Equidebt Holdings Limited

Directors' Report and Consolidated Financial Statements

Registered number 05524029

For the year ended 30 April 2012

Contents

Directors' Report

The directors present their Directors' Report and financial statements for the year ended 30 April 2012

Principal activities

The principal activity of the business consists of the purchase and collection of debt balances due from consumers, either directly from the borrower or on behalf of the lender or service provider

Business review

The financial year has been a significant one for the business during which it has continued to grow the contingent business stream, while undertaking a significant review of future collections on the owned debt portfolios This has resulted in a reduction in the value of the asset and, as a consequence, an impairment of £19 1m has been applied

The results for the year are shown in the Income Statement on page 10 The consolidated loss of £18 8m compares with a profit of £0 8m in the previous year Net assets are shown on the Statement of Financial Position on page 11 and show that the position has moved from positive net assets of £7 9m as at April 2011 to a net liability position of (£10 8m) as at April 2012

As the directors intend to liquidate the group following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis The effect of this is explained in note 1

Key Performance Indicators

The Board considers that the following are the key performance indicators of the group, and regularly reviews their appropriateness

• Cash Collections during the year were	£14 3m	*(2011 £14 9m)*
• Net purchased debt impairment at 30 April 2012 was	(£19 1m)	*(2011 (£1 1m))*
• Nominal value of purchased debt receivable at 30 April 2012 was	£641 8m	*(2011 £837 1m)*
• Carrying value of purchased debt receivable at 30 April 2012 was	£28 2m	(2011 *£50 9m*)
• Commission from DCA clients for the year ended 30 April 2012 was	£2 3m	*(2011 £2 3m)*
• (Loss) / Profit of the group for the year ended 30 April 2012 was	(£18 8m)	*(2011 £0 8m)*
• Net (liabilities) / assets of the group as at 30 April 2012 were	(£10 8m)	*(2011 £7 9m)*

Key performance indicators are monitored daily by executive management and by the Board on a monthly basis

Directors' Report *(continued)*

Principal risks and uncertainties

Like its peers the company could be affected by

- Economic risk

While the state of the general economy may provide opportunities for purchasing debt at better prices and offer increased new business for its commission based business, an economic downturn will affect consumers' ability to pay which could result in impairment for the group

- Postal & banking systems

Disruption to these national services would disrupt important collection channels which would affect the group's cash position and ultimately the value of debt portfolios

- Competition

The group faces competition and must continually assess its pricing strategy compared to others while maintaining profitable relationships

- Reputation

This is a key risk that must be monitored by the Board and the Executive team The group is mindful that it maintains its good reputation in the market for its ethical standards, customer service and regulatory compliance

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 monitors closely the movement in interest rates and, where appropriate, uses 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 cash flows 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 from impairment and reversals of impairment which are shown separately in the income statement

Directors' Report *(continued)*

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 portfolios, bank balances 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 Statement of Financial Position represent the net book value of purchased portfolios of debt Regular reassessment reviews are undertaken to ensure forecast future cash flows arising from the owned portfolios are sufficient to support the outstanding net book value of the purchased debt portfolios 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 cash flows 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 Statement of Financial Position 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 cash deposits 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 cash flows from the rehabilitation of purchased debtors' balances and arranging funding for the purchase of debt portfolios via medium-term revolving credit facilities and loan capital provided by investors The liquidity of the group is managed closely on a daily basis with regular longer term forecasting

Cash flow interest rate risks

The interest rate on the credit facility is at senior lending rates The group monitors closely the movement in interest rates and where appropriate, uses derivative instruments to manage these exposures

Environment

The group's aspiration 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, and
- Monitor and continuously improve our environmental performance

The group's environment policy statement is regularly reviewed and updated as necessary

Directors' Report *(continued)*

Proposed dividend

The directors do not recommend the payment of a dividend *(2011 £Nil)*

Directors

The directors who held office during the year were as follows

K Breslauer	
J E Dillon	
R T Langstaff	
H J G Mair	
P F McDonnell	(Resigned 16 July 2012)
B A Prescott	(Resigned 28 February 2012)
R P Scott	

The directors benefited from certain indemnity provisions made by the company

Employees

The group views investment in its employees as key to its success and its policy is to ensure the involvement of employees in the group's performance with incentive schemes as appropriate There are well established communications processes including consultation forums, company briefings and the use of electronic channels

The group invests in regular training programmes to assist employees in achieving their potential

Charitable donations

The following charitable donations were made during the year

Consumer Credit Counselling Service	£18,000	*(2011 £18,000)*

Going Concern

The Board, while noting the 2012 financial results, has considered in depth the current business plan, including cash flow projections and the banking facility and associated covenants for the group expiring in 2013 As the directors intend to liquidate the group following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis The effect of this is explained in note 1

Disclosure of information to the auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

By order of the Board

H J G Mair
Director

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA

3rd June 2013

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 law

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

In preparing these financial statements, the directors are required to

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

As explained in note 1 to the financial statements, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

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

Independent auditor's report to the members of Equidebt Holdings Limited

We have audited the financial statements of Equidebt Holdings Limited for the year ended 30 April 2012 set out on pages 10 to 42 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 group's and of the parent company's affairs as at 30 April 2012 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of Matter – Non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are not now prepared on the going concern basis for the reasons set out in that note

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Equidebt Holdings Limited *(continued)*

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

05/06/13

Kieren Cooper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham B4 6GH

Consolidated Income Statement
for the year ended 30 April 2012

	Note	2012 £000	2011 £000
Interest receivable and similar income	2	**4,769**	11 489
Interest expense and similar charges	3	**(2,175)**	(2 875)
Net interest income		**2,594**	8,614
Fees and commission income	4	**2,360**	2 457
Net total income		**4,954**	11,071
Operating expenses	5,8	**(10,669)**	(9 463)
Impairment losses on loans and receivables	6	**(13,070)**	(856)
(Loss) / Profit before income tax		**(18,785)**	752
Income tax credit	9	**-**	-
(Loss) / Profit for the year attributable to equity shareholders		**(18,785)**	752

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

Statements of Comprehensive Income
for the year ended 30 April 2012

There has been no comprehensive income or expense other than the (loss) / profit for the years as shown above

Notes on pages 14 to 42 form part of these financial statements

Statement of Financial Position
at 30 April 2012

	Note	**Group 2012 £000**	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Non-current assets					
Property plant and equipment	*12*	**495**	572	-	-
Investments in subsidiaries	*15*	-	-	-	-
Intangible assets	*13*	**43**	108	-	-
		538	680	-	-
Current assets					
Loans and receivables – purchased debts	*10*	**28,218**	50 866	-	-
Trade and other receivables	*11*	**978**	963	**162**	162
Cash and cash equivalents		**2,236**	2 876	-	-
		31,432	54,705	**162**	162
Total assets		**31,970**	55,385	**162**	162
Liabilities					
Loans and borrowings	*16*	**36,511**	42,634	-	-
Trade and other payables	*17*	**6,320**	4,827	**47**	47
Total liabilities		**42,831**	47,461	**47**	47
Equity					
Called up share capital	*18*	**9**	9	**9**	9
Share premium	*18*	**51,718**	51,718	**51,718**	51,718
Warrant reserve	*18*	-	-	-	-
Capital redemption reserve	*18*	-	-	-	-
Capital contribution reserve	*18*	-	-	**(20,720)**	(20 720)
Reserves	*18*	**(62,588)**	(43,803)	**(30,892)**	(30,892)
Total attributable to equity shareholders		**(10,861)**	7,924	**115**	115
Total equity and liabilities		**31,970**	55 385	**162**	162

Notes on pages 14 to 42 form part of these financial statements

These financial statements were approved by the board of directors on 3rd June 2013 and were signed on its behalf by

Hamish L Mair

H J G Mair
Director

Company registered number: 05524029

Statement of Cash Flows
for the year ended 30 April 2012

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Cash flows from operating activities				
(Loss) / Profit before tax	**(18,785)**	752	-	4 943
Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities				
Net interest (income)/expense	**(2,594)**	(8 614)	-	(5 010)
Interest received	**14,347**	14,945	-	4,887
Interest paid	**(2,215)**	(2 944)	-	-
Depreciation and impairment of property, plant and equipment	**198**	174	-	-
Amortisation of intangible assets	**77**	38	-	-
Impairment of loans and receivables	**13,070**	856	-	-
(Increase)/decrease in trade and other receivables	**(15)**	132	-	(5,178)
Increase/(decrease) in trade and other payables	**1,533**	274	-	(246)
Tax refund	-	15	-	-
Net cash from operating activities	**5,616**	5,628	-	(604)
Cash flows from investing activities				
Purchase cost of property, plant and equipment and intangible assets	**(133)**	(407)	-	-
Net cash from investing activities	**(133)**	(407)	-	-
Cash flows from financing activities				
Repayment of existing facilities	**(6,123)**	(6 384)	-	-
Repayment of loan notes	-	(40 568)	-	(21,212)
Proceeds from issue of shares	-	41 172	-	21,816
Waiver of amounts due from group companies	-	-	-	-
Net cash from financing activities	**(6,123)**	(5 780)	-	604
Net decrease in cash and cash equivalents	**(640)**	(559)	-	-
Cash and cash equivalents at 1 May	**2,876**	3 435	-	-
Cash and cash equivalents at 30 April	**2,236**	2 876	-	-

Notes on pages 14 to 42 form part of these financial statements

Statement of Changes in Equity
for the year ended 30 April 2012

Group.

	Called up Share Capital	Share Premium	Warrant Reserve	Retained Earnings	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**
At 1 May 2011	9	51,718	-	(43,803)	7 924
Total comprehensive income for the year	-	-	-	(18,785)	(18 785)
At 30 April 2012	**9**	**51,718**	**-**	**(62,588)**	**(10,861)**
At 1 May 2010		8,590	1,965	(44 555)	(34 000)
Total comprehensive income for the year	-	-	-	752	752
Issue of share capital	9	-	-	-	9
Transferred to share premium	-	1,965	(1 965)	-	-
Loan notes capitalised on issue of new share capital	-	38,163	-	-	38,163
Transfer A share capital	-	3,000	-	-	3 000
At 30 April 2011	9	51 718	-	(43,803)	7 924

Statement of Changes in Equity

for the year ended 30 April 2012

Company

	Called up Share Capital	Share Premium	Warrant Reserve	Capital Contribution Reserve	Retained Earnings	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 May 2011	9	51 718	-	(20 720)	(30,892)	115
Total comprehensive income for the year	-	-	-	-	-	-
At 30 April 2012	**9**	**51,718**	**-**	**(20,720)**	**(30,892)**	**115**
At 1 May 2010	-	8,590	1,965	(1,364)	(35,835)	(26,644)
Total comprehensive income for the year	-	-	-	-	4,943	4,943
Issue of share capital	9	-	-	-	-	9
Transferred to share premium	-	1 965	(1,965)	-	-	-
Loan Notes capitalised on issue of new share capital	-	38 163	-	(19 356)	-	18 807
Transfer A share capital	-	3,000	-	-	-	3,000
At 30 April 2011	9	51 718	-	(20 720)	(30 892)	115

Notes on pages 14 to 42 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

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 availing of the exemption in S230 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements

At 30 April 2012 a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for either the group or the company's financial statements as at 30 April 2012 The standards and interpretations are not expected to have significant effect on the financial statements of either the group or the company

No standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the group or the company when adopted

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

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 material adjustment in the next year are discussed in note 19

Going concern

The financing of the business came to an end in April 2013 and has been renewed for a three month term to the end of July 2013

The directors are currently in advanced discussions with a potential buyer for the sale of the debt portfolio As the directors intend to liquidate the group following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis Therefore these financial statements have been prepared on a break-up basis

Following the preparation of the financial statements on a break-up basis for the current year, adjustments have been made to reduce assets to their realisable values and to provide for liabilities arising from that decision

- Property, plant and equipment and Intangible assets The expected useful lives of property, plant and equipment and intangible assets have been reviewed so as to ensure that their carrying value will be written down to the expected residual amounts by 31 May 2013
- Trade and other receivables These have been reduced to their recoverable amount at 31 May 2013
- Provisions Provisions have been made in the financial statements for all contractual commitments extending past 31 May 2013 which cannot be avoided by the group, and where a present obligation existed at 30 April 2012 Further details are included in note 17 of the financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

The effect of this change in the basis of preparation has been to

(i) increase depreciation expense by £5,800 as the estimated useful lives of property, plant and equipment have been reduced,

(ii) increase amortisation expense by £36,600 as the estimated useful lives of intangible assets have been reduced,

(iii) increase administrative expenses by £22,800 as prepayments have been expensed in the current period,

(iv) increase provisions by £1,877,200 for onerous contracts relating to contractual payments for property leases and software support contracts, and

(v) increase provisions by £709,700 for redundancy costs relating to amounts for individuals at risk of redundancy at the reporting date

Following these adjustments, the loss for the year is £18,785,000

Measurement convention

The financial information is prepared on the historical cost basis

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

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

- 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

- 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

Notes *(continued)*

1 Accounting policies *(continued)*

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 Statement of Financial Position when the company becomes party to the instrument's contractual terms

A financial asset is removed from the Statement of Financial Position 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 Statement of Financial Position 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

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 cash flows 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

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 The carrying value is disclosed on the Statement of Financial Position on page 11

Property, plant and equipment

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

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
Improvements to property	Over period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment (continued)

Following the adoption of the break up basis of accounting as discussed above, the estimated useful lives of property, plant and equipment have been reviewed and, in some cases, reduced This has resulted in an increase in the depreciation expense for 2012

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 Statement of Financial Position date Computer software is amortised from the date it is available for use over its estimated useful life of four years

Following the adoption of the break up basis of accounting as discussed above, the estimated useful life of computer software has been reviewed and reduced This has resulted in an increase in the amortisation charge for 2012

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than three months At the reporting date there was £320k (*2011 £567k)* of funds in separate bank accounts, held in trust on behalf of clients

Impairment

The carrying amounts of the group's assets other than deferred tax assets are reviewed at each Statement of Financial Position 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 Statement of Financial Position, 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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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 7 represent contributions paid to the defined contribution plans

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 benefit that the company acquires from this activity is reflected through enhanced recoverability of purchased debt assets, rather than being recognised as a separate 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

Interest expense

Interest expense is recognised as it accrues, using the effective interest method

Deferral of costs

During the period, it was decided to look at the accounting treatment of certain key direct costs The accounting policy relating to such costs was changed to defer costs over three months for postage and stationery, and six months for trace costs It was felt this would bring these costs more into line with the revenue that they help in directly generating Overall, it was felt that the quantified adjustment was not material enough to justify adjusting the 2011 comparatives

Leases

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 Statement of Financial Position 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 Statement of Financial Position 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

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

Purchased debt

As indicated 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 the Statement of Financial Position on page 11 A 1% movement in the forecast future cash flows at the Statement of Financial Position date has an approximate impact of £0 3m, which would be recognised in the company Income Statement in the period in which those cash flow estimates were revised

Unidentified receipts

The company makes every effort to allocate cash received to the correct debtor account Rigorous procedures are undertaken in following up all receipts from or on behalf of unidentifiable debtors and overpayments by debtors who cannot be located In some instances, however, it is not possible to identify the debtor account or locate the debtor for refund and in these circumstances the provision is released only when it is appropriate to do so based on management's best estimates and experience

Notes *(continued)*

2 Interest receivable and similar income

	2012 £000	2011 £000
On purchased debt portfolios		
Interest receivable	**10,837**	11,686
Valuation adjustments	**(6,068)**	(197)
	4,769	11,489

3 Interest expense and similar charges

	2012 £000	2011 £000
On borrowings secured on purchased debt portfolios	**2,175**	2,394
Loan note interest	**-**	481
	2,175	2,875

4 Fees and commission income

	2012 £000	2011 £000
Commission on collections on behalf of third parties	**2,346**	2 327
Other income	**14**	130
	2,360	2,457

Notes *(continued)*

5 Operating expenses

	2012 £000	2011 £000
Staff costs (note 7)	**5,236**	4,588
Operating Leases		
Land and Buildings	**2,220**	369
Depreciation	**198**	174
Amortisation	**77**	38
Other operating expenses	**2,938**	4,294
Total operating expenses	**10,669**	9,463

Auditors' remuneration included in the above

Audit of these and other group entities financial statements	**49**	55
Services relating to corporate finance transactions entered into or proposed to be entered into by, or on behalf of, the company	**-**	20
All other services	**-**	1
	49	76

6 Impairment losses on loans and receivables

	2012 £000	2011 £000
Impairment losses on loans and receivables	**13,070**	856

	£000	£000
Charged to impairment during the year	**13,096**	3,158
Credit relating to impairment charged in prior years	**(26)**	(2,302)
Impairment losses on loans and receivables	**13,070**	856

Notes *(continued)*

7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees		Number of employees	
	Group 2012	Group 2011	**Company 2012**	Company 2011
Collections	**88**	95	-	-
Administration	**61**	65	-	1
	149	160	-	1

The aggregate payroll costs of these persons were as follows

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Wages and salaries	**4,041**	4,148	**81**	239
Social security costs	**376**	349	**2**	10
Other pension costs	**109**	91	-	5
Termination costs	**710**	-	-	-
	5,236	4 588	**83**	254

Termination costs relates to redundancy costs for individuals at the risk of redundancy at the reporting date

8 Directors' remuneration

	Group 2012 £000	Group 2011 £000
Directors emoluments	**331**	416
Company contributions to money purchase pension plans	**9**	12
	340	428

The aggregate of emoluments of the highest paid director was £222,755 in the year to 30 April 2012 *(2011 £191,462)*, and company pension contributions of £Nil *(2011 £Nil)* were made to a money purchase scheme on his behalf

	Number of Directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under Money purchase schemes	-	1

Notes *(continued)*

9 Taxation

Recognised in the income statement

	2012 £000	2011 £000
Current tax expense		
Current year	-	-
Adjustments for prior years	-	-
	-	-
Deferred tax expense		
Current year	-	-
Adjustment for prior years	-	-
Total tax in income statement	-	-

Reconciliation of effective tax rate

	2012 £000	2011 £000
Profit for the year	(18,785)	752
Tax using the UK corporation tax rate of 25 83% (2011 27 84%) (See below)	(4,852)	209
Expenses not deductible for tax purposes	193	235
Tax loss utilisation	-	-
Other timing differences	-	(1)
Net deferred tax not recognised	4,659	330
Effect of difference in Corporation tax/Deferred tax rates	-	-
Utilisation of brought forward tax losses	-	(773)
Total tax in income statement	-	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was subsequently enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were subsequently enacted on 26 March 2012 and 3 July 2012 respectively

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the statement of financial position date Accordingly, the reduction to 24% has been taken into account when measuring the deferred tax assets and liabilities, where appropriate, at 30 April 2012

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantity the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the group's future current tax charge and reduce the group's deferred tax assets and liabilities accordingly

Notes *(continued)*

10 Loans and receivables – purchased debt - Group

	2012 £000	2011 £000
Loans and receivables		
At beginning of year	**50,866**	55,178
Interest receivable	**10,837**	11,686
Valuation adjustments following re-estimation of forecast future cash flows	**(6,068)**	(197)
Net interest receivable (note 2)	**4,769**	11,489
Cash collections	**(14,347)**	(14,945)
Impairment (Note 6)	**(13,070)**	(856)
At end of year	**28,218**	50,866

11 Trade and other receivables

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Trade receivables	**191**	307	-	-
Prepayments and accrued income	**757**	626	-	-
Share capital not paid up	**30**	30	**30**	30
Amounts due from group companies	-	-	**132**	132
	978	963	**162**	162

Notes *(continued)*

12 Property, plant and equipment – Group

	Fixtures and fittings £000	Computer hardware £000	Improvements to property £000	Total £000
Cost				
At 30 April 2010	340	980	9	1,329
Additions	-	333	-	333
Write-offs	(2)	-	-	(2)
Balance at 30 April 2011	338	1,313	9	1,660
Additions	4	116	1	121
Disposals	(10)	(404)	-	(414)
Write-offs	-	-	-	-
Balance at 30 April 2012	332	1,025	10	1 367
Depreciation				
At 30 April 2010	251	665	1	917
Charge for year	30	143	1	174
Write-offs	(2)	(1)	-	(3)
Balance at 30 April 2011	279	807	2	1,088
Charge for year	22	169	7	198
Eliminated on disposals	(10)	(404)	-	(414)
Write-offs	-	-	-	-
Balance at 30 April 2012	291	572	9	872
Net book value				
At 30 April 2012	**41**	**453**	**1**	**495**
At 30 April 2011	59	506	7	572

Notes *(continued)*

13 Intangible assets – Group

	Goodwill £000	Computer software £000	Total £000
Cost			
At 30 April 2010	16,947	251	17,198
Additions	-	74	74
Balance at 30 April 2011	16,947	325	17,272
Additions	-	12	12
Balance at 30 April 2012	16,947	337	17 284
Amortisation			
At 30 April 2010	16,947	179	17 126
Amortisation for the year	-	38	38
Balance at 30 April 2011	16,947	217	17,164
Amortisation for the year	-	77	77
Eliminated on disposals	-	-	-
Balance at 30 April 2012	16,947	294	17,241
Net book value			
At 30 April 2012	**-**	**43**	**43**
At 30 April 2011	-	108	108

Notes *(continued)*

14 Deferred tax assets and liabilities

Group

	2012 £000	2011 £000
Movement on deferred taxation balance in the period		
Opening balance	-	-
Credit to the income statement (Note 9)	-	-
Closing balance	-	-
Analysis of Deferred Tax Balance		
Deferred capital allowances	-	-
Other timing differences	293	-
Trading losses	(293)	-
	-	-

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the statement of financial position date Accordingly, the reduction to 24% (referred to in note 9 above) has been taken into account when measuring the deferred tax assets and liabilities, where appropriate, at 30 April 2012

Within the group there are deferred tax assets of £7 0m (*2011 £2 9m*) relating to tax losses, that have not been recognised due to the uncertainty over the timing of their future recoverability

Company

No deferred tax assets or liabilities have been recognised at the year end (*2011 £Nil*) and there has been no movement in deferred tax during the current or previous period

Within the company there are net deferred tax assets of £Nil *(2011 £Nil)* relating to taxable losses offset by other timing differences that have not been recognised due to the uncertainty over the timing of their future recoverability

Notes *(continued)*

15 Investments in subsidiaries

Group

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

		2012 **%**	2011 %
Equidebt Limited	Debt collection	**100**	100
Sine Qua Non Services Limited*	Debt collection	**100**	100
Credit Ancillary Services Limited*	Debt collection, trace and investigation services	**100**	100
Equidebt EBT Limited	Trust company	**100**	100
Credit Helpline Limited*	Non trading – dormant	**100**	100
Speed 8758 Limited*	Non trading – dormant	**100**	100

* Indirect holding via Equidebt Limited

Company

	Investments in subsidiaries £000
Cost	
At 30 April 2011 and 30 April 2012	-

16 Loans and borrowings

This note provides information about the contractual terms of the group's interest-bearing loans and borrowings within the current financial year For more information about the group's exposure to interest rate risk, see note 19(c)

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Borrowings secured on purchased debt portfolios	**36,511**	42,634	-	-
	36,511	42,634	-	-

Notes *(continued)*

17 Trade and other payables

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Client funds payable	**1,020**	1 203	-	-
Trade payables	**658**	559	-	-
Non-trade payables and accrued expense	**1,946**	3,061	**47**	47
Other tax and social security	**109**	4	-	-
Provisions – redundancy costs	**710**	-	-	-
Provisions – onerous contracts	**1,877**	-	-	-
	6,320	4,827	**47**	47

The provision for redundancy costs relates to amounts for individuals at the risk of redundancy at the reporting date

The provision for onerous contracts relates to contractual payments for property leases and software support contracts

18 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Share Capital £000	**Share Premium £000**	**Warrant Reserve £000**	**Retained Earnings £000**	**Total Equity £000**
Balance at 30 April 2010	-	8,590	1,965	(44,555)	(34,000)
Profit for the year	-	-	-	752	752
Movements on capitalisation of loan notes	9	43,128	(1,965)	-	41,172
At 30 April 2011	9	51,718	-	(43,803)	7,924
Loss for the year	-	-	-	(18,785)	(18,785)
At 30 April 2012	9	51,718	-	(62,588)	(10,861)

Notes *(continued)*

18 Capital and reserves *(continued)*

Reconciliation of movement in capital and reserves – Company

	Share Capital £000	Share Premium £000	Warrant Reserve £000	Capital Contribution Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 May 2010	-	8,590	1,965	(1,364)	(35 835)	(26,644)
Profit for the year	-	-	-	-	4,943	4,943
Movements on capitalisation of loan notes	9	43,128	(1,965)	-	-	41,172
Capital contribution	-	-	-	(19 356)	-	(19,356)
At 30 April 2011	9	51,718	-	(20,720)	(30,892)	115
Profit for the year	-	-	-	-	-	-
At 30 April 2012	9	51,718	-	(20,720)	(30,892)	115

Share Capital

The addition to share capital of £9,000 is due to the restructure which occurred in June 2010

Share Premium

The addition to share premium of £43,128,000 is due to the restructure which occurred in June 2010

Warrant Reserve

The warrant reserve comprised share warrants that were issued on 1 July 2007 and were attached to the variable unsecured redeemable loan notes, this reserve was eliminated by the restructure in June 2010 when all loan notes were redeemed

Capital Contribution Reserve

A capital contribution of £19,356,000 was made by the company in Equidebt Limited, in connection with the restructure of June 2010

Notes *(continued)*

18 Capital and reserves *(continued)*

Share capital

Any profits of the company which are available for lawful distribution and which the Board resolves to distribute to Members shall first be distributed to the holders of the A shares in priority to all other classes of Share

On an exit, the share sale value shall be distributed as follows first, in paying to the holders of the A shares (as a class) a priority profit share, and thereafter any further share sale value shall be distributed amongst holders of the B shares

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2012	2011	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£	£	£
Authorised								
In thousands of £1 shares	-	-	501	501	-	-	-	-
In thousands of £0 0001 shares	5,436	5,436	3,332	3,332	-	-	-	-
In thousands of £0 0000001 shares	-	-	-	-	-	-	-	-
	5,436	5 436	3,833	3,833	-	-	-	-
Allotted, called up and fully paid								
In thousands of £1 shares	-	-	501	501	-	-	-	-
In thousands of £0 0001 shares	5,436	5,436	3,332	3 332	-	-	-	-
In thousands of £0 0000001 shares	-	-	-	-	-	-	-	-
	5,436	5,436	3,833	3 833	-	-	-	-
Allotted and not fully paid								
In thousands of £0 0001 shares	-	-	-	-	-	-	-	-
In thousands of £0 0000001 shares	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2012	2011	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£	£	£
Allotted, called up and fully paid								
Shares classified as liabilities	-	-	-	-	-	-	-	-
Shares classified in shareholders funds	5,436	5,436	3,833	3,833	-	-	-	-
	5,436	5,436	3,833	3 833	-	-	-	-
Allotted, called up and fully paid								
Shares classified in shareholders funds	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Dividends

After the Statement of Financial Position date dividends of £Nil per qualifying ordinary share *(2011 £Nil)* were proposed by the directors

Notes *(continued)*

19 Financial instruments

(a) Fair values of financial instruments

Loans and receivables – Purchased debt

The fair value of purchased debt receivables is estimated as the present value of future cash flows, discounted at the effective interest rate at the date of purchase

Trade and other receivables

The fair value of trade and other receivables is estimated as its carrying amount

Trade and other payables

The fair value of trade and other payables is estimated as its carrying amount

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Statement of Financial Position date In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option

Notes *(continued)*

19 Financial instruments *(continued)*

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of Financial Position are as follows

Group	**Carrying amount 2012 £000**	**Fair value 2012 £000**	Carrying amount 2011 £000	Fair value 2011 £000
Cash & cash equivalents	**2,236**	**2,236**	2,876	2,876
Loans and receivables – purchased debt (note 10)	**28,218**	**28,218**	50,866	50,866
Trade and other receivables (note 11)	**191**	**191**	307	307
Borrowings secured on purchased debt portfolios (note 16)	**(36,511)**	**(36,511)**	(42 634)	(42,634)
Client funds payable (note 17)	**(1,020)**	**(1,020)**	(1,203)	(1,203)
Trade payables (note 17)	**(658)**	**(658)**	(559)	(559)
Total financial instruments	**(7,544)**	**(7,544)**	9,653	9,653

IAS 39 categories of financial instruments		
Cash and cash equivalents	**2,236**	2,876
Loans and receivables - purchased debt (note 10)	**28,218**	50 866
Trade and other receivables (note 11)	**191**	307
Total loans and receivables	**28,409**	51,173
Total financial assets	**30,645**	54 049
Borrowings secured on purchased debt portfolio (note 16)	**(36,511)**	(42,634)
Client funds payable (note 17)	**(1,020)**	(1,203)
Trade payables (note 17)	**(658)**	(559)
Total financial liabilities measured at amortised cost	**(38,189)**	(44,396)
Total financial instruments	**(7,544)**	9 653

The directors consider that there is no material differences between the carrying value and the fair value of the financial assets and liabilities disclosed within this financial statement

Notes *(continued)*

19 Financial instruments *(continued)*

Company	Carrying amount 2012 £000	Fair value 2012 £000	Carrying amount 2011 £000	Fair value 2011 £000
Cash & cash equivalents	-	-	-	-
Amounts due from group companies (note 11)	132	132	132	132
Total financial instruments	132	132	132	132

IAS 39 categories of financial instruments	2012	2011
Cash and cash equivalents	-	-
Amounts due from group companies (note 11)	132	132
Total loans and receivables	132	132
Total financial assets	132	132
Total financial liabilities measured at amortised cost	-	-
Total financial instruments	132	132

(b) Credit risk

Financial risk management

Group

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 and purchased debt It is the responsibility of the Finance Director 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

The group has accounts receivable and purchased debt from financial sector clients

The group collects consumer receivables on a contingent basis for a number of financial sectors clients These are primarily in respect of bank overdrafts, credit card accounts and bank loans

The group also 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

Notes *(continued)*

19 Financial instruments *(continued)*

(b) Credit risk (continued)

Company

The company'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 company has deposited its cash equivalents with established financial institutions where the risk of loss is considered remote

Exposure to credit risk

Group

The maximum credit exposure of the group is represented by the Statement of Financial Position carrying amount of each financial asset, excluding any collateral held, as shown by the table at note 19(a) At that date there were no material concentrations of risk

Purchase debt receivables are in respect of a significant number of individual consumer receivables, primarily credit card accounts, bank overdrafts and bank loans acquired from UK financial institutions There is no material concentration of receivables with any individual debtors

Trade receivables are due from a number of UK financial sector clients There is no material concentration of receivables with any one client

Company

The maximum credit exposure of the company is represented by the Statement of Financial Position carrying amount of each financial asset, excluding any collateral held At that date there were no material concentrations of risk

Credit quality of financial assets and impairment losses

Group

The directors consider the credit quality of the financial asset at the Statement of Financial Position date is high

On acquisition, purchased debt receivables are past due and significantly impaired with reference to the underlying debtor balance The company undertakes a rigorous reassessment review every three months on a portfolio by portfolio basis Cash flow forecasts are prepared for each portfolio which are discounted by the effective interest rate assessed on purchase and compared with the current carrying value of the portfolio

The age based on date of acquisition, and the cumulative reassessment for purchased debt at the Statement of Financial Position date was

	Carrying value		**Cumulative reassessment**	
	2012	2011	**2012**	2011
	£'000	£ 000	**£'000**	£ 000
Financial year of acquisition				
Prior to 2006/7	**4,061**	7,869	**(9,972)**	(5,316)
2006/7	**7,864**	14 118	**(18,327)**	(13 041)
2007/8	**7,683**	13,390	**(16,427)**	(11,507)
2008/9	**8,610**	15 489	**624**	6 186
	28,218	50,866	**(44,102)**	(23 678)

Notes *(continued)*

19 Financial instruments *(continued)*

Credit quality of financial assets and impairment losses (continued)

Group

The ageing of trade receivables, past due but not impaired, at the Statement of Financial Position date was

	2012 £'000	2011 £'000
Not past due	**144**	64
Past due (0-30 days)	**40**	79
Past due (31-60 days)	**6**	55
More than 60 days past due	**1**	109
	191	307

Trade receivables of £7,054 *(2011 £12,870)* at the Statement of Financial Position date are considered to be impaired and have been fully provided for

(c) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments

Exposure to market risk

Group and Company

The group and company are 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 and company are not significantly exposed to movements in foreign exchange rates and equity prices

Interest rate profile

At the Statement of Financial Position date the interest rate profile of the interest-bearing financial instruments was

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Variable rate instruments				
Cash and cash equivalents	**2,236**	2,876	-	-
Loans and receivables – purchased debt	**28,218**	50,866	-	-
Loan and borrowings (note 16)	**(36,511)**	(42 634)	-	-
	(6,057)	11,108	-	-

Notes *(continued)*

19 Financial instruments *(continued)*

(c) Market risk (continued)

The following tables provides a summary of the interest rate re-pricing profile of the Group and Company's assets and liabilities Assets and liabilities have been allocated to periods by reference to the earlier of the next interest rate reset date and the contractual maturity date

Group

	Over 5 years £000	6 to 12 Months £000	3 to 6 months £000	Less than 3 months £000	No specific Re-price date £000	Non interest bearing £000	Total £000
Fixed assets							
Tangible	-	-	-	-	-	495	495
Intangible	-	-	-	-	-	43	43
	-	-	-	-	-	538	538
Current assets							
Loans and receivables – purchased debts	-	-	-	-	28 218	-	28 218
Trade and other receivables	-	-	-	978	-	-	978
Cash and cash equivalents	-	-	-	2 236	-	-	2,236
	-	-	-	3 214	28,218	-	31 432
Current liabilities							
Loans and borrowings	-	(36 511)	-	-	-	-	(36,511)
Trade and other payables	-	-	-	(6,320)	-	-	(6,320)
	-	(36,511)	-	(6,320)	-	-	(42,831)
Net current assets	-	(36,511)	-	(3,106)	28,218	538	(10,861)
Equity							
Called up share capital	-	-	-	-	-	9	9
Share premium	-	-	-	-	-	51 718	51 718
Retained earnings	-	-	-	-	-	(62,588)	(62,588)
	-	-	-	-	-	(10,861)	(10,861)

Notes *(continued)*

19 Financial instruments *(continued)*

(c) Market risk (continued)

Company

	Over 5 years £000	6 to 12 Months £000	3 to 6 months £000	Less than 3 months £000	No specific Re-price date £000	Non interest bearing £000	Total £000
Current assets							
Trade and other receivables	-	-	-	162	-	-	162
	-	-	-	162	-	-	162
Current liabilities							
Trade and other payables	-	-	-	(47)	-	-	(47)
	-	-	-	(47)	-	-	(47)
Net current assets	-	-	-	115	-	-	115
Equity							
Called up share capital	-	-	-	-	-	9	9
Share premium	-	-	-	-	-	51 718	51 718
Capital contribution reserve	-	-	-	-	-	(20,720)	(20,720)
Retained earnings	-	-	-	-	-	(30,892)	(30,892)
	-	-	-	-	-	115	115

Sensitivity analysis

A change of 100 basis points in interest rates at the Statement of Financial Position date would have increased/(decreased) equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables remain constant and considers the effect of financial instruments with variable interest rates The analysis is performed on the same basis for 2011

	Group 2012 £000	Group 2011 £000
Equity		
Increase	**365**	426
Decrease	**(365)**	(426)
Profit or loss		
Increase	**365**	426
Decrease	**(365)**	(426)

The impact on the group is not material

Notes *(continued)*

19 Financial instruments *(continued)*

(d) Liquidity risk

Group

Financial risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due

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 Director and is monitored by continually forecasting long range debt requirements against available current facilities

Company

The company's approach to managing liquidity is the same as the group's

Liquidity risk – Group

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	Up to 3 months £000	3-6 months £000	1-5 years £000	Total £000	Carrying amount £000
At 30 April 2012					
Loans and Borrowings (note 16)	428	428	43 366	44,222	36,511
Trade payables (note 17)	658	-	-	658	658
	1 086	428	43 366	44 880	37 169

	Up to 3 months £000	3-6 months £000	1-5 years £000	Total £000	Carrying Amount £000
At 30 April 2011					
Loans and Borrowings (note 16)	493	493	50 529	51 515	42,634
Trade payables (note 17)	559	-	-	559	559
	1,052	493	50,529	52 074	43 193

Liquidity risk – Company

The company is not exposed to liquidity rate risks

(e) Capital management

Group

The Board's policy is to secure a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business

The group is not subject to any externally imposed capital requirements

There were no changes in the group's approach to capital management during the year

Company

The Board's policy is to secure a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business The company is not subject to any externally imposed capital requirements There were no changes in the company's approach to capital management during the year

Notes *(continued)*

20 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group 2012 £000	Group 2011 £000
Less than one year	**374**	374
Between one and five years	**1,090**	1,211
More than five years	**888**	1,141
	2,352	2,726

The group leases its two premises in Wellesbourne and Surbiton under operating leases During the year to 30 April 2012, £2,220,000 was recognised as an expense in the income statement in respect of operating leases *(2011 £368,700)* This included an additional provision of £1,877,200 for onerous contracts relating to contractual payments for property leases, as mentioned in note 1 The group sublets the Surbiton property on which the total, future, minimum sublease payments expected to be received are £39,000 *(2011 £70,000)* The amounts are due under a non-cancellable sublease

21 Commitments

Capital commitments

At the Statement of Financial Position date of 30 April 2012, the group had a capital commitment amounting to £32,000 *(2011 £Nil)* Since the Statement of Financial Position date, the group has entered into a finance lease in order to upgrade its' dialler and telephony resources The financial commitment under that lease is £288,000 *(2011 £Nil)*

22 Related parties

Group

Identity of related parties with which the group has transacted

The group has identified its related parties as the Board of Directors of the group (and their close family) Whilst there are other key personnel in the group responsible for the implementation of strategy, it is only the group Board of Directors who are responsible for planning, directing and controlling the activities of the group There are common directorships among all group entities

The common directors in the years concerned were

K Breslauer
H Mair
P F McDonnell
B A Prescott
R P Scott

Transactions with key management personnel

The compensation of the directors is disclosed within note 8

Loans to the group by directors and their close family were as follows

	Group 2012 £000	Group 2011 £000
R P Scott and his close family	-	-
	-	-

Notes *(continued)*

22 Related parties *(continued)*

Transactions with key management personnel (continued)

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

	Group 2012 £000	Group 2011 £000
R P Scott and his close family	-	7
	-	7

These transactions solely relate to interest receivable on loan notes outstanding to R P Scott and his close family, up to the company restructure on 15 June 2010 On this date all loan notes were capitalised and no further interest payments were accrued or paid

Transactions with ultimate controlling party

(a) At the 30 April 2010 the ultimate controlling party was RJD Partners Limited At the Statement of Financial Position date RJD Partners Limited held the following loan notes in Equidebt Holdings Limited

Loans to the Group

	2012 £000	2011 £000
10% unsecured subordinated loan notes repayable 2012	-	-
10% unsecured redeemable loan notes repayable 2012	-	-
	-	-

Interest earned on loans to the group

	2012 £000	2011 £000
10% unsecured subordinated loan notes repayable 2012	-	149
10% unsecured redeemable loan notes repayable 2012	-	49
	-	198

(b) Following the restructure of the business, which took place on 15 June 2010, the ultimate controlling party is now Patron Phoenix Investments SARL which controls 74 5% of the voting rights

Patron Phoenix Investments SARL held the following loan notes in Equidebt Holdings Limited as at 30 April 2012

Loans to the group

	2012 £000	2011 £000
10% convertible unsecured subordinated loan notes repayable 2012	-	-
25% unsecured preferred loan notes repayable 2010/2011/2012	-	-
	-	-

Notes *(continued)*

22 Related parties *(continued)*

Transactions with ultimate controlling party (continued)

Interest earned on loans to the group (net of repayments in the year)

	2012 £000	2011 £000
10% convertible unsecured subordinated loan notes repayable 2012	-	146
25% unsecured preferred loan notes repayable 2010/2011/2012	-	220
	-	366

Transactions with group companies

Equidebt Holdings Limited has the following group balances

	2012 £000	2011 £000
Equidebt Limited		
Current account	33	33
Equidebt EBT Limited		
Current account	99	99
	132	132

In the year to 30 April 2012, management charges receivable from Equidebt Limited of £82,950 *(2011 £255,400)* 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, this includes £Nil recharged during the year to Equidebt Limited in relation to funding costs *(2011 £5,491,500)*

As part of the restructure in June 2010 the company released Equidebt Limited from any liability to pay £19,356,000 of the inter company balance in exchange for accepting the transfer of liabilities and obligations of loan notes to the same value which were subsequently converted to equity in Equidebt Limited

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 No interest was charged by Equidebt Holdings Limited to Equidebt Limited during the year

23 Ultimate parent company and parent company of larger group

No other group financial statements include the results of the company

The ultimate controlling party, at the Statement of Financial Position date, is Patron Phoenix Investments SARL which controls 74 5% of the voting rights