Equidebt Holdings Limited

Directors' report and consolidated financial statements

Registered number 5524029

30 April 2009

Contents

Chairman's Statement

The twelve months ended April 2009 were amongst the most difficult I have ever seen This covered the period which included the near collapse of the banking system and the start of the recession Our collections performance during this period was poor and reflected the economic conditions Net interest income was materially down on the previous year at £8 0m compared to £12 7m impacted by the factors above Fees and commission income was also lower at £2 7m compared to £4 0m Operating expenses were cut with lower staff costs and operating expenses, but restructuring costs of £3m were incurred in repositioning the business

The effects of this poor year were further exacerbated by the recognition that poor collections on consumer debt in a failing economy resulted in the booking of £18 3m of impairment in the debt book As a consequence of this the Group immediately started negotiating a financial restructuring with its bankers For the last year the Group has been operating with its drawdown facilities suspended and with its covenant tests deferred

Throughout the last year the Group has worked very hard with its bankers and investors to find a way to restructure the Groups financial arrangements I am pleased to say that a financial restructuring was put in place on 15 June 2010 This includes the conversion of all the bank debt into a term facility that extends until April 2013 It also includes the conversion of all the investor loan notes and accrued interest thereon into equity The financial statements for the year ended April 2009 could not be approved until the financial restructuring was completed and this is the reason why these statements are being filed after the due date

Clearly, this restructuring occurred after this year's balance sheet date and therefore is not reflected in these accounts On page 4 a proforma balance sheet has been presented which has been adjusted to reflect the effect that this restructuring would have had on the Group balance sheet as at 30 April 2009, if the restructuring had been implemented on that date It can be seen that the deficit in net assets of £30 6m is eliminated and a surplus of £4 8m is reported instead

Trading through 2009/10 has improved and the financial position has been stabilised The management accounts for 2009/10 still show a loss before tax, but if the interest on the investor loan notes is added back because this will not be paid/charged in future, then a positive profit before tax results

Now that the Group has adequate funding with which to trade, the Group has a much stronger balance sheet with materially less debt and a lower cost base, it is well placed to reap the benefits that any uptick in economic conditions may yield in the short term

R P Scott
Chairman

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA

15 June 2010

Proforma Balance Sheets (Post company restructure, and they do not form part of the financial statements and are unaudited)

at 30 April 2009

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Assets				
Cash and cash equivalents	**4,876**	6,177	**1**	656
Loans and receivables – purchased debts	**58,890**	63,864	-	-
Other assets	**984**	2,143	**17,058**	15 023
Property, plant and equipment	**409**	540	-	-
Investments in subsidiaries	-	-	-	19,798
Intangible assets	**70**	17,052	-	-
Current tax recoverable	**15**	773	-	-
Deferred tax assets	-	1,257	-	1 184
Total assets	**65,244**	91,806	**17,059**	36,661
Liabilities				
Loans and borrowings	**55,011**	53,194	-	3,000
Loan notes	-	25,789	-	25,789
Derivatives	-	980	-	980
Deferred tax liabilities	-	699	-	-
Trade and other payables	**5,425**	4,923	**1,643**	78
Total liabilities	**60,436**	85,585	**1,643**	29,847
Equity Total attributable to equity shareholders	**4,808**	6,221	**15,416**	6,814
Total equity and liabilities	**65,244**	91,806	**17,059**	36 661

Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2009

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 Banks, Building Societies, Finance Houses and Credit Card Companies

Business review

The results for the year are shown in the income statement on page 12 The loss before tax of £36 3m compares with a loss of £5 5m in the previous year It has been a difficult year for the Group with the major contributing factors being the write down of goodwill and increased impairment of the debt purchase portfolio The increased impairment has been driven by lower collections than forecast and management reducing future cash flow projections in recognition of this reduction and also uncertainty around the general market environment The scale of the loss together with the general market prompted a comprehensive review of the carrying value of assets within the balance sheet This resulted in the investors and the supporting banks reviewing the funding structure of the business

The balance sheet shows the Groups financial position at year end The total attributable to equity shareholders of £6 2m in 2008 has become a deficit of £30 6m in 2009

Interest and similar income fell as the Group saw a decline in the value of its debt portfolios in contrast to some of the increases that were seen in the previous year Fees and commission during 2009 were down on last year, noting that the previous year benefited from a one-off positive adjustment of £731k Operating costs are higher than usual as they include some exceptional one off costs as part of the restructuring

As a consequence of significant losses in the company for the financial year ended 30 April 2009, the business has undergone a significant review by the Board and has incurred costs of c £3m as it restructures its business for the future These costs include financial restructuring, redundancies and associated professional fees

The Board are confident that executive management supported by infrastructural and management information improvements will deliver a successful future for the Group

Key Performance Indicators

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

- Cash Collections during the year were £18,596k *(2008 £20,255k)*
- Impairment at 30 April 2009 was £18,227k *(2008 £7,194k)*
- Holding value of receivables at 30 April 2009 was £1,161,436k *(2008 £909,963k)*

These are monitored daily by executive management and by the Board on monthly basis

Directors' report *(continued)*

Principal risks and uncertainties

Like its peers the company could be affected by

General risk

- 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 consumer's ability to pay which would result in impairment for the Group

- Postal & banking systems

Disruption to these national services would disrupt important collection channels which would affect the Groups 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 would, where appropriate, use derivative instruments to manage these exposures if they were considered material

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)*

Financial instruments – ***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 balance sheet represent the acquisition cost to the Group in purchasing the 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 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 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 revolving credit facility is at senior lending rates and the Group's policy is to keep the facility within defined limits The Group monitors closely the movement in interest rates and would, where appropriate, use derivative instruments to manage these exposures if they were considered material

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,
- 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' report *(continued)*

Directors

The directors who held office during the year were as follows

K Breslauer
P Foot (Resigned 11 September 2009)
D Johnson (Resigned 29 July 2009)
H Mair
W Mulligan (Resigned 30 April 2009)
R P Scott
P Wilding

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, Chairman's 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
Money Advice Liaison Group	£6,950
Air Ambulance	£150
Friends of Wellesbourne School	£100

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 themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board

R P Scott
Director

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA

15 June 2010

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 IFRS's 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 judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS's 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

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

Going Concern

The Board, while disappointed with the 2009 financial results, have considered in depth the three year business plan including cash flow projections, and the new banking facility and associated covenants for the Group expiring in 2013 The Group has also restructured its investor loan notes, and its ordinary shares (classified as debt at the balance sheet date), which significantly strengthens the balance sheet and are satisfied that the Group accounts should be signed on a going concern basis The unaudited proforma balance sheet, included in the Chairman's Statement on page 4, shows how the balance sheet would have been presented had this restructuring occurred as at 30 April 2009

KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Independent auditors' report to the members of Equidebt Holdings Limited

We have audited the financial statements of Equidebt Holdings Limited for the year ended 30 April 2009 set out on pages 12 to 45 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 auditors' 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 9, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 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

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 auditors' 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

Ian S Smith

Ian S Smith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

Date: 17 June 2010

Consolidated Income Statement
for the year ended 30 April 2009

	Note	2009 £000	2008 £000
Interest and similar income	2	**17,735**	19,522
Interest expense and similar charges	3	**(9,734)**	(6,818)
Net interest income		**8,001**	12,704
Fees and commission income	4	**2,663**	4,027
Net total income		**10,664**	16,731
Operating expenses	5,8	**(11,649)**	(11,208)
Impairment of goodwill	14	**(16,947)**	-
Impairment losses on loans and receivables	6	**(18,343)**	(10,997)
Loss before income tax		**(36,275)**	(5,474)
Income tax (charge)/credit	9	**(544)**	1,421
Loss for the year attributable to equity shareholders		**(36,819)**	(4,053)

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

Statements of Recognised Income and Expense
for the year ended 30 April 2009

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Loss for the year	**(36,819)**	(4,053)	**(26,804)**	(1,723)
Total recognised income and expense	**(36,819)**	(4,053)	**(26,804)**	(1,723)

Balance Sheets
at 30 April 2009

	Note	**Group 2009 £000**	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Assets					
Cash and cash equivalents		**4,876**	6,177	**1**	656
Loans and receivables – purchased debts	*11*	**58,890**	63,864	-	-
Other assets	*12*	**984**	2,143	**17,058**	15,023
Property, plant and equipment	*13*	**409**	540	-	-
Investments in subsidiaries	*16*	-	-	-	19,798
Intangible assets	*14*	**70**	17,052	-	-
Current tax recoverable	*10*	**15**	773	-	-
Deferred tax assets	*15*	-	1,257	-	1,184
Total assets		**65,244**	91,806	**17,059**	36,661
Liabilities					
Loans and borrowings	*17*	**58,011**	53,194	**3,000**	3,000
Loan notes	*18*	**32,406**	25,789	**32,406**	25,789
Derivatives	*19*	-	980	-	980
Deferred tax liabilities	*15*	-	699	-	-
Trade and other payables	*20*	**5,425**	4,923	**1,643**	78
Total liabilities		**95,842**	85,585	**37,049**	29,847
Equity					
Called up share capital		-	-	-	-
Share premium	*21*	**8,590**	8,590	**8,590**	8,590
Capital redemption reserve	*21*	-	-	-	-
Reserves	*21*	**(39,188)**	(2,369)	**(28,580)**	(1,776)
Total attributable to equity shareholders		**(30,598)**	6,221	**(19,990)**	6,814
Total equity and liabilities		**65,244**	91,806	**17,059**	36,661

These financial statements were approved by the board of directors on 15 June 2010 and were signed on its behalf by

R P Scott
Director

Company registered number: 5524029

Cash Flow Statements
for the year ended 30 April 2009

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Cash flows from operating activities				
Loss before tax	**(36,275)**	(5,474)	**(25,620)**	(2,208)
Adjustments to reconcile loss before tax to net cash flows from operating activities				
Net interest income	**(8,001)**	(12,704)	**4,852**	1,587
Interest received	**18,694**	20,430	**138**	123
Interest paid	**(4,011)**	(4,572)	**(515)**	(272)
Depreciation and impairment of property plant and equipment	**246**	190	-	-
Amortisation of intangible assets	**16,982**	65	**19,798**	-
Impairment of loans and receivables	**18,343**	10,997	-	-
Acquisition of loans and receivables	**(14,342)**	(27 403)	-	-
Increase/(decrease) in other assets	**1,093**	645	**(2,035)**	(9,038)
Increase in amounts due to banks	-	15,232	-	-
(Decrease)/increase in other liabilities	**(290)**	48	**585**	(411)
Tax paid	-	(944)	-	-
Tax refund	**843**	273	-	-
Net cash from operating activities	**(6,718)**	(3,217)	**(2,797)**	(10,219)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	**3**	12	-	-
Purchase cost of property, plant and equipment and intangible assets	**(113)**	(255)	-	-
Net cash from investing activities	**(110)**	(243)	-	-
Cash flows from financing activities				
Proceeds from issue of shares	-	-	-	-
Repayment of existing facilities	**(8,000)**	(43,205)	-	-
Refinancing (see note 17)	**11,385**	39,603	-	-
Transactions costs of refinancing	-	(2,135)	-	-
Proceeds from issue of loan notes	**2,142**	3,376	**2,142**	3,376
Repayment of loan notes (see note 18)	-	(1,950)	-	(1,950)
Proceeds from issue of 10% unsecured subordinated loan notes repayable 2012	-	10,000	-	10,000
Transaction costs of issue of new loan notes	-	(634)	-	(634)
Net cash from financing activities	**5,527**	5 055	**2,142**	10,792
Net increase in cash and cash equivalents	**(1,301)**	1,595	**(655)**	573
Cash and cash equivalents at 1 May	**6,177**	4,582	**656**	83
Cash and cash equivalents at 30 April	**4,876**	6,177	**1**	656

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 IFRS") 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

Going concern

The business is cash generative and is positioned to deliver profitable growth into the foreseeable future The Group has recently completed a major business and financial restructuring which further strengthens the positive outlook for the Group and the management team have identified business, operational and financial efficiencies to further support the business

The Directors have prepared business plans and carried out sensitivity analysis of stressed, but reasonable scenarios, to demonstrate that they can operate within the terms of the new bank facility, and therefore continue to trade for a period of, at least 12 months from signing the accounts Therefore the Directors believe it appropriate to prepare the accounts on a going concern basis

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 material adjustment in the next year are discussed on page 20

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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
- *Derivatives* Derivatives are carried at fair value with changes in fair value going through profit or loss

Notes *(continued)*

1 Accounting policies *(continued)*

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 balance sheet on page 13

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
Motor vehicles	4 years

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

Cash and cash equivalents

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Interest expense

Interest expense is recognised in profit or loss as it accrues, using the effective interest method

Leases

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

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

Forthcoming requirements

The following Adopted IFRSs were available for application but have not been applied by the Group in these financial statements Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- IFRS 8 'Operating Segments' (mandatory for the year commencing on or after 1 January 2009) As the company is not within the scope of IFRS 8 it is not required to adopt IFRS 8 and so there will be no impact on the financial statements
- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009) IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content It is likely that this standard will have a limited impact on the presentation of the financial performance of the company However it is not anticipated that it will change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS's

Notes *(continued)*

1 Accounting policies *(continued)*

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 balance sheet on page 13 A 1% movement in the forecast future cash flows at the balance sheet date has an approximate impact of £0 6m, 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

Embedded Derivative

The derivative has been valued using an expected cash flows approach The weighted average cash flows arising from a number of investment scenarios have been discounted back to estimate a value as at 30 April 2009

2 Interest receivable and similar income

	2009 £000	2008 £000
On purchased debt portfolios		
Interest receivable	**17,507**	15,549
Upward adjustments	**116**	3,803
On bank balances	**84**	162
Other interest received	**28**	8
	17,735	19,522

Notes *(continued)*

3 Interest expense and similar charges

	2009	2008
	£000	£000
On borrowings secured on purchased debt portfolios	**3,312**	4,196
Amortisation of loan arrangement fees	**2,086**	1,021
Loan note interest	**4,336**	1,601
	9,734	6,818

4 Fees and commission income

	2009	2008
	£000	£000
Commission on collections on behalf of third parties	**2,159**	2,743
Court and legal fee income	**264**	299
Other income	**240**	254
Exceptional credit (see below)	**-**	731
	2,663	4,027

During the prior year the Group reassessed the provision required for unidentified cash receipts resulting in a one-off credit to the profit and loss account in 2008

5 Operating expenses

	2009	2008
	£000	£000
Staff costs (note 7)	**5,074**	5,561
Other operating expenses	**3,562**	5,069
Exceptional charge (see below)	**3,013**	578
Total operating expenses	**11,649**	11,208

Auditors' remuneration included in the above

Audit of these financial statements	**90**	76
Other services	**87**	286
	177	362

Exceptional charges

Excluding taxation charges and additional write-offs, such as goodwill and impairment, which are disclosed elsewhere, these exceptional charges totalled £3 0 million, mainly consisting of refinancing costs, capitalised loan costs written off, and charges for onerous leases

Notes *(continued)*

6 Impairment losses on loans and receivables

	2009 £000	2008 £000
Impairment losses on loans and receivables	**18,343**	10,997

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 2009	Group 2008	**Company 2009**	Company 2008
Collections	**116**	119	-	-
Administration	**79**	83	**4**	5
	195	202	**4**	5

The aggregate payroll costs of these persons were as follows

	Group 2009 £000	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Wages and salaries	**4,537**	4,957	**585**	767
Social security costs	**418**	487	**61**	77
Other pension costs	**119**	120	**30**	46
	5,074	5,564	**676**	890

Notes *(continued)*

8 Directors' remuneration

	2009 £000	2008 £000
Directors' emoluments	**670**	854
Company contributions to money purchase pension plans	**43**	46
	713	900

The aggregate of emoluments of the highest paid director was £210,603 in the year to 30 April 2009 *(2008 £230,644)*, and company pension contributions of £17,083 *(2008 £15,769)* were made to a money purchase scheme on his behalf Compensation for loss of office was paid to directors of £243,523 *(2008 £110,000)*

	Number of directors 2009	2008
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**2**	5

Included in the above are fees 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 year to 30 April 2009 the fees amounted to £33,239 (and in the year to 30 April 2008 £31,337)

Notes *(continued)*

9 Taxation

Recognised in the income statement

	2009 £000	2008 £000
Current tax expense		
Current year	(15)	(772)
Adjustments for prior years	-	(1)
	(15)	(773)
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	533	(678)
Adjustment for prior years	26	38
Changes in tax rates	-	(8)
Total tax in income statement	544	(1 421)

Reconciliation of effective tax rate

	2009 £000	2008 £000
Loss for the year	(36,275)	(5,474)
Tax using the UK corporation tax rate of 28% (2008 29 3%) (See below)	(10,157)	(1,602)
Non-deductible expenses	4,631	114
Prior year adjustments	27	37
Changes in tax rates	(1)	(8)
Net deferred tax not provided	6,044	-
Other	-	38
Total tax in income statement	544	(1 421)

In the light of significant losses incurred by the Group during the year, and the subsequent restructuring of its funding arrangements, it was considered inappropriate to carry any deferred tax assets No allowance for a corporation tax credit on losses incurred during the year has been recognised

10 Taxation receivable

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Tax receivable	15	773	-	-

Notes *(continued)*

11 Loans and receivables – purchased debt - Group

	2009 £000	2008 £000
Loans and receivables		
At beginning of year	**63,864**	48,361
Interest receivable	**17,507**	15,549
Upward adjustments following re-estimation of forecast future cash flows	**116**	3,803
Net interest receivable (note 2)	**17,623**	19,352
Acquisitions	**14,342**	27,403
Cash collections	**(18,596)**	(20 255)
Impairment	**(18,343)**	(10,997)
At end of year	**58,890**	63,864

12 Other assets

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Court and legal fees receivable	**1,909**	2,105	-	-
Less provision for impairment	**(1,412)**	(1,402)	-	-
Presentational adjustment (See note below)	**(497)**	-	-	-
	-	703	-	-
Trade receivables	**338**	744	-	-
Prepayments	**349**	399	-	-
Share capital not paid up	**297**	297	**297**	297
Amounts due from group companies	**-**	-	**16,761**	14,726
	984	2,143	**17,058**	15,023

The Group has reviewed procedures relating to the treatment of the recoverability of expensed legal fees and costs In previous years the amount regarded as recoverable, has been recognised as a separate receivable In 2009 the presentation has been amended such that the benefit from legal activity is recognised as part of an enhanced purchased debt asset Consequently, a separate asset is no longer required

Notes *(continued)*

13 Property, plant and equipment – Group

	Fixtures and fittings £000	Computer hardware £000	Motor vehicles £000	Improvements to property £000	Total £000
Cost					
At 30 April 2007	367	572	41	-	980
Additions	21	194	-	-	215
Disposals	-	-	(12)	-	(12)
Balance at 30 April 2008	388	766	29	-	1,183
Transfers	(7)	(4)	-	-	(11)
Additions	27	80	-	6	113
Disposals	-	-	(29)	-	(29)
Write-offs	(66)	(13)	-	-	(79)
Balance at 30 April 2009	342	829	-	6	1,177
Depreciation					
At 30 April 2007	158	271	25	-	454
Charge for period	39	147	3	-	189
Balance at 30 April 2008	197	418	28	-	643
Transfers	(5)	(8)	-		(13)
Charge for period	43	150	-	1	194
Disposals	-	-	(28)	-	(28)
Write-offs	(21)	(7)	-	-	(28)
Balance at 30 April 2009	214	553	-	1	768
Net book value					
At 30 April 2009	**128**	**276**	**-**	**5**	**409**
At 30 April 2008	191	348	1	-	540

Notes *(continued)*

14 Intangible assets – Group

	Goodwill £000	Computer software £000	Total £000
Cost			
At 30 April 2007	16,947	225	17,172
Additions	-	40	40
Balance at 30 April 2008	16,947	265	17,212
Additions	-	203	203
Transfer	-	(91)	(91)
	16,947	377	17,324
Amortisation and impairment			
At 30 April 2007	-	95	95
Amortisation for the year	-	65	65
Balance at 30 April 2008	-	160	160
Amortisation for the year	-	62	62
Transfer	-	(53)	(53)
Impairment charge for the year	16,947	138	17 085
	16,947	307	17,254
Net book value			
At 30 April 2009	-	**70**	**70**
At 30 April 2008	16 947	105	17 052

In view of the significant losses incurred by the Group, mainly as a result of the impairment on its debt portfolios, the directors' have taken the view that it is no longer appropriate to carry a value associated with goodwill on the balance sheet The write-off in the year amounted to £16,947,000 (*2008 £Nil*)

Notes *(continued)*

15 Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Property, plant and equipment	-	-	-	(7)
IFRS conversion increase in reserves	-	-	-	(692)
Trading losses	-	178	-	-
Loan note interest deductible when paid	-	1,079	-	-
Other timing differences	-	-	-	-
Net tax assets/(liabilities)	-	1,257	-	(699)

Movement in deferred tax during the year

	30 April 2008 £000	Recognised in income £000	**30 April 2009 £000**
Property plant and equipment	(7)	7	-
Other timing differences – IFRS conversion	(692)	692	-
Loan note interest - deductible when paid	1 079	(1,079)	-
Trading losses	178	(178)	-
Other timing differences	-	-	-
Total deferred tax	558	(558)	-

Movement in deferred tax during the prior year

	30 April 2007 £000	Recognised in income £000	**30 April 2008 £000**
Property, plant and equipment	(22)	15	**(7)**
Other timing differences – IFRS conversion	(834)	142	**(692)**
Loan note – interest deductible when paid	699	380	**1,079**
Trading losses	-	178	**178**
Other timing differences	67	(67)	-
Total deferred tax	(90)	648	**558**

Within the Group there are deferred tax assets of £6 1m *(2008 £0 6m)* relating to taxable losses, and other timing differences that have not been recognised due to the uncertainty over the timing of their future recoverability

Notes *(continued)*

15 Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

The deferred tax assets are attributable to the following

	2009	2008
	£000	£000
Trading losses	-	105
Loan note interest deductible when paid	-	1,079
Net tax assets	-	1,184

Movement in deferred tax during the year

	30 April 2008 £000	Recognised in income £000	**30 April 2009 £000**
Trading losses	105	(105)	-
Loan note interest deductible when paid	1,079	(1,079)	-
Total deferred tax	1,184	(1,184)	-

Movement in deferred tax during the prior year

	30 April 2007 £000	Recognised in income £000	**30 April 2008 £000**
Trading losses	-	105	**105**
Loan note interest deductible when paid	699	380	**1,079**
Total deferred tax	699	485	**1,184**

Deferred tax assets of £ 2 8m (2008 £ 1 2m) relating to taxable losses, and other timing differences, of the company, have not been recognised due to the uncertainty over the timing of their future recoverability

Notes *(continued)*

16 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

	2009	2008
	%	%
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

Company

	Investments in subsidiaries £000
Cost	
At 30 April 2008	19,798
Written off during year	(19,798)
At 30 April 2009	-

Following a review of impairment losses on loans and receivables during the period it was considered appropriate to write off the full value of the Company's investment in its subsidiaries

17 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 Additionally revised contractual terms of the Group's funding and borrowing structure is provided by way of a post 2009 balance sheet event note (see below) For more information about the Group's exposure to interest rate risk, see note 22

	Group 2009 £000	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Borrowings secured on purchased debt portfolios	**55,011**	50,194	**-**	-
Shares classified as debt	**3,000**	3,000	**3,000**	3,000
	58,011	53,194	**3,000**	3,000

Notes *(continued)*

17 Loans and borrowings *(continued)*

Financial Year 2009

On 6 December 2007, the company refinanced its banking facilities with a syndicate of banks led by Lloyds TSB plc with KBC Bank, Co-operative Bank plc and NM Rothschilds, the other participants The combined facility is a £70 0 million revolving credit line secured on the purchased debt holdings and all other unencumbered assets of the business Facility A of £48 1 million expires after three years, whilst Facility B of £21 9 million was subject to an option to extend to three years (and is therefore now co-terminous with Facility A)

Post 2009 balance sheet event

The Group entered into new banking facilities under which all bank indebtedness is transferred to a new facility that expires in April 2013

18 Loan notes

Group and Company

	2009	2008
	£000	£000
10% unsecured subordinated loan notes repayable 2012	**13,386**	11,860
10% unsecured redeemable loan notes repayable 2012	**3,326**	2,592
10% convertible unsecured subordinated loan notes repayable 2012	**10,072**	9,258
25% unsecured preferred loan notes repayable 2010/2011/2012	**5,622**	2,079
	32,406	25,789

Financial year 2009

The fixed interest rate on the unsecured subordinated loan notes repayable in 2012 is 10% and the loan notes given a maturity date of 6 December 2012 The maturity dates of the variable unsecured redeemable loan notes repayable 2011/2012 were similarly amended to 6 December 2012

The variable unsecured redeemable loan notes repayable 2012 have warrant certificates embedded in them (see note 19) which are exercisable at any time On the basis that these warrants will be exercised they have been valued and disclosed as share premium pending the issue of share certificates, at which point the nominal value of the shares issued will be taken to share capital

As part of the refinancing, £10 0 million of unsecured subordinated loan notes repayable 2012 were issued to Patron Phoenix Investments SARL These loan notes attract a fixed interest rate of 10% and have a redemption date of 30 November 2012 They are convertible into Ordinary Shares and this option has been valued and separately disclosed in Balance Sheet Liabilities

A further loan facility of £30 5 million has been provided by Patron Phoenix Investments SARL (£30 0 million) and R P Scott (£10 5 million) by way of 25% unsecured preferred loan notes which are repayable in 2010, 2011, 2012 This facility provides financing for a proportion of the spend on each acquisition of purchased debt and was only partly drawn at 30 April 2009

Post 2009 balance sheet event

Up to date of restructure all loan notes and loan note interest (£41 1m) have been converted to equity

Notes *(continued)*

19 Derivatives

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Embedded derivative	**980**	980	**980**	980
Less Movements of fair value – change to income statement	**(980)**	-	**(980)**	-
	-	**980**	**-**	**980**

The derivative is embedded in the unsecured preferred loan notes (see note 18) and arises from an option to convert all, or part, of the loan notes to ordinary share capital The derivative has been valued using an expected cash flows approach The weighted average cash flows arising from a number of different incentive scenarios have been discounted back to obtain a value as at 30 April 2009 From this it was deemed that the value of the derivative was £0 *(2008 £980,000)*

20 Trade and other payables

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Client funds payable	**652**	1,133	**-**	-
Trade payables	**569**	668	**-**	-
Non-trade payables and accrued expense	**4,053**	3 022	**1,622**	72
Other tax and social security	**151**	100	**21**	6
	5,425	4,923	**1,643**	78

Notes *(continued)*

21 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Capital Redemption Reserve £000	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 30 April 2007	-	-	8,590	-	(281)	8,309
Loss for the year	-	-	-	-	(4,053)	(4,053)
Share warrants (note 18)	-	-	-	1,965	-	1,965
At 30 April 2008	-	-	8 590	1,965	(4,334)	6 221
Loss for the year	-	-	-	-	(36,819)	(36,819)
At 30 April 2009	-	-	8 590	1,965	(41,153)	(30,598)

Reconciliation of movement in capital and reserves – Company

	Capital Redemption Reserve £000	Share capital £000	Share premium £000	Warrant reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 May 2007	-	-	8,590	-	(2,018)	6,572
Loss for the year	-	-	-	-	(1,723)	(1,723)
Share warrants (note 18)	-	-	-	1,965	-	1 965
At 30 April 2008	-	-	8,590	1,965	(3,741)	6,814
Loss for the year	-	-	-	-	(26,804)	(26,804)
At 30 April 2009						
	-	-	8,590	1,965	(30,545)	(19,990)

Warrant reserve

The warrant reserve comprises share warrants that were issued on 1 July 2007 and are attached to the variable unsecured redeemable loan notes (see note 18)

Notes *(continued)*

21 Capital and reserves *(continued)*

Share capital

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 C nor D shares have any dividend rights

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2009	*2008*	**2009**	*2008*	**2009**	*2008*	**2009**	*2008*
Authorised (*)								
In thousands of £0 0001 shares	**2,700**	2,700	**1,800**	1,800	**500**	500		
In thousands of £0 0000001 shares	**-**	-	**-**	-	**-**	-	**10,000**	10,000
Allotted, called up and fully paid								
In thousands of £0 0001 shares	**2,700**	2,700	**1,800**	1,800	**500**	-	**-**	-
In thousands of £0 0000001 shares	**-**	-	**-**	-	**-**	-	**10,000**	-
Allotted, and not fully paid								
In thousands of £0 0001 shares	**-**	-	**-**	-	**500**	500	**-**	-
In thousands of £0 0000001 shares	**-**	-	**-**	-	**-**	-	**-**	-

(*) The company has 5,000,000 authorised but unclassified shares

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2009	*2008*	**2009**	*2008*	**2009**	*2008*	**2009**	*2008*
	£	*£*	**£**	*£*	**£**	*£*	**£**	*£*
Allotted, called up and fully paid								
Shares classified as liabilities *	**270**	270	**-**	-	**-**	-	**-**	-
Shares classified in shareholders funds	**-**	-	**180**	180	**-**	-	**1**	1
	270	270	**180**	180	**-**	-	**1**	1

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2009	*2008*	**2009**	*2008*	**2009**	*2008*	**2009**	*2008*
	£	*£*	**£**	*£*	**£**	*£*	**£**	*£*
Allotted, called up and fully paid								
Shares classified in shareholders funds	**-**	-	**-**	-	**50**	50	**-**	-
	-	-	**-**	-	**50**	50	**-**	-

Notes *(continued)*

21 Capital and reserves *(continued)*

Dividends

After the balance sheet date dividends of £Nil per qualifying ordinary share *(2008 £Nil)* were proposed by the directors The dividends have not been provided for

22 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 balance sheet 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 balance sheet 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

Derivatives

The derivative has been valued using an expected cash flows approach The weighted average cash flows arising from a number of investment scenarios have been discounted back to obtain a value as at 30 April 2009

Notes *(continued)*

22 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 balance sheet are as follows

Group	**Carrying amount 2009 £000**	**Fair value 2009 £000**	Carrying amount 2008 £000	Fair value 2008 £000
Cash & cash equivalents	**4,876**	**4,876**	6,177	6,177
Loans and receivables – purchased debt (note 11)	**58,890**	**58,890**	63,864	63,864
Loans and receivables – trade receivables (note 12)	**338**	**338**	744	744
Borrowings secured on purchased debt portfolios (note 17)	**(55,011)**	**(55,011)**	(50,194)	(50,194)
Loan notes (note 18)	**(32,406)**	**(32,406)**	(25,789)	(25,789)
Client funds payable (note 20)	**(652)**	**(652)**	(1,133)	(1,133)
Trade payables (note 20)	**(569)**	**(569)**	(668)	(668)
Derivatives (note 19)	**-**	**-**	(980)	(980)
Total financial instruments	**(24,534)**	**(24,534)**	(7,979)	(7,979)

IAS 39 categories of financial instruments	2009	2008
Cash and cash equivalents	**4,876**	6 177
Loans and receivables - purchased debt (note 11)	**58,890**	63,864
Loans and receivables - trade receivables (note 12)	**338**	744
Total loans and receivables	**59,228**	64,608
Total financial assets	**64,104**	70 785
Borrowings secured on purchased debt portfolio (note 17)	**(55,011)**	(50,194)
Loan notes (note 18)	**(32,406)**	(25,789)
Client funds payable (note 20)	**(652)**	(1 133)
Trade payables (note 20)	**(569)**	(668)
Total financial liabilities measured at amortised cost	**(88,638)**	(77 784)
Embedded derivative (note 19)	**-**	(980)
Total financial liabilities at fair value through profit and loss	**-**	(980)
Total financial liabilities	**(88,638)**	(78,764)
Total financial instruments	**(24,534)**	(7 979)

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)*

22 Financial instruments *(continued)*

Company	Carrying amount 2009 £000	Fair value 2009 £000	Carrying amount 2008 £000	Fair value 2008 £000
Cash & cash equivalents	1	1	656	656
Amounts due from group companies (note 12)	16,761	16,761	14,726	14,726
Loan notes (note 18)	(32,406)	(32,406)	(25,789)	(25,789)
Derivatives (note 19)	-	-	(980)	(980)
Total financial instruments	(15,644)	(15,644)	(11,387)	(11,387)

	2009	2008
IAS 39 categories of financial instruments		
Cash and cash equivalents	1	656
Amounts due from group companies (note 12)	16,761	14,726
Total loans and receivables	16,761	14,726
Total financial assets	16,762	15,382
Loan notes (note 18)	(32,406)	(25,789)
Total financial liabilities measured at amortised cost	(32,406)	(25,789)
Embedded derivative (note 19)	-	(980)
Total financial liabilities at fair value through profit and loss account	-	(980)
Total financial liabilities	(32,406)	(26,769)
Total financial instruments	(15,644)	(11,387)

Notes *(continued)*

22 Financial instruments *(continued)*

(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, purchased debt and outlays on behalf of clients 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 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

The Group also 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 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

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 balance sheet carrying amount of each financial asset, excluding any collateral held, as shown by the table at note 22(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

Notes *(continued)*

22 Financial instruments *(continued)*

Company

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

Group

Credit quality of financial assets and impairment losses

The directors consider the credit quality of the financial asset at the balance sheet 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 impairment review every six 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 impairment for purchased debt at the balance sheet date was

	Carrying value		**Cumulative impairment**	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£ 000
Prior to 2006/7	**8,504**	12,907	**(4,480)**	(226)
2006/7	**18,212**	24,328	**(12,108)**	(5,954)
2007/8	**19,817**	26 629	**(7,554)**	265
2008/9	**12,357**	-	**-**	-
	58,890	63,864	**(24,142)**	(5,915)

The ageing of trade receivables, past due but not impaired, at the balance sheet date was

	2009	2008
	£'000	£ 000
Not past due	**-**	243
Past due (0-30 days)	**125**	181
Past due (31-60 days)	**119**	138
More than 60 days past due	**94**	182
	338	744

Trade receivables of £176,000 *(2008 £Nil)* at the balance sheet 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

Notes *(continued)*

22 Financial instruments *(continued)*

Exposure to market risk

Group and Company

The company 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 company is exposed to movements in interest rates on its floating rate funding The company 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 company is not significantly exposed to movements in foreign exchange rates and equity prices

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the interest-bearing financial instruments was

	Group 2009 £000	2008 £000	**Company 2009 £000**	2008 £000
Fixed rate instruments				
Loans and receivables – purchased debt	**58,890**	63,864	**-**	-
Loan notes (note 18)	**(32,406)**	(25,789)	**(32,406)**	(25,789)
	26,484	38,075	**(32,406)**	(25,789)
Variable rate instruments				
Cash and cash equivalents	**4,876**	6,177	**1**	656
Loan and borrowings (note 17)	**(55,011)**	(50,194)	**-**	-
	(50,135)	(44,017)	**1**	656

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the balance sheet 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 2008

	Group 2009 £000	Group 2008 £000
Equity		
Increase	**554**	385
Decrease	**554**	385
Profit or loss		
Increase	**554**	385
Decrease	**554**	385

The impact on the Group is not material

Notes *(continued)*

22 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 and investor loan 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

Company

The company is funded predominantly by investor loan facilities 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 2009					
Loans and Borrowings (note 17)	412	412	64 598	65,422	58,011
Loan notes (note 18)	129	135	55,921	56,185	32,406
Trade payables (note 20)	569	-	-	569	569
	1,110	547	120,519	122,176	90,986

	Up to 3 months £000	3-6 months £000	1-5 years £000	Total £000	Carrying amount £000
At 30 April 2008					
Loans and Borrowings (note 17)	959	959	63,342	65,260	53,194
Loan notes (note 18)	124	129	43 007	43,260	25,789
Trade payables (note 20)	668	-	-	668	668
	1,751	1,088	106,349	109,188	79 651

Notes *(continued)*

22 Financial instruments *(continued)*

Liquidity risk – Company

	Up to 3 months £000	**3-6 months £000**	**1-5 years £000**	**Total £000**	**Carrying amount £000**
At 30 April 2009					
Loans and Borrowings (note 17)	-	-	3,000	3,000	3,000
Loan notes (note 18)	129	135	55,921	56,185	32,406
	129	135	58,921	59,185	35,406

	Up to 3 Months £000	3-6 months £000	1-5 years £000	Total £000	Carrying amount £000
At 30 April 2008					
Loans and Borrowings (note 17)	-	-	3,000	3,000	3,000
Loan notes (note 18)	124	129	43,007	43,260	25,789
	124	129	46,007	46,260	28,789

(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

23 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group 2009 £000	Group 2008 £000
Less than one year	**372**	372
Between one and five years	**1,444**	1,486
More than five years	**1,629**	1,960
	3,445	3,818

The Group leases its two premises in Wellesbourne and Surbiton under operating leases During the year to 30 April 2009, £371,200 was recognised as an expense in the income statement in respect of operating leases *(2008 £346,667)*

Notes *(continued)*

24 Commitments

Capital commitments

At the balance sheet date of 30 April 2009, neither the Group nor the company had any significant capital commitments

Other commitments

At the balance sheet date of 30 April 2009, the Group was not contracted to purchase any debt portfolios *(2008 29)*

25 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 directors in the years concerned were

W Mulligan	P Foot
P Wilding	D Johnson
R Scott	K Breslauer
J Mosiewicz	H Mair

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

	2009	2008
	£000	£000
R Scott and his close family	**301**	195
	301	195

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

	2009	2008
	£000	£000
R Scott and his close family	**48**	74
J Mosiewicz and his close family	**-**	40
	48	114

Notes *(continued)*

25 Related parties *(continued)*

Transactions with ultimate controlling party

The ultimate controlling party is RJD Partners Limited

RJD Partners Limited holds the following loan notes in Equidebt Holdings Limited

Loans to the Group

	2009 £000	2008 £000
10% unsecured subordinated loan notes repayable 2012	**11,878**	10,462
10% unsecured redeemable loan notes repayable 2012	**2,495**	1,941
	14,373	12,403

Interest earned on loans to the Group

	2009 £000	2008 £000
10% unsecured subordinated loan notes repayable 2012	**1,203**	629
10% unsecured redeemable loan notes repayable 2012	**308**	138
	1,511	767

Transactions with Group companies

Equidebt Holdings Limited has the following Group balances

	2009 £000	2008 £000
Equidebt Limited		
Current account	**15,502**	13,573
Loan account	-	-
Credit Ancillary Services Limited		
Current account	**163**	163
Loan account	**1,090**	990
Equidebt EBT Limited		
Current account	**6**	-
	16,761	14,726

Notes *(continued)*

25 Related parties *(continued)*

Group interest on inter-company balances were

	2009	2008
	£000	£000
Equidebt Limited loan account	**21**	18
Credit Ancillary Services Limited loan account	**111**	100
	132	118

In the year to 30 April 2009, management charges receivable from Equidebt Limited of £678,800 *(2008 £816,400)* 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 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

26 Ultimate parent company and parent company of larger group

At the balance sheet date, the ultimate controlling party was RJD Partners Limited which controls 52 7% of the company's voting rights

No other group financial statements include the results of the company

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

27 Subsequent events

Under the terms of the restructuring, as described in the Chairman's Statement on pages 3 & 4, all loan notes and loan note interest (£41 1m) have been converted to equity At the same time the Group entered into new banking facilities under which all bank indebtedness is transferred to a new facility that expires in April 2013