5	3,017 8
Transaction costs of issue of shares	-	(88 1)	-	(88 1)
Repayment of capital element of hire purchase contract	(17 2)	(86 7)	-	-
Proceeds from issue of loan notes	4,856 3	9 245 2	4,856 3	9,245 2
Net cash flows used in financing activities	4,855 6	12,088 2	4,872 8	12,174 9
Net increase in cash and cash equivalent	1,579 4	3,002 9	16 6	66 5
Cash and cash equivalent as at 31 August/1 May	3,002 9	-	66 5	-
Cash and cash equivalent as at 30 April	4,582 3	3 002 9	83 1	66 5

The notes on pages 13 to 45 form part of these accounts

Notes

(Forming part of the financial statements)

1 Accounting policies

a) *Basis of preparation*

Equidebt Holdings Limited (the "company") is a company incorporated in the UK

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") The parent company financial statements present information about the Company as a separate entity and not about its group

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements

The accounting policies set out below have, unless otherwise stated been applied consistently to all periods presented in these consolidated financial statements

Judgements made by the directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of a material adjustment in the next year are discussed in note 1r

b) *Transition to Adopted IFRS*

This is the first set of consolidated financial statements reported by the Group and they have been prepared in accordance with adopted IFRS and have applied IFRS1 The Company has previously reported UKGAAP accounts, but there is no impact on its financial statements as a result of them being transitioned to IFRS

The group has not taken any exemptions allowed under IFRS 1 for first time adopters

c) *Measurement convention*

The financial information is prepared on the historical cost basis

d) *Basis of consolidation*

Subsidiaries are entities controlled by the Group Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control potential voting rights that are currently exercisable or convertible are taken into account The financial information of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases Intra-group balances are eliminated in preparing the consolidated financial information

e) *Classification of financial instruments issued by Equidebt Holdings Limited*

Following the adoption of IAS 32, financial instruments issued by Equidebt Holdings Limited are treated as a liability to the extent that they meet the following conditions

i) there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or

ii) there is a contract that will or may be settled in the entity's own equity instruments and this is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as equity

Interest and other finance payments associated with financial liabilities are dealt with as part of interest expense and similar charges Dividends on financial instruments that are classified in equity are recorded directly in equity

f) *Financial assets and liabilities*

A financial instrument is defined as any form of contract giving rise to a financial asset in one party and a financial liability or equity instrument in a counterparty

Financial instruments are carried and recognised in the Group in accordance with the rules in IAS 39

Financial assets and financial liabilities are initially recognised at fair value plus transaction expenses that are directly attributable to the acquisition or issue of the financial asset or financial liability Subsequent measurement is based on amortised cost The group does not account for any financial instruments at fair value through the profit and loss account

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms

A financial asset is removed from the balance sheet when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished

Classification of financial instruments

- *Loans and receivables - purchased debt* Loans and receivables are non-derivative financial assets that are not quoted in an active market The category also includes acquired receivables Assets in this category are carried at amortised cost Amortised cost is determined based on the effective interest rate calculated and determined on the acquisition date

- *Financial liabilities* Financial liabilities are carried at amortised cost

g) *Purchased debt*

Purchased debt represents portfolios of debts purchased at prices below the nominal value of the debts

Reporting follows the effective interest method, where the book value of each portfolio corresponds to the present value of all forecast future cash flows discounted by an effective interest rate (EIR) determined on the date the portfolio was acquired Changes in the book value of portfolios arise where cashflows achieved, vary to those original forecasts These adjustments are recognised in the income statement on the interest and similar income line with the exception of movements arising because of impairment and reversals of impairment which are shown separately in the income statement (see note 1k)

At the time of the purchase of each portfolio, a forecast is made of the portfolio's forecast cash flows Using this forecast, each portfolio is assigned an effective interest rate that is then used to discount cash flows through the life of the portfolio Current cash flow forecasts are monitored over the course of the year and updated based on, among other things, actual cash collections

h) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease Thereafter, they are accounted for in accordance with the accounting policy applicable to that asset Lease payments are accounted for as described below

Depreciation is charged to the income statement on a straight-line basis over their estimated useful lives The estimated useful lives are as follows

Computer equipment	4 years
Fixtures and fittings	10 years
Motor vehicles	4 years

i) *Intangible assets and goodwill*

All business combinations are accounted for by applying the purchase method Goodwill represents the difference between the cost of the acquisition and the net fair value of identifiable assets, liabilities and contingent liabilities acquired Identifiable intangibles that can be reliably measured are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses Goodwill is not amortised but is tested annually for impairment Negative goodwill arising on an acquisition is recognised in profit or loss

Computer software acquired by the Group is recognised as an intangible asset and is stated at cost less accumulated amortisation and impairment losses

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Computer software is amortised from the date it is available for use over its estimated useful life of 4 years

j) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than three months

k) *Impairment*

The carrying amounts of the Group's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is re-estimated and an impairment charge made accordingly

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date The impairment review of goodwill is based on a valuation using future forecast cash flows arising from a) the portfolios of purchased debt and b) the commission collect businesses, net of costs, discounted at the weighted average cost of capital Providing this supports a valuation in excess of the goodwill figure carried in the balance sheet, no impairment is required

The recoverable amount of the Group's investments in purchased debt is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i e the effective interest rate computed at initial recognition of these financial assets)

Reversals of impairment

An impairment loss in respect of purchased debt is reversed if a subsequent increase in forecast future cash flows results in an increase in the recoverable amount

An impairment loss in respect of goodwill is not reversed

l) *Loans and borrowings and loan notes*

Loans and borrowings and loan notes are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement in interest expense and similar charges over the period of the borrowings on an effective interest basis

m) *Employee benefits*

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred Other pension costs disclosed in note 6 represent contributions paid to the defined contribution plans

n) *Revenue recognition and segmental reporting*

Income from purchased debt portfolios is recognised on an effective interest rate method through the interest and similar income line in the income statement The effective interest rate is the rate that exactly discounts the estimated future cash flows on each portfolio through its expected life back to the cost of acquisition

The Group earns commission income from debt collection and other services it provides to its clients Commission is recognised when the provision of services has occurred and there is a contractual obligation to pay

The Group makes a charge to debtors when taking legal action as part of the collection process The portion of these charges that are assessed as recoverable is recognised as a receivable

Other income within fees and commission relates to income from services ancillary to debt collection provided to clients

The business operates only within the UK and is regarded as one segment due to the nature of the services provided and the methods used to provide these services

o) *Leases*

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the liability lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Operating leases

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

p) *Taxation*

Tax on the profit or loss for the period comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

q) *Adopted IFRS not yet applied*

The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements

- IFRS 7 "Financial instruments Disclosure" applicable for years commencing on or after 1 January 2007

- IAS 1(amended Presentation of Financial Statements) - Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007)

These standards would not have affected the balance sheet or income statement as the standards are concerned only with disclosure

r) *Critical accounting estimates and judgements*

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates Where management's judgement has been applied, this is noted in the relevant accounting policy

1) Purchased debt

As indicated in note 1g above, the recognition of purchased debt is based on the company's own forecast of future cash flows from acquired portfolios The carrying amount is disclosed in note 9 A 1% movement in the forecast future cash flows at the balance sheet date has an approximate impact of £480,000, which would be recognised in the Group Income Statement in the period in which those cash flow estimates were revised

2) Court and legal costs

The group incurs outlays where legal action is taken against debtors Court and legal fees due are reviewed for impairment on a periodic basis Payment history and management judgement is used to determine the provision required for impairment The carrying amount is disclosed in note 10

2 Interest receivable and similar income

Group	**Year ended 30 April 2007** £000	**8 months ended 30 April 2006** £000
On purchased debt portfolios		
- Interest receivable	9,676 3	4,036 4
- Upward adjustments	3,742 3	861 5
On bank balances	145 6	75 6
	13,564 2	4,973 5

3 Interest expense and similar charges

Group	**Year ended 30 April 2007** £000	**8 months ended 30 April 2006** £000
On borrowings secured on purchased debt portfolios	2,707 0	1 093 9
Amortisation of loan arrangement fees	227 9	182 3
Loan note interest	1,615 5	714 5
Finance lease interest	0 7	4 3
	4,551 1	1,995 0

4 Fees and commission income

Group	**Year ended 30 April 2007** £000	**8 months ended 30 April 2006** £000
Commission on collections on behalf of third parties	4,313 1	2,582 3
Court and legal fee income	907 4	1,170 3
Other income	281 1	129 5
	5,501 6	3 882 1

5 Operating expenses

Group	Year ended 30 April 2007	8 months ended 30 April 2006
	£000	£000
Staff costs (note 6)	5,627 6	2,782 2
Other operating expenses	5,375 0	3,391 5
Exceptional charge (note 25)	414 3	-
Total operating expenses	11,416 9	6,173 7
Impairment losses on loans and receivables	2,757 6	1,668 7
	14,174 5	7,842 4
Auditors remuneration included in the above		
Audit of these financial statements – current Auditors	70 0	-
- previous Auditors	-	15 9
Other services	312 7	-
	382 7	15 9

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category

	Group Year ended 30 April 2007	Group 8 months ended 30 April 2006	Company Year ended 30 April 2007	Company 8 months ended 30 April 2006
Collection	115	66	-	-
Administration	83	64	5	4
	198	130	5	4

The increase in headcount from 2006 to 2007 arose predominantly as a result of the acquisition of the trade and assets of European Collections and Investigations Limited (note 15), as a result of which the number of persons employed by the Group increased by 49 on 13 June 2006

The aggregate payroll costs of these persons were as follows

	Group Year ended 30 April 2007 £000	Group 8 months ended 30 April 2006 £000	Company Year ended 30 April 2007 £000	Company 8 months ended 30 April 2006 £000
Wages and salaries	4,940 4	2,442 8	744 8	463 2
Social security costs	495 2	226 1	98 4	59 5
Other pension costs	192 0	113 3	57 6	15 4
	5,627 6	2,782 2	900 8	538 1

7 Directors' remuneration

	Year ended 30 April 2007 £000	8 months ended 30 April 2006 £000
Directors' emoluments	843 2	522 7
Company contributions to money purchase pension plans	57 6	15 4
	900 8	538 1

The aggregate of emoluments of the highest paid director was £227,303 in the year to April 2007 (8 months to 30 April 2006 £121,600), and company pension contributions of £11,208 (8 months to 30 April 2006 £3,000) were made to a money purchase scheme on his behalf

	Year ended 30 April 2007 £000	8 months ended 30 April 2006 £000
Retirement benefits are accruing to the following number of directors under money purchase schemes	5	5

8 Income tax expense

	Group Year ended 30 April 2007 £000	Group 8 months ended 30 April 2006 £000
Current tax expense		
Current year	944 7	131 4
Adjustments for prior years	(288 3)	(4 2)
	656 4	127 2
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	(755 0)	6 6
Prior year	(214 0)	-
Total tax in income statement	(312 6)	133 8
Deferred tax in equity	-	(181 8)
Total tax charge / (credit)	(312 6)	(48 0)

Reconciliation of effective tax rate

	Group Year ended 30 April 2007 £000	Group 8 months ended 30 April 2006 £000
Profit/(loss) before tax	340 2	(981 8)
Tax using the UK corporation tax rate of 30%	102 1	(294 5)
Non-deductible expenses	87 6	36 7
Under/(over) provided in prior years	(502 3)	(4 2)
Deferred tax in equity	-	181 8
Deferred tax not provided	-	214 0
Total tax in income statement	(312 6)	133 8

9 Loans and receivables – purchased debt – Group

	30 April 2007 £000	8 months ended 30 April 2006 £000
Loans and receivables		
Balance brought forward	19,236 5	-
Interest receivable	9,675 8	4,036 4
Upward adjustments following re-estimation of forecast future cash flows	3,742 3	861 5
Net interest receivable (note 2)	13,418 1	4,897 9
Acquisitions	33,889 2	5,918 4
Acquisitions through business combinations	94 5	17,705 4
Cash collections	(15,519 6)	(7,616 5)
Impairment	(2,757 6)	(1,668 7)
Balance carried forward	48,361 1	19,236 5

10 Other assets

	Group 30 April 2007 £000	Group 30 April 2006 £000	Company 30 April 2007 £000	Company 30 April 2006 £000
Court and legal fees receivable	2,673 8	2 562 5	-	-
Less Provision for impairment	(1,432 5)	(868 6)	-	-
	1,241 3	1,693 9	-	-
Trade receivables	417 4	840 4	-	-
Prepayments	1,134 4	482 0	297 0	148 5
Amounts due from group companies	-	-	5,677 5	805 2
	2,793 1	3,016 3	5,974 5	953 7

Approximately half of the net court and legal fees receivable debtor is expected to be recovered in more than 12 months

11 Property, plant and equipment - Group

	Fixtures and fittings £000	Computer hardware £000	Motor vehicles £000	Total £000
Cost				
At 31 August 05	231 9	312 7	79 3	623 9
Additions	39 0	54 9	-	93 9
At 30 April 2006	**270 9**	**367 6**	**79 3**	**717 8**
Additions	83 3	132 5	19 9	235 7
Additions through business combinations	3 1	7 5	-	10 6
Disposals	-	-	(50 6)	(50 6)
At 30 April 2007	**357 3**	**507 6**	**48 6**	**913 5**
Accumulated depreciation				
At 31 August 2005	96 0	90 3	37 1	223 4
Charge for period	18 3	55 7	13 2	87 2
Disposals				
At 30 April 2006	**114 3**	**146 0**	**50 3**	**310 6**
Charge for period	33 9	106 2	13 3	153 4
Disposals	-	-	(32 0)	(32 0)
At April 2007	**148 2**	**252 2**	**31 6**	**432 0**
Net book value				
At 30 April 2007	209 1	255 4	17 0	481 5
At 30 April 2006	156 6	221 6	29 0	407 2

At 30 April 2007 the net carrying amount of leased property plant and equipment was £nil (2006 £38,704)

12 Intangible assets

Group

	Goodwill £000	Computer software £000	Total £000
Cost			
At 31 August 2005	-	169 0	169 0
Acquisitions through business combinations (note 15)	16,454 7	-	16,454 7
Additions	-	33 0	33 0
At 30 April 2006	**16,454 7**	**202 0**	**16,656 7**
Additions	-	48 6	48 6
Acquisitions through business combinations (note 15)	492 5	38 4	530 9
At 30 April 2007	**16,947 2**	**289 0**	**17,236 2**
Accumulated amortisation			
At 31 August 2005	-	24 7	24 7
Charge for period	-	21 5	21 5
At 30 April 2006	-	**46 2**	**46 2**
Charge for period	-	65 9	65 9
At 30 April 2007	-	**112 1**	**112 1**
Net book value			
At 30 April 2007	16 947 2	176 9	17,124 1
At 30 April 2006	16 454 7	155 8	16,610 5

13 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	30 April 2007	30 April 2006
	£	£
Property, plant and equipment	(21 9)	(29 2)
IFRS conversion increase in reserves	(833 8)	(1029 3)
Loan note interest deductible when paid	698 7	-
Other timing differences	67 5	-
	(89 5)	(1,058 5)
Tax assets	766 2	-
Tax liabilities	(855 7)	(1,058 5)

The group has unrecognised deferred tax assets of £Nil (30 April 2006 £214,000) in respect of unpaid loan note interest The asset was recognised in April 2007 as the company believe there will be sufficient suitable profits in the appropriate periods to utilise the asset

Movement in deferred tax during the year to 30 April 2007

	1 May 2006 £000	Recognised in income £000	30 April 2007 £000
Property, plant and equipment	(29 2)	7 3	(21 9)
Other timing differences - IFRS conversion	(1029 3)	195 5	(833 8)
Loan note interest deductible when paid	-	698 7	698 7
Other timing differences	-	67 5	67 5
Total deferred tax	(1,058 5)	969 0	(89 5)

Movement in deferred tax during the 8 months to 30 April 2006

	31 August 2005 £000	Recognised in income £000	Recognised in equity £000	30 April 2006 £000
Property, plant and equipment	(22 6)	(6 6)	-	(29 2)
Other timing differences - IFRS conversion	(1,211 1)	-	181 8	(1029 3)
Total deferred tax	(1,233 7)	(6 6)	181 8	(1,058 5)

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	30 April 2007 £	30 April 2006 £
Loan note interest deductible when paid	698 7	-
	698 7	-
Tax assets	698 7	-
Tax liabilities	-	-

The Company has unrecognised deferred tax assets of £Nil (30 April 2006 £214,000) in respect of unpaid loan note interest The asset was recognised in April 2007 as the company believe there will be sufficient suitable profits in the appropriate periods to utilise the asset

Movement in deferred tax during the year to 30 April 2007

	1 May 2006 £000	Recognised in income £000	30 April 2007 £000
Loan note interest deductible when paid	-	698 7	698 7
Total deferred tax	-	698 7	698 7

Movement in deferred tax during the 8 months to 30 April 2006

Deferred tax assets in the comparative period to 30 April 2006 were £nil

14 Investments in subsidiaries

The Group has the following investments in the ordinary share capital of subsidiaries, each of which is incorporated in the United Kingdom

	30 April 2007 %	30 April 2006 %
Equidebt Limited	100	100
Sine Qua Non Limited	100	100
Credit Ancillary Services Limited*	100	100
Credit Helpline Limited**	100	100
Speed 8758 Limited**	100	100

* Dormant, prior to acquisition of the trade and assets of European Collections and Investigations Limited in 2006 (see note 15)

** Dormant

Company

	Investments in subsidiaries £000
Cost	
At 31 August 2005	-
Acquisitions through business combinations (note 15)	19,798 5
At 30 April 2006 and 2007	**19,798 5**

15 Acquisitions

Year to 30 April 2007

On 13 June 2006, the group acquired the trade and assets of European Collections and Investigations Limited for £808,200, satisfied in cash The company provides debt collection services In the 10 months to 30th April 2007 the subsidiary contributed a net loss of £260,100 to the consolidated net profit for the year If the acquisition had occurred on the first day of the accounting period, Group net profit would have been reduced by an estimated additional £30,000

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date			
Cash and cash equivalents	340 7		340 7
Loans and receivables – purchased debt	94 5	-	94 5
Property, plant and equipment	49 0	-	49 0
Other assets	95 9	-	95 9
Other liabilities	(264 4)	-	(264 4)
Net identifiable assets and liabilities	315 7	-	315 7
Goodwill on acquisition			492 5
			808 2
Consideration paid (including legal fees of £20,200, satisfied in cash			808 2
Cash (acquired)			(340 7)
Net cash outflow			467 5

In assessing the assets and liabilities acquired the Directors have identified certain intangible assets These intangibles did not meet the requirements for separate recognition under IAS 38 and consequently have not been recognised separately from goodwill These intangibles include

- Customer relationships, and
- Management skills acquired

Year to 30 April 2006

In August 2005, Equidebt Limited was purchased from its shareholders by a private equity company (RJD Partners Limited) for £19 8 million A new holding company, Equidebt Holdings, was established for this purpose Shares were issued in Equidebt Holdings Limited, and a majority was taken by RJD Partners Limited Equidebt Holdings Limited then purchased the entire share capital of Equidebt Limited

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities

	Acquiree's book values £000	Fair value adjustments £000	Fair Value £000
Acquiree's net assets at the acquisition date			
Cash and cash equivalents	2,837 8	-	2,837 8
Loans and receivables – purchased debt	17,705 4	-	17 705 4
Other assets	2,140 8	-	2,140 8
Property, plant and equipment	544 8	-	544 8
Intangible assets		-	
Loans and borrowings	(15,268 6)	-	(15,268 6)
Current tax liabilities	(309 2)	-	(309 2)
Deferred tax liabilities	(1,481 5)	247 8	(1,233 7)
Other liabilities	(3,073 5)	-	(3,073 5)
Net identifiable assets and liabilities	3,096 0	247 8	3,343 8
Consideration			19,798 5
Goodwill on acquisition			16,454 7
Consideration, satisfied in shares (1,800,000 shares of £0 0001 par value each)			8,348 8
Consideration paid (including advisory and legal fees of £874,700), satisfied in cash			11,449 7
Cash (acquired)			(2,837 8)
Net cash outflow			8,611 9

In assessing the assets and liabilities acquired the Directors have identified certain intangible assets These intangibles did not meet the requirements for separate recognition under IAS 38 and consequently have not been recognised separately from goodwill These intangibles include

- Non-binding customer contracts,
- Customer relationships, and
- Intellectual property and Management skills set

16 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings For more information about the Group's exposure to interest rate risk, see note 20

	Group 30 April 2007 £000	Group 30 April 2006 £000	Company 30 April 2007 £000	Company 30 April 2006 £000
Borrowings secured on purchased debt portfolios	39,786 6	17 070 0	-	-
Finance lease liabilities	-	17 2	-	-
Shares classified as debt	3,000 0	3,000 0	3,000 0	3,000 0
Other loans	-	265 2	-	-
	42,786 6	20,352 4	3,000 0	3,000 0

Group finance lease liabilities are payable as follows

	Minimum Lease Payments 30 April 2007 £000	Interest 30 April 2007 £000	Principal 30 April 2007 £000	Minimum Lease Payments 30 April 2006 £000	Interest 30 April 2006 £000	Principal 30 April 2006 £000
Less than 1 year	-	-	-	12 1	1 6	10 5
Between 1 and 5 years	-	-	-	8 2	1 5	6 7
More than 5 years				-	-	-
	-	-	-	20 3	3 1	17 2

17 Loan notes

Group and Company	30 April 2007 £000	30 April 2006 £000
11% unsecured subordinated loan notes repayable 2012	12,177 0	9,985 2
Variable unsecured redeemable loan notes repayable 2011/2012	4,327 8	-
	16,504 8	9,985 2

Upon issue of the variable unsecured subordinated loan notes, the Company resolved to issue warrant certificates to the loan note holders on 31 May 2007 if a listing or share sale had not occurred by that date

The loan note holders consented to the deferral of the above condition until their actual issue date of 6 December 2007

18 Trade and other payables

	Group 30 April 2007 £000	Group 30 April 2006 £000	Company 30 April 2007 £000	Company 30 April 2006 £000
Client funds payable	1,121 7	1,079 9	-	-
Trade payables	314 9	243 1	-	-
Non-trade payables and accrued expense	3,246 2	1,611 8	430 7	36 3
Other tax and social security	308 4	234 1	57 0	115 4
	4,991 2	3,168 9	487 7	151 7

19 Capital and reserves

Reconciliation of movement in capital and reserves - Group

	Share Capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 31 August 2005	-	-	-	-
Loss for the period	-	-	(1,115 6)	(1,115 6)
Deferred tax recognised directly in equity	-	-	181 8	181 8
New share capital issued	0 2	8,425 4	-	8,425 6
Balance at 30 April 2006	**0 2**	**8,425 4**	**(933 8)**	**7,491 8**
Profit for the year	-	-	652 8	652 8
New share capital issued	-	165 0	-	165 0
At 30 April 2007	**0 2**	**8,590 4**	**(281 0)**	**8,309 6**

Reconciliation of movement in capital and reserves - Company

	Share Capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 31 August 2005	-	-	-	-
Loss for the period	-	-	(743 8)	(743 8)
New share capital issued	0 2	8,425 4	-	8,425 6
Balance at 30 April 2006	**0 2**	**8,425 4**	**(743 8)**	**7,681 8**
Loss for the year	-	-	(1 274 7)	(1,274 7)
New share capital issued	-	165 0	-	165 0
At 30 April 2007	**0 2**	**8,590 4**	**(2,018 5)**	**6,572 1**

Share capital

On 31 August 2005, Equidebt Limited was acquired by Equidebt Holdings Limited, which owns all classes of shares in issue The rights attached to each class of shares are not considered to be significantly different The A ordinary shares attract cumulative dividends based on the level of loan notes in issue and the time that has elapsed since the loan notes were issued No dividends accrue until the loan notes have been redeemed in full or part The A ordinary shares are redeemed at par in preference to all other classes of share in the event of return on capital or liquidation Neither the B or C shares have any dividend rights

	A Ordinary shares		B Ordinary shares		C Ordinary shares	
Authorised (*)	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006
In thousands of 0 0001p shares	2,700	2,700	1,800	1,800	500	500
Allotted, called up and fully paid	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006
In thousands of 0 0001p shares						
At 31 August/1 May	2,700	-	1,800	-	-	-
Issued for cash	-	2 700	-	1,800	-	-
At 30 April– fully paid	2,700	2,700	1,800	1,800	-	-
	A Ordinary shares		**B Ordinary shares**		**C Ordinary shares**	
Allotted and not fully paid	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006	30-Apr 2007	30-Apr 2006
In thousands of 0 0001p shares						
At 31 August/1 May	-	-	-	-	250	-
Issued for cash	-	-	-	-	250	250
At 30 April not fully paid	-	-	-	-	500	250

(*) The Company has 5,000,000 authorised but unclassified shares of £0 0001 each

Allotted, called up and fully paid	A Ordinary shares 2007	A Ordinary shares 2006	B Ordinary shares 2007	B Ordinary shares 2006	C Ordinary shares 2007	C Ordinary shares 2006
	£	£	£	£	£	£
Shares classified as liabilities*	270 0	270 0	-	-	-	-
Shares classified in shareholders funds	-	-	180 0	180 0	-	-
At 30 April	270 0	270 0	180 0	180 0	-	-
Allotted and not fully paid	**A Ordinary shares 2007**	**A Ordinary shares 2006**	**B Ordinary shares 2007**	**B Ordinary shares 2006**	**C Ordinary shares 2007**	**C Ordinary shares 2006**
	£	£	£	£	£	£
Shares classified in shareholders funds	-	-	-	-	50 0	25 0
At 30 April	-	-	-	-	50 0	25 0

* Total share capital and share premium of £3,000,000 has been classified within loans and borrowings (note 16)

Dividends

	Year ended 30 April 2007 £000	8 months ended 30 April 2006 £000
Dividends paid	-	-

After the balance sheet date dividends of £Nil per qualifying ordinary share (30 April 2006 £Nil), were proposed by the directors

20 Financial risk management

Credit risk

1) 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 obligations, and arises primarily in relation to cash and cash equivalents, accounts receivable, purchased debt and outlays on behalf of clients It is the responsibility of the Finance Director & Financial Controller to manage its short term financial assets These are managed on a daily basis by reviewing the transactions with the financial institutions and monitoring against a regularly updated forecast position

   The Group's cash and cash equivalents consist primarily of bank balances and other short-term financial assets with a remaining maturity of less than three months The Group has deposited its cash equivalents with established financial institutions where the risk of loss is considered remote

2) The Group has accounts receivable and purchased debt from financial sector clients At the reporting date, there were no significant concentrations of credit risk The Group acquires portfolios of consumer receivables and works to collect them, assuming all the rights and risks associated with the receivables The portfolios are purchased at prices significantly below their nominal value and the Group retain the entire amount it collects, including interest and fees To minimise the risks in this business, the Group exercises prudence in its purchase decisions Purchases are usually made from clients with whom the Group has maintained long relationships, so it is usually familiar with the receivables in question and such purchases have to be sanctioned by the Group Credit Committee Ultimate management of this risk rests with the Board and Credit Committee, who convene regularly to review the performance of these accounts against the original investment criteria Performance and monitoring are delegated to the Purchased Debt Executive and two managers who use daily collections analyses and KPIs to manage this on a day to day basis

3) The Group incurs outlays for legal and court costs incurred in the debt recovery process These costs are capitalised as they are recoverable from debtors Provisions for doubtful recovery are made based on a review of the outstanding litigation at the end of each accounting period It is the responsibility of the Litigation Executive to manage this risk It is only this Executive who can sanction any write offs of this asset and a monthly provisioning model is operated by the litigation/finance teams

   The maximum credit risk exposure of the Group is represented by the balance sheet carrying amount of each financial asset, excluding any collateral held

Interest rate risk

The Group is exposed to movements in interest rates Interest rate risk is managed by the Finance Director by utilising a combination of fixed and floating facilities provided by established financial institutions with maturity periods in excess of one year

The Group is exposed to movements in interest rates on its floating rate funding The Group is comfortable with its non-hedged risk as this funding is used for the sole purpose of purchased debt which generates an interest return significantly in excess of the floating charge

The table below analyses assets and liabilities into the relevant contractual interest rate repricing groupings As described in note 1, purchased debt assets are outside of their contractual interest repricing period and consequently have been separately disclosed in the following tables The Group does not hold or use derivatives

Interest rate repricing table April 2007 – Group

	Up to 3 months	1-5 years	Over 5 years	Purchased debt	Non interest bearing	Total
	£000	£000	£000	£000	£000	£000
As at 30 April 2007						
Assets						
Cash and cash equivalents	4 582 3	-	-	-	-	4 582 3
Loans and receivables	-	-	-	48 361 1	-	48 361 1
Other assets*	-	-	-	-	21 164 9	21 164 9
Total assets	**4,582 3**	-	-	**48,361 1**	**21 164 9**	**74,108 3**
Liabilities						
Loans and borrowings	(39 786 6)	-	-		(3 000 0)	(42 786 6)
Loan notes		(11 110 9)	(5 393 9)		-	(16 504 8)
Other liabilities* and equity			-	-	(14 816 9)	(14 816 9)
Total liabilities	**(39,786 6)**	**(11,110 9)**	**(5,393 9)**	-	**(17,816 9)**	**(74,108 3)**
Interest rate sensitivity gap	(35 204 3)	(11 110 9)	(5 393 9)	48 361 1	3 348 0	
Cumulative gap	(35 204 3)	(46 315 2)	(51 709 1)	(3 348 0)	-	-

* Other assets and other liabilities consist of all non-financial assets and liabilities on the balance sheet, none of which bear interest rate risk

Interest rate repricing table April 2006 - Group

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Purchased debt	Non interest bearing	Total
	£000	£000	£000	£000	£000	£000	£000	£000
As at 30 April 2006								
Assets								
Cash and cash equivalents	3 002 9					-	-	3 002 9
Loans and receivables	-	-	-	-		19 236 5	-	19 236 5
Other assets*	-		-	-		-	20 034 0	20 034 0
Total assets	**3,002 9**	-	-	-	-	**19,236 5**	**20,034 0**	**42,273 4**
Liabilities								
Loans and borrowings	(17 074 0)	(2 7)	(269 0)	(6 7)		-	(3 000 0)	(20 352 4)
Loan notes	-		-	(3 792 3)	(6 192 9)	-	-	(9 985 2)
Other liabilities* and equity	-	-	-	-	-		(11 935 8)	(11 935 8)
Total liabilities	**(17,074 0)**	**(2 7)**	**(269 0)**	**(3,799 0)**	**(6,192 9)**	-	**(14,935 8)**	**(42,273 4)**
Interest rate sensitivity gap	(14 071 1)	(2 7)	(269 0)	(3 799 0)	(6 192 9)	19 236 5	5 098 2	-
Cumulative gap	(14 071 1)	(14 073 8)	(14,342 8)	(18 141 8)	(24 334 7)	(5098 2)	-	-

* Other assets and other liabilities consist of all non-financial assets and liabilities on the balance sheet, none of which bear interest rate risk

Interest rate repricing table April 2007 - Company

	Up to 3 months	1-5 years	Over 5 years	Non interest bearing	Total
	£000	£000	£000	£000	£000
As at 30 April 2007					
Assets					
Cash and cash equivalents	83 1		-	-	83 1
Loans and receivables	-		-	-	-
Other assets*	-	-	-	26 481 5	26 481 5
Total assets	**83 1**	**-**	**-**	**26,481 5**	**26 564 6**
Liabilities					
Loans and borrowings		-	-	(3,000 0)	(3 000)
Loan notes	-	(11 110 9)	(5 393 9)	-	(16 504 8)
Other liabilities* and equity	-	-	-	(7 059 8)	(7 059 8)
Total liabilities	**-**	**(11,110 9)**	**(5,393 9)**	**(10,059 8)**	**(26,564 6)**
Interest rate sensitivity gap	83 1	(11,110 9)	(5 393 9)	16 421 7	-
Cumulative gap	83 1	(11,027 8)	(16 421 7)	-	-

Interest rate repricing table April 2006 - Company

	Up to 3 months	1-5 years	Over 5 years	Non interest bearing	Total
	£000	£000	£000	£000	£000
As at 30 April 2006					
Assets					
Cash and cash equivalents	66 5	-	-	-	66 5
Loans and receivables	-	-		-	-
Other assets*	-	-	-	20 752 2	20 752 2
Total assets	**66 5**	**-**	**-**	**20,752 2**	**20,818 7**
Liabilities					
Loans and borrowings	-			(3 000 0)	(3 000 0)
Loan notes		(3 792 3)	(6 192 9)	-	(9 985 2)
Other liabilities* and equity		-	-	(7 833 5)	(7 833 5)
Total liabilities	**-**	**(3,792 3)**	**(6,192 9)**	**(10,833 5)**	**(20,818 7)**
Interest rate sensitivity gap	66 5	(3 792 3)	(6 192 9)	9 918 7	-
Cumulative gap	66 5	(3 725 8)	(9 918 7)		-

Effective interest rates

	30 April 2007 %	30 April 2006 %
Assets		
Cash and cash equivalents [1]	3 51	3 87
Loans and receivables - purchased debt [2]	40 0	43 4
Liabilities		
Amounts due from banks [3]	7 5	6 7
Loan notes [4]	12 8	11 0

1 Represents the weighted average interest rate achieved on all cash balances during the period

2 Represents a derived composite interest income rate on our debt purchase assets Calculated by combining interest receivable and upward adjustments (note 3) on purchased debt portfolios and dividing by a simple average of the years opening and closing purchased debt net asset value

3 Interest is paid on bank borrowings at fixed margins over floating LIBOR rates as pre-defined in each credit facility agreement

4 Indicates loan notes at the following rates (2005 notes at 11% and 2006 notes 25%/10%)

Liquidity risk

The Group is funded predominantly by bank facilities 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 as they fall due Liquidity risk is managed by the Finance and Managing Directors and is monitored by continually forecasting long range debt requirements against available current facilities

The table below analyses the assets and liabilities of the Group into relevant contractual maturity groupings based on the remaining period at the balance sheet date, balances with no fixed maturity are included within the over 5 years category

Purchased debt has not been analysed between maturity categories in the following tables as it is beyond its contractual maturity However, there will be proportions of this debt maturing in each category as cash is collected against the asset over time

Maturity table April 2007 - Group

	Up to 3 months £000	3 6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000	Purchased debt £000	Total £000
As at 30 April 2007							
Assets							
Cash and cash equivalents	4 582 3	-		-	-	-	4 582 3
Loans and receivables – purchased debt	-	-	-	-	-	48 361 1	48 361 1
Other assets	1 099 4	227 9	859 6	1 115 0	17 863 0	-	21 164 9
Total assets	**5 681 7**	**227 9**	**859 6**	**1,115 0**	**17,863 0**	**48,361 1**	**74,108 3**
Liabilities							
Loans and borrowings	-	-		(39 786 6)	(3 000 0)	-	(42 786 6)
Loan notes		-	-	(11 110 9)	(5 393 9)	-	(16 504 8)
Other liabilities and equity (*)	(3 514 2)	-	(660 6)	(1 817 7)	(8 824 4)		(14 816 9)
Total liabilities	**(3,514 2)**	**-**	**(660 6)**	**(52,715 2)**	**(17,218 3)**	**-**	**(74,108 3)**
Net liquidity gap	2 167 5	227 9	199 0	(51 600 2)	644 7	48 361 1	-

Maturity table April 2006 - Group

	Up to 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000	Purchased debt £000	Total £000
As at 30 April 2006							
Assets							
Cash and cash equivalents	3 002 9	-	-	-	-	-	3 002 9
Loans and receivables – purchased debt	-	-	-	-	-	19 236 5	19 236 5
Other assets	1 129 6	96 4	950 8	1 297 2	16 560 0	-	20 034 0
Total assets	**4,132 5**	**96 4**	**950 8**	**1,297 2**	**16 560 0**	**19,236 5**	**42,273 4**
Liabilities							
Loans and borrowings	(4 0)	(2 7)	(269 0)	(17 076 7)	(3 000 0)	-	(20 352 4)
Loan notes		-		(3 792 3)	(6 192 9)	-	(9,985 2)
Other liabilities and equity (*)	(2 067 3)	-	(216 6)	(1 313 3)	(8 338 6)	-	(11 935 8)
Total liabilities	**(2 071 3)**	**(2 7)**	**(485 6)**	**(22,182 3)**	**(17,531 5)**	**-**	**(42,273 4)**
Net liquidity gap	2 061 2	93 7	465 2	(20 885 1)	(971 5)	19 236 5	-

(*) Other liabilities and equity disclosed as up to 3 months are trade payables, accrued expenses, other taxation and social security and client funds payable Over 5 years includes equity attributable to shareholders

Maturity table April 2007 - Company

	Up to 3 months £000	3-6 months £000	1-5 years £000	Over 5 years £000	Total £000
As at 30 April 2007					
Assets					
Cash and cash equivalents	83 1	-	-	-	83 1
Loans and receivables – purchased debt	-	-	-	-	-
Other assets	-	-	6 683 0	19 798 5	26 481 5
Total assets	**83 1**	-	**6,683 0**	**19,798 5**	**26,564 6**
Liabilities					
Loans and borrowings	-	-	-	(3 000 0)	(3000 0)
Loan notes	-	-	(11 110 9)	(5,393 9)	(16 504 8)
Other liabilities and equity	(57 0)	(430 7)	-	(6,572 1)	(7 059 8)
Total liabilities	**(57 0)**	**(430 7)**	**(11,110 9)**	**(14,966 0)**	**(26,564 6)**
Net liquidity gap	26 1	(430 7)	(4 427 9)	4 832 5	-

Maturity table April 2006 - Company

	Up to 3 months £000	1 5 years £000	Over 5 years £000	Total £000
As at 30 April 2006				
Assets				
Cash and cash equivalents	66 5	-	-	66 5
Loans and receivables – purchased debt		-	-	
Other assets	-	953 7	19 798 5	20 752 2
Total assets	**66 5**	**953 7**	**19,798 5**	**20,818 7**
Liabilities				
Loans and borrowings	-	-	(3 000 0)	(3 000 0)
Loan notes	-	(3 792 3)	(6 192 9)	(9 985 2)
Other liabilities and equity	(151 7)	-	(7 681 8)	(7 833 5)
Total liabilities	**(151 7)**	**(3,792 3)**	**(16,874 7)**	**(20,818 7)**
Net liquidity gap	(85 2)	(2 838 6)	2 923 8	

Currency risk

The Group has no significant exposure to foreign exchange risk

Fair values of financial assets and liabilities

The Directors consider that there are no material differences between the carrying value and the fair value of the financial assets and liabilities disclosed within these financial statements

21 **Operatıng leases - Group**

Non-cancellable operatıng lease rentals are payable as follows

	30 Aprıl 2007 £000	30 Aprıl 2006 £000
Less than one year	413 4	318 2
Between one and five years	1,491 9	1,047 5
More than five years	2,327 6	2,375 0
	4,232 9	3,740 7

The Group leases ıts two premıses ın Wellesbourne and Surbıton under operatıng leases as well as a number of motor vehıcles

Durıng the year to 30 Aprıl 2007 £335,423 was recognısed as an expense ın the ıncome statement ın respect of operatıng leases (8 months to 30 Aprıl 2006 £222,590)

22 **Commıtments**

Capıtal commıtments

At the balance sheet date of 30 Aprıl 2007, neıther the Group or the Company had any sıgnıficant capıtal commıtments

Other commıtments

At the balance sheet date of 30 Aprıl 2007, the Group was contracted to purchase 13 debt portfolıos for the remaınder of 2007, wıth the prıce to be determıned at the date of acquısıtıon

23 **Related partıes**

Identıty of related partıes

The Group has ıdentıfied ıts related partıes as the board of dırectors of the Group (and theır close famıly) Whılst there are other key personnel ın the group responsıble for the ımplementatıon of strategy, ıt ıs only the Group board of dırectors who are responsıble for plannıng, dırectıng and controllıng the actıvıtıes of the Group There are common dırectorshıps among all group entıtıes

The dırectors ın the perıods concerned were

W Mullıgan appoınted 23 May 2006
P Moore
P Wıldıng
R Scott
D Johnson
J Mosıewıcz

Transactions with key management personnel

The compensation of the directors is disclosed within note 7
Shares held by directors and their close family were

	As At 30 April 2007 No	As At 30 April 2006 No
'B' Ordinary Shares of £0 0001p each – Equidebt Holdings Limited		
R Scott	846,000	846,000
J Mosiewicz	846,000	846,000
P Wilding	108,000	108,000
'C' Ordinary Shares of £0 000p each – Equidebt Holdings Limited		
P Moore	100,000	100,000
W Mulligan	200 000	-

Loans to the group by directors and their close family were

	As At 30 April 2007 £000	As At 30 April 2006 £000
R Scott and his close family	650 0	13 5
J Mosiewicz and his close family	550 0	251 7
	1,200 0	265 2

Interest earned on loans to the group by the directors and their close family were

	As At 30 April 2007 £000	As At 30 April 2006 £000
R Scott and his close family	65 6	5 6
J Mosiewicz and his close family	54 6	-
	120 2	-

Transactions with ultimate controlling party

The ultimate controlling party is RJD Partners Limited who control approximately 47% of the share capital of the group with 52 7% of voting rights Duncan Johnson, a director of Equidebt Holdings Limited, is a limited partner in the Royal London Private Equity SBS Fund which holds the group's 'A' ordinary shares and as such he has a beneficial interest in the 'A' ordinary shares A fee was paid by the group to RJD Partners Limited for the services of Duncan Johnson, no other salary or fee was paid directly to the director In the 8 months to April 2006 this amounted to £20,000 and in the year to 30 April 2007 £30,400

RJD Partners Limited manages funds holding the following shares and loan notes in Equidebt Holdings Limited

Share Capital

	Year ended 30 April 2007 No	**8 months ended 30 April 2006** No
'A' Ordinary Shares of £0 0001p each – Equidebt Holdings Limited		
Royal London Private Equity Fund	2,316,075	2 316,075
Royal London Private Equity SBS Fund	55,145	55,145

Loans to the group

	Year ended 30 April 2007 £000	**8 months ended 30 April 2006** £000
Royal London Private Equity Fund	13,002 6	8,777 3
Royal London Private Equity SBS Fund	309 6	209 0
	13 312 2	8,986 3

Interest earned on loans to the group

	Year ended 30 April 2007 £000	**8 months ended 30 April 2006** £000
Royal London Private Equity Fund	1,295 1	606 7
Royal London Private Equity SBS Fund	30 8	14 4
	1,325 9	621 1

Transactions with Group companies

Equidebt Holdings Limited has the following group balances

	30 April 2007 £000	30 April 2006 £000
Equidebt Limited		
- current account	4,633 1	805 2
- loan account	164 9	-
Credit Ancillary Services Limited loan account	879 5	-
Total	5,677 5	805 2

Group interest on group balances were

	30 April 2007 £000	30 April 2006 £000
Equidebt Limited loan account	14 9	-
Credit Ancillary Services Limited loan account	79 5	-
Total	94 4	-

In the year to 30 April 2007, management charges receivable from Equidebt Limited of £901,700 (2006 £652,500) were included in the income statement, these were straight recharges of costs incurred The cash movements between the Company and Equidebt Limited are represented by a combination of these management charges and the movements in group balances shown above Although a formal contract between the group parties is not in place, this is not considered to be necessary as the management charges relate to straight recharges of salary costs incurred

24 Ultimate controlling party and parent company of larger group

The ultimate controlling party is RJD Partners Limited which controls 52 7% of the company's voting rights

No other group financial statements include the results of the Company

25 Subsequent events

Issue of warrant certificates

See note 18

Factors affecting the tax charge for future years

It has been announced that the corporation tax rate applicable for the company is expected to change from 30% to 28% from 1 April 2008 The deferred tax asset had been calculated at 30% in accordance with IAS12 Any temporary differences which reverse before 1 April 2008 will be (charged)/relieved at 30%, any temporary differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax asset/liability will reverse, it is not possible to calculate the full financial impact of this change

IPO abortive costs

In the first half of 2007 the Company embarked on a strategy to list on A I M in June 2007 The board decided to abort the listing process in June and IPO abortive costs of £414,300 have been reported in these financial statements A further £487,000, which was incurred post year end, will be reported in the financial statements for the year ended 30 April 2008