Equidebt Holdings Limited

Directors' report and consolidated financial statements

Registered number 5524029

30 April 2010

Contents

Chairman's Statement

The last twelve months have been difficult for the Group in a very uncertain economy Despite the general economic environment the Group has made substantial progress in restructuring its finances and in positioning itself for the future Trading performance for 2010 was much improved on last year with

- Interest income up 22 1% mainly due to £8 7m of positive reassessment on the value of some of our debt portfolios
- Interest expense lower by 23 3% due to lower external rate environment
- Operating expenses were down 5 9% despite significant restructuring costs being incurred
- Purchased debt impairment was down 50 9% compared to 2009

I believe that the positive revaluation assessment and impairment of the purchased debt should be looked at together

		2010	2009
		£000	£000
Asset reassessment	(Note 2)	8,733	116
Impairment	(Note 9)	(9,012)	(18,343)
Net impact		(279)	(18,227)

The year 2009/10 has been a year in which the Group has significantly restructured its external funding and equity structure This was completed on 15 June 2010 and the impact of that restructure can be seen on page 4 It can be seen that the deficit on net assets has been resolved and had the restructuring happened as at 30 April 2010, then the Group Statement of Financial Position would have shown £6 7m of net asset value As part of the restructuring process we have agreed a new three year bank facility until April 2013

In terms of management, I am pleased to report that Patrick McDonnell has been appointed to the Board as Chief Executive and Finance Director Brian Prescott, our Collections Director, has also been appointed to the Board effective 30 July 2010

In terms of the current year's trading, I am pleased to report that the Group has made a profit in each of the last three months of trading

The Group has its funding in place and a good management team, stable and improving operating systems that should position the business well for the future

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA

9 September 2010

R P Scott
Chairman

Proforma Statement of Financial Position (Post company restructure, and they do not form part of the financial statements and are unaudited)

at 30 April 2010

	Group Proforma Unaudited 30 April 2010 £000	Group Audited 30 April 2010 £000	Company Proforma Unaudited 30 April 2010 £000	Company Audited 30 April 2010 £000
Non-current assets				
Property, plant and equipment	412	412	-	-
Intangible assets	72	72	-	-
	484	484	-	-
Current assets				
Loans and receivables – purchased debts	55,178	55,178	-	-
Other assets	1,095	1,095	15,704	15,704
Current tax recoverable	15	15	-	-
Cash and cash equivalents	3,435	3,435	-	-
	59,723	59,723	15,704	15,704
Total assets	60,207	60,207	15,704	15,704
Liabilities				
Loans and borrowings	49,018	52,018	-	3,000
Loan notes	-	37,691	-	37,691
Trade and other payables	4,498	4,498	293	293
Total liabilities	53,516	94,207	293	40,984
Equity :				
Total attributable to equity shareholders	6,691	(34,000)	15,411	(25,280)
Total equity and liabilities	60,207	60,207	15,704	15,704

Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2010

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 13 The consolidated loss before tax of £3 5m compares with a loss of £36 3m in the previous year Underlying interest earned on the Group's debt purchase portfolios fell by 26% mainly as a result of significant impairment on debt portfolios in the previous year Encouragingly, revenue from the company's agency business increased by 3 1% and operating expenses fell by 5 9%

During the year the Group has undergone significant change, improving its operating systems, restructuring its cost base and management team On 15 June 2010 the company signed a new banking facility which is in place until April 2013 Under the terms of the restructuring, all loan notes and loan note interest (See Proforma balance sheet on page 4) have been converted to equity

The Statement of Financial Position shows the Group's financial position at year end The total deficit attributable to equity shareholders of £34 0m in 2010 has increased from £30 6m in 2009

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

On 29 April 2010 the Board resolved to waive the inter company balance between Equidebt Limited and Credit Ancillary Services Limited, resulting in a Capital Contribution Reserve being created in the waiving company On 30 April 2010 all trade, assets and liabilities were transferred from Credit Ancillary Services Limited to Equidebt Limited at fair value

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 £16 5m *(2009 £18 6m)*
- Net purchased debt impairment at 30 April 2010 was £0 3m *(2009 £18 2m)*
- Nominal value of receivables at 30 April 2010 was £911 8m *(2009 £1,161 4m)*

These 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 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 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 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)*

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 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 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 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 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 *(2009 £Nil)*

Directors

The directors who held office during the year were as follows

K Breslauer	
J E Dillon	(Appointed 29 July 2009)
P Foot	(Resigned 11 September 2009)
D Johnson	(Resigned 29 July 2009)
H Mair	
P F McDonnell	(Appointed 8 July 2010)
B A Prescott	(Appointed 15 June 2010)
R P Scott	
P A S F 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	*(2009 £18,000)*
Money Advice Liaison Group	£3,150	*(2009 £6,950)*

Going Concern

The Board, while noting the 2010 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 Statement of Financial Position date), which significantly strengthens the Statement of Financial Position and are satisfied that the Group accounts should be signed on a going concern basis The unaudited proforma Statement of Financial Position, included in the Chairman's Statement on page 3, shows how the Statement of Financial Position would have been presented had this restructuring occurred as at 30 April 2010

Directors' report *(continued)*

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

P F McDonnell
Director

Equity House
Ettington Road
Wellesbourne
Warwickshire
CV35 9GA

9 September 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 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

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 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 2010 set out on pages 13 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 10, 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 2010 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

Richard Gabbertas

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

Date: 9 September 2010

Consolidated Income Statement
for the year ended 30 April 2010

	Note	2010 £000	2009 £000
Interest receivable and similar income	2	**21,641**	17,735
Interest expense and similar charges	3	**(7,470)**	(9,734)
Net interest income		**14,171**	8,001
Fees and commission income	4	**2,330**	2,663
Net total income		**16,501**	10,664
Operating expenses	5,8	**(10,962)**	(11,649)
Impairment of goodwill	14	**-**	(16,947)
Impairment losses on loans and receivables	6	**(9,012)**	(18,343)
Loss before income tax		**(3,473)**	(36,275)
Income tax credit / (charge)	9	**71**	(544)
Loss for the year attributable to equity shareholders		**(3,402)**	(36,819)

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

Statements of Comprehensive Income
for the year ended 30 April 2010

There has been no comprehensive income or expense other than the loss for the year as shown above

Statement of Financial Position
at 30 April 2010

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Non-current assets					
Property, plant and equipment	*13*	**412**	409	**-**	-
Investments in subsidiaries	*16*	**-**	-	**-**	-
Intangible assets	*14*	**72**	70	**-**	-
Deferred tax liabilities	*15*	**-**	-	**-**	-
		484	479	**-**	-
Current assets					
Loans and receivables – purchased debts	*11*	**55,178**	58,890	**-**	-
Other assets	*12*	**1,095**	984	**14,340**	17,058
Current tax recoverable	*10*	**15**	15	**-**	-
Cash and cash equivalents		**3,435**	4,876	**-**	1
		59,723	64,765	**14,340**	17,059
Total assets		**60,207**	65,244	**14,340**	17,059
Liabilities					
Loans and borrowings	*17*	**52,018**	58,011	**3,000**	3,000
Loan notes	*18*	**37,691**	32,406	**37,691**	32,406
Derivatives	*19*	**-**	-	**-**	-
Trade and other payables	*20*	**4,498**	5,425	**293**	1,643
Total liabilities		**94,207**	95,842	**40,984**	37,049
Equity					
Called up share capital		**-**	-	**-**	-
Share premium	*21*	**8,590**	8 590	**8,590**	8,590
Capital redemption reserve	*21*	**-**	-	**-**	-
Reserves	*21*	**(42,590)**	(39,188)	**(35,234)**	(28,580)
Total attributable to equity shareholders		**(34,000)**	(30,598)	**(26,644)**	(19,990)
Total equity and liabilities		**60,207**	65,244	**14,340**	17,059

Notes on pages 17 to 45 form part of these financial statements

These financial statements were approved by the board of directors on 9 September 2010 and were signed on its behalf by

P F McDonnell
Director

Company registered number: 5524029

Statement of Cash Flows
for the year ended 30 April 2010

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Cash flows from operating activities				
Loss before tax	**(3,472)**	(36,275)	**(5,290)**	(25,620)
Adjustments to reconcile loss before tax to net cash flows from operating activities				
Net interest (income)/expense	**(17,095)**	(8,001)	**5,272**	4,852
Interest received	**16,464**	18,694	**146**	138
Interest paid	**(1,799)**	(4,011)	**(129)**	(515)
Depreciation and impairment of property, plant and equipment	**185**	246	-	-
Amortisation of intangible assets	**23**	16,982	-	19,798
Impairment of loans and receivables	**11,937**	18,343	-	-
Acquisition of loans and receivables	-	(14,342)	-	-
(Decrease)/increase in other assets	**(50)**	1,093	**2,718**	(2,035)
(Decrease)/increase in other liabilities	**(1,018)**	(290)	**(1,354)**	585
Tax refund	-	843	-	-
Net cash from operating activities	**5,175**	(6,718)	**1,363**	(2,797)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	3	-	-
Purchase cost of property, plant and equipment and intangible assets	**(216)**	(113)	-	-
Net cash from investing activities	**(216)**	(110)	-	-
Cash flows from financing activities				
Repayment of existing facilities	**(6,400)**	(8,000)	-	-
Refinancing	-	11,385	-	-
Proceeds from issue of loan notes	-	2,142	-	2,142
Waiver of amounts due from Group companies	-	-	**(1,364)**	-
Net cash from financing activities	**(6,400)**	5,527	**(1,364)**	2,142
Net decrease in cash and cash equivalents	**(1,441)**	(1,301)	**(1)**	(655)
Cash and cash equivalents at 1 May	**4,876**	6,177	**1**	656
Cash and cash equivalents at 30 April	**3,435**	4,876	-	1

Statement of Changes in Equity
for the year ended 30 April 2010

Group.

	Share Premium £000	Warrant Reserve £000	Retained Earnings £000	Total Equity £000
At 1 May 2009	8,590	1,965	(41,153)	(30,598)
Total comprehensive income for the year	-	-	(3,402)	(3,402)
At 30 April 2010	**8,590**	**1,965**	**(44,555)**	**(34,000)**
At 1 May 2008	8,590	1,965	(4,334)	6,221
Total comprehensive income for the year	-	-	(36,819)	(36,819)
At 30 April 2009	8,590	1,965	(41,153)	(30,598)

Statement of Changes in Equity
for the year ended 30 April 2010

Company·

	Share Premium £000	Warrant Reserve £000	Capital Contribution Reserve £000	Retained Earnings £000	Total Equity £000
At 1 May 2009	8,590	1,965	-	(30,545)	(19,990)
Total comprehensive income for the year	-	-	-	(5,290)	(5,290)
Capital contribution	-	-	(1,364)	-	(1,364)
At 30 April 2010	**8,590**	**1,965**	**(1,364)**	**(35,835)**	**(26,644)**
At 1 May 2008	8,590	1,965	-	(3,741)	6,814
Total comprehensive income for the year	-	-	-	(26,804)	(26,804)
At 30 April 2009	8,590	1,965	-	(30,545)	(19,990)

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

During the year the company adopted IAS 1 'Presentation of Financial Statements' ('IAS 1') (revised 2007) This standard aims to improve users' ability to analyse and compare information given in financial statements The adoption of the revised standard has no effect on the results reported in the financial statements It does, however, result in certain presentational changes in the company's separate financial statements

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 21

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

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 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
- *Derivatives* Derivatives are carried at fair value with changes in fair value going through the income statement

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 Statement of Financial Position on page 14

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 £349k (*2009 £96k)* 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

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

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 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 14 A 1% movement in the forecast future cash flows at the Statement of Financial Position 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

Notes *(continued)*

2 Interest receivable and similar income

	2010	2009
	£000	£000
On purchased debt portfolios		
Interest receivable	12,907	17,507
Upward adjustments	8,733	116
On bank balances	1	84
Other interest received	-	28
	21,641	17,735

3 Interest expense and similar charges

	2010	2009
	£000	£000
On borrowings secured on purchased debt portfolios	1,645	3,312
Amortisation of loan arrangement fees	578	2,086
Loan note interest	5,247	4,336
	7,470	9,734

4 Fees and commission income

	2010	2009
	£000	£000
Commission on collections on behalf of third parties	2,227	2,159
Court and legal fee income	27	264
Other income	76	240
	2,330	2,663

Notes *(continued)*

5 Operating expenses

	2010 £000	2009 £000
Staff costs (note 7)	5,362	5,074
Other operating expenses	4,824	3,562
Exceptional charge	776	3,013
Total operating expenses	10,962	11,649

During the year exceptional costs have been charged to the income statement relating to consultancy and legal fees in relation to the Group restructuring arrangement with the banks During 2009 the Group charged £3 0 million of exceptional costs, mainly consisting of refinancing costs, capitalised loan costs written off, and charges for onerous leases

Auditors' remuneration included in the above

	2010	2009
Audit of these and other Group entities financial statements	61	90
Other services	28	87
Total operating expenses	89	177

6 Impairment losses on loans and receivables

	2010 £000	2009 £000
Impairment losses on loans and receivables	9,012	18,343

	£000	£000
Charged to impairment during the year	12,350	18,343
Credit relating to impairment charged in prior years	(3,338)	-
Impairment losses on loans and receivables	9,012	18,343

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 2010	Group 2009	**Company 2010**	Company 2009
Collections	**106**	116	**-**	-
Administration	**67**	79	**3**	4
	173	195	**3**	4

The aggregate payroll costs of these persons were as follows

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Wages and salaries	**4,862**	4,537	**535**	585
Social security costs	**397**	418	**28**	61
Other pension costs	**103**	119	**13**	30
	5,362	5,074	**576**	676

8 Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	**296**	670
Company contributions to money purchase pension plans	**17**	43
	313	713

The aggregate of emoluments of the highest paid director was £165,115 in the year to 30 April 2010 *(2009 £210,603)*, and company pension contributions of £13,100 *(2009 £17,083)* were made to a money purchase scheme on his behalf Compensation for loss of office was paid to directors of £Nil *(2009 £243,523)*

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under Money purchase schemes	**2**	2

In the year to 30 April 2010 the Group paid fees to non executive Directors', which amounted to £56,037 (*and in the year to 30 April 2009 £33,239*)

Notes *(continued)*

9 Taxation

Recognised in the income statement

	2010 £000	2009 £000
Current tax expense		
Current year	-	(15)
Adjustments for prior years	-	-
	-	(15)
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	-	533
Adjustment for prior years	(71)	26
Changes in tax rates	-	-
Total tax in income statement	(71)	544

Reconciliation of effective tax rate

	2010 £000	2009 £000
Loss for the year	(3,473)	(36,275)
Tax using the UK corporation tax rate of 28% (2009 28%) (See below)	(972)	(10,157)
Non-deductible expenses	51	4,631
Prior year adjustments	(71)	27
Changes in tax rates	-	(1)
Net deferred tax not provided	(1,863)	6,044
Use of tax losses not recognised in deferred tax	(707)	-
Difference between tax value and market value of interest accrued in the year	3,491	-
Total tax in income statement	(71)	544

In the light of significant losses incurred by the Group over the past few years, 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 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Tax receivable	15	15	-	-

Notes *(continued)*

11 Loans and receivables – purchased debt - Group

	2010 £000	2009 £000
Loans and receivables		
At beginning of year	**58,890**	63,864
Interest receivable	**12,907**	17,507
Upward adjustments following re-estimation of forecast future cash flows	**8,733**	116
Net interest receivable (note 2)	**21,640**	17,623
Acquisitions	**-**	14,342
Cash collections	**(16,340)**	(18,596)
Impairment (Note 6)	**(9,012)**	(18,343)
At end of year	**55,178**	58,890

12 Other assets

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade receivables	**416**	338	**-**	-
Prepayments	**590**	349	**-**	-
Share capital not paid up	**89**	297	**89**	297
Amounts due from group companies	**-**	-	**14,251**	16,761
	1,095	984	**14,340**	17,058

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 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
Transfers	-	(65)	-	-	(65)
Additions	-	224	-	3	227
Disposals	(2)	-	-	-	(2)
Write-offs	-	(8)	-	-	(8)
Balance at 30 April 2010	340	980	-	9	1,329
Depreciation					
At 30 April 2008	197	418	28	-	643
Transfers	(5)	(8)	-	-	(13)
Charge for year	43	150	-	1	194
Disposals	-	-	(28)	-	(28)
Write-offs	(21)	(7)	-	-	(28)
Balance at 30 April 2009	214	553	-	1	768
Transfers	-	(30)	-	-	(30)
Charge for year	38	150	-	-	188
Write-offs	(1)	(8)	-	-	(9)
Balance at 30 April 2010	251	665	-	1	917
Net book value					
At 30 April 2010	**89**	**315**	**-**	**8**	**412**
At 30 April 2009	128	276	-	5	409

Notes *(continued)*

14 Intangible assets – Group

	Goodwill £000	Computer software £000	Total £000
Cost			
At 30 April 2008	16 947	265	17,212
Additions	-	203	203
Transfer	-	(91)	(91)
Balance at 30 April 2009	16,947	377	17,324
Additions	-	55	55
Disposals	-	(181)	(181)
Balance at 30 April 2010	16,947	251	17,198
Amortisation and impairment			
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
Balance at 30 April 2009	16,947	307	17,254
Amortisation for the year	-	31	31
Eliminated on disposals	-	(159)	(159)
Balance at 30 April 2010	16,947	179	17,126
Net book value			
At 30 April 2010	**-**	**72**	**72**
At 30 April 2009	-	70	70

In view of the significant losses incurred by the Group over the past few years, mainly as a result of the impairment on its debt portfolios in the years ended 30 April 2008 and 30 April 2009, the directors took the view that it was no longer appropriate to carry a value associated with goodwill on the Statement of Financial Position The write-off in the year ended 30 April 2010 amounted to £Nil (*2009 £16,947,000*)

Notes *(continued)*

15 Deferred tax assets and liabilities

– Group

No deferred tax assets or liabilities have been recognised at the year end *(2009 £Nil)*, and there has been no movement in deferred tax during the current year

Movement in deferred tax during the prior 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)	-
Total deferred tax	558	(558)	-

Within the Group there are deferred tax assets of £4 5m *(2009 £6 1m)* relating to taxable losses and other timing differences 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 *(2009 £Nil)*, and there has been no movement in deferred tax during the current or previous year

Within the company there are deferred tax assets of £0 8m *(2009 £2 8m)* relating to taxable losses and other timing differences 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

		2010 %	2009 %
Equidebt Limited	Debt collection	**100**	100
Sine Qua Non 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

Company

	Investments in subsidiaries £000
Cost	
At 30 April 2009 and 30 April 2010	-

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 For more information about the Group's exposure to interest rate risk, see note 22

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Borrowings secured on purchased debt portfolios	**49,018**	55,011	**-**	-
Shares classified as debt	**3,000**	3,000	**3,000**	3,000
	52,018	58,011	**3,000**	3,000

Notes *(continued)*

18 Loan notes

Group and Company

	2010 £000	2009 £000
10% unsecured subordinated loan notes repayable 2012	**14,980**	13,386
10% unsecured redeemable loan notes repayable 2012	**4,211**	3,326
10% convertible unsecured subordinated loan notes repayable 2012	**11,225**	10,072
25% unsecured preferred loan notes repayable 2010/2011/2012	**7,275**	5,622
	37,691	32,406

19 Derivatives

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Embedded derivative	-	980	-	980
Less Movements of fair value – change to income statement	-	(980)	-	(980)
	-	-	-	-

The derivative was embedded in the unsecured preferred loan notes (see note 18) and arose 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 2010 From this it was deemed that the value of the derivative was £Nil *(2009 £Nil)* During 2009 the value of the book value of the derivative was credited against operating expenses in the income statement (See note 5)

20 Trade and other payables

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Client funds payable	**351**	652	-	-
Trade payables	**294**	569	-	-
Non-trade payables and accrued expense	**4,020**	4,053	**286**	1,622
Other tax and social security	**7**	151	**7**	21
	4,672	5,425	**293**	1,643

Notes *(continued)*

21 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 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)
Loss for the year	-	-	-	(3,402)	(3,402)
At 30 April 2010	-	8,590	1,965	(44,555)	(34,000)

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 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)
Loss for the year	-	-	-	-	(5,290)	(5,290)
Capital contribution	-	-	-	(1,364)	-	(1,364)
At 30 April 2010	-	8,590	1,965	(1,364)	(35,835)	(26,644)

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	
	2010	*2009*	**2010**	*2009*	**2010**	*2009*	**2010**	*2009*
	£	*£*	**£**	*£*	**£**	*£*	**£**	*£*
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
	2,700	2,700	**1,800**	1,800	**500**	500	**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**	500	**-**	-
In thousands of £0 0000001 shares	**-**	-	**-**	-	**-**	-	**10,000**	10,000
	2,700	2,700	**1,800**	1,800	**500**	500	**10,000**	10,000
Allotted and not fully paid								
In thousands of £0 0001 shares	**-**	-	**-**	-	**500**	500	**-**	-
In thousands of £0 0000001 shares	**-**	-	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**500**	500	**-**	-

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

	A Ordinary shares		B Ordinary shares		C Ordinary shares		D Ordinary shares	
	2010	*2009*	**2010**	*2009*	**2010**	*2009*	**2010**	*2009*
	£	*£*	**£**	*£*	**£**	*£*	**£**	*£*
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
Allotted, called up and fully paid								
Shares classified in shareholders funds	**-**	-	**-**	-	**50**	50	**-**	-
	-	-	**-**	-	**50**	50	**-**	-

Dividends

After the Statement of Financial Position date dividends of £Nil per qualifying ordinary share *(2009 £Nil)* were proposed by the directors

Notes *(continued)*

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 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)*

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 Statement of Financial Position are as follows

Group	Carrying amount 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Cash & cash equivalents	3,435	3,435	4,876	4,876
Loans and receivables – purchased debt (note 11)	55,178	55,178	58,890	58,890
Other assets – trade receivables (note 12)	416	416	338	338
Borrowings secured on purchased debt portfolios (note 17)	(49,018)	(49,018)	(55,011)	(55,011)
Loan notes (note 18)	(37,691)	(37,691)	(32,406)	(32,406)
Client funds payable (note 20)	(351)	(351)	(652)	(652)
Trade payables (note 20)	(294)	(294)	(569)	(569)
Total financial instruments	(28,325)	(28,325)	(24,534)	(24,534)

	2010	2009
IAS 39 categories of financial instruments		
Cash and cash equivalents	3,435	4,876
Loans and receivables - purchased debt (note 11)	55,178	58,890
Other assets - trade receivables (note 12)	416	338
Total loans and receivables	55,594	59,228
Total financial assets	59,029	64,104
Borrowings secured on purchased debt portfolio (note 17)	(49,018)	(55,011)
Loan notes (note 18)	(37,691)	(32,406)
Client funds payable (note 20)	(351)	(652)
Trade payables (note 20)	(294)	(569)
Total financial liabilities measured at amortised cost	(87,354)	(88,638)
Total financial instruments	(28,325)	(24,534)

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 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Cash & cash equivalents	-	-	1	1
Amounts due from group companies (note 12)	14,251	14,251	16,761	16,761
Loan notes (note 18)	(37,691)	(37,691)	(32,406)	(32,406)
Total financial instruments	(23,440)	(23,440)	(15,644)	(15,644)

	2010	2009
IAS 39 categories of financial instruments		
Cash and cash equivalents	-	1
Amounts due from group companies (note 12)	14,251	16,761
Total loans and receivables	14,251	16,761
Total financial assets	14,251	16,762
Loan notes (note 18)	(37,691)	(32,406)
Total financial liabilities measured at amortised cost	(37,691)	(32,406)
Total financial instruments	(23,440)	(15,644)

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 Statement of Financial Position 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)*

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 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

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 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 reassessment for purchased debt at the Statement of Financial Position date was

	Carrying value		**Cumulative reassessment**	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Prior to 2006/7	**9,258**	8,504	**(4,500)**	(4,480)
2006/7	**14,880**	18,212	**(13,413)**	(12,108)
2007/8	**14,262**	19,817	**(11,666)**	(7,554)
2008/9	**16,778**	12,357	**5,879**	-
	55,178	58,890	**(23,700)**	(24,142)

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

	2010	2009
	£'000	£'000
Not past due	**-**	-
Past due (0-30 days)	**181**	125
Past due (31-60 days)	**163**	119
More than 60 days past due	**72**	94
	416	338

Trade receivables of £134,950 *(2009 £176,000)* at the Statement of Financial Position date are considered to be impaired and have been fully provided for

Notes *(continued)*

22 Financial instruments *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Fixed rate instruments				
Loans and receivables – purchased debt	**55,178**	58,890	**-**	-
Loan notes (note 18)	**(38,671)**	(32,406)	**(38,671)**	(32,406)
	16,507	26,484	**(38,671)**	(32,406)
Variable rate instruments				
Cash and cash equivalents	**3,435**	4,876	**-**	1
Loan and borrowings (note 17)	**(49,018)**	(55,011)	**-**	-
	(45,583)	(50,135)	**-**	1

Notes *(continued)*

22 Financial instruments *(continued)*

(c) Market risk (continued)

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 2009

	Group 2010 £000	Group 2009 £000
Equity		
Increase	**490**	554
Decrease	**(490)**	(554)
Profit or loss		
Increase	**490**	554
Decrease	**(490)**	(554)

The impact on the Group is not material

(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

Notes *(continued)*

22 Financial instruments *(continued)*

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 2010					
Loans and Borrowings (note 17)	314	314	63,027	63,655	49,018
Loan notes (note 18)	-	-	56 848	56,848	38,671
Trade payables (note 20)	294	-	-	294	294
	608	314	119,875	120,797	87,983

	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

Liquidity risk – Company

	Up to 3 months £000	3-6 months £000	1-5 years £000	Total £000	Carrying amount £000
At 30 April 2010					
Loans and Borrowings (note 17)	-	-	3,000	3,000	3,000
Loan notes (note 18)	-	-	56,848	56,848	38,671
	-	-	59,848	59,848	41,671

	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

Notes *(continued)*

22 Financial instruments *(continued)*

(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 2010 £000	Group 2009 £000
Less than one year	**372**	372
Between one and five years	**1,323**	1,444
More than five years	**1,379**	1,629
	3,074	3,445

The Group leases its two premises in Wellesbourne and Surbiton under operating leases During the year to 30 April 2010, £370k was recognised as an expense in the income statement in respect of operating leases *(2009 £371k)*

24 Commitments

Capital commitments

At the Statement of Financial Position date of 30 April 2010, neither the Group nor the company had any significant capital commitments, *(2009 £Nil)*

Other commitments

At the Statement of Financial Position date of 30 April 2010, the Group was not contracted to purchase any debt portfolios, *(2009 Nil)*

Notes *(continued)*

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 common directors in the years concerned were

K Breslauer
D Johnson
H Mair
R P Scott
P A S F Wilding

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 2010 £000	Group 2009 £000
R P Scott and his close family	**382**	301
	382	301

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

	Group 2010 £000	Group 2009 £000
R P Scott and his close family	**61**	48
	61	48

These transactions solely relate to interest receivable on loan notes outstanding to R P Scott and his close family

Notes *(continued)*

25 Related parties *(continued)*

Transactions with ultimate controlling party

(a) The ultimate controlling party is RJD Partners Limited

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

Loans to the Group

	2010 £000	2009 £000
10% unsecured subordinated loan notes repayable 2012	**13,212**	11,878
10% unsecured redeemable loan notes repayable 2012	**3,159**	2,495
	16,371	14,373

Interest earned on loans to the Group

	2010 £000	2009 £000
10% unsecured subordinated loan notes repayable 2012	**1,278**	1,203
10% unsecured redeemable loan notes repayable 2012	**423**	308
	1,701	1,511

(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

Loans to the Group

	2010 £000	2009 £000
10% convertible unsecured subordinated loan notes repayable 2012	**12,205**	11,052
25% unsecured preferred loan notes repayable 2010/2011/2012	**7,156**	5,615
	19,361	16,667

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

	2010 £000	2009 £000
10% convertible unsecured subordinated loan notes repayable 2012	**984**	653
25% unsecured preferred loan notes repayable 2010/2011/2012	**1,541**	1,037
	2,525	1,690

Notes *(contınued)*

25 Related partıes *(contınued)*

Transactıons wıth Group companıes

Equıdebt Holdıngs Lımıted has the followıng Group balances

	2010 £000	2009 £000
Equıdebt Lımıted		
Current account	**12,712**	15,298
Loan account	**1,440**	204
Credıt Ancıllary Servıces Lımıted		
Current account	**-**	163
Loan account	**-**	1,090
Equıdebt EBT Lımıted		
Current account	**99**	6
	14,251	16,761

Group ınterest on ınter-company balances was

	2010 £000	2009 £000
Equıdebt Lımıted loan account	**23**	21
Credıt Ancıllary Servıces Lımıted loan account	**123**	111
	146	132

On 29 Aprıl 2010 Board resolutıons were passed waıvıng ınter company balances between Equıdebt Holdıngs Lımıted and Credıt Ancıllary Servıces Lımıted, and also between Equıdebt Lımıted and Credıt Ancıllary Servıces Lımıted

In the year to 30 Aprıl 2010, management charges receıvable from Equıdebt Lımıted of £576,100 *(2009 £678,800)* were ıncluded ın the ıncome statement, these were straıght recharges of costs ıncurred The cash movements between the company and Equıdebt Lımıted are represented by a combınatıon of these management charges and the movements ın group balances shown above Although a formal contract between the group partıes ıs not ın place, thıs ıs not consıdered to be necessary as the management charges relate to straıght recharges of salary costs ıncurred

26 Ultımate parent company and parent company of larger group

At the Statement of Fınancıal Posıtıon date, the ultımate controllıng party was RJD Partners Lımıted whıch controlled 52 7% of the company's votıng rıghts

No other group financıal statements ınclude the results of the company

Followıng the restructure of the busıness, whıch took place on 15 June 2010, the ultımate controllıng party ıs now Patron Phoenıx Investments SARL whıch controls 74 5% of the votıng rıghts