Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

From 31 May 2011 (date of incorporation) to 31 August 2012

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2012

CONTENTS

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J J Cornell (appointed 15 September 2012)
M Dale (appointed 15 September 2012)
A R Hill (appointed 15 September 2012)
T J H Large (appointed 11 August 2011)
J R Rosen (appointed 11 August 2011)
B J Thompson (appointed 31 May 2011)
P A Newcombe (appointed 31 May 2011, resigned 31 May 2011)

Registered office

Enterprise House
1 Apex View
Leeds
LS11 9BH

Bankers

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditors

KPMG Audit Plc
Chartered Accountants & Statutory Auditor
15 Canada Square
London
E14 5GL

METIS BIDCO LIMITED

DIRECTORS' REPORT
From 31 May 2011 (date of incorporation) to 31 August 2012

The directors present their report and the audited financial statements for the period from 31 May 2011 (date of incorporation) to 31 August 2012

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the purchase and recovery of non-performing consumer debt portfolios

The subsidiary undertakings affecting the profits and net assets of the Group in the period are listed in Note 11

BUSINESS REVIEW

On 15 September 2011, the Lowell group of companies (headed by Lowell Group Limited) was acquired by Metis Bidco Limited (the "Company"), which is indirectly controlled by funds managed by TDR Capital LLP On the date of acquisition Exponent's (the previous owners) representatives resigned as directors from the Board of Lowell Group Limited and Lowell s Chairman Adrian Hill was appointed a director of the Company

On 29 February 2012, Lowell Group Limited incorporated a wholly owned subsidiary Lowell Group Financing Plc and on 12 March 2012 the Company incorporated a wholly owned subsidiary Lowell Finance Holdings Limited On 13 March 2012 the Company acquired 100% of the issued share capital of Lowell Group Financing Plc from Lowell Group Limited

On 30 March 2012, Lowell Group Financing Plc issued £200 0m 10 75% Senior Secured Notes due 2019 (the "Notes'), (Note 15) The majority of the funds from this issue were immediately lent to fellow subsidiaries on terms to allow Lowell Group Financing Plc to comply with the term of the Notes

The Group, through its subsidiaries, has been invited to bid upon the majority of portfolios brought to market The business acquired portfolios from 28 vendors during the twelve months ended 31 August 2012

The overall fair value of debt portfolios stood at £236 8m at 31 August 2012, which is a growth of 25% over the period from acquisition, 15 September 2011, to the 31 August 2012

The Group has performed strongly since acquiring Lowell Group Limited on the 15 September 2011, with ERC (Estimated Remaining Collections) of £428 8m as at 31 August 2012 and Adjusted EBITDA of £95 5m in the period to 31 August 2012

The Group defines ERC as the expected collections on owned portfolios over an 84 month period, based on our proprietary valuation model

The Group defines Adjusted EBITDA as collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which together equal servicing costs), which is the same as operating profit before exceptional and non-recurring items, depreciation, fair value movement in debt portfolios and amount of purchase cost recovered

ERC and Adjusted EBITDA are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry

The Group has included certain non-UK GAAP financial measures in these financial statements, including ERC, Adjusted EBITDA, Net Debt and certain other financial measures and ratios These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group s 10 75% Senior Secured Notes due 2019 Reference to these non-UK GAAP financial measures should be considered in addition to UK GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with UK GAAP

GOING CONCERN

The directors remain confident that the Group will continue to grow through the purchase and servicing of non-performing debt portfolios in the UK The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1)

METIS BIDCO LIMITED

DIRECTORS' REPORT (continued)
From 31 May 2011 (date of incorporation) to 31 August 2012

DIVIDENDS

The directors do not recommend the payment of a dividend for the period

KPIs

	2012
Cumulative face value of debt purchases	£9 0bn
Cumulative number of accounts	10 0m
Collections on owned portfolios	£135 9m
Debt portfolios	£236 8m
ERC (Estimated Remaining Collections)	£428 8m
Fixed charge cover ratio (Consolidated EBITDA / Fixed Charges)	1 84
Bond covenant (Net Debt* / ERC)	0 45
Drawdown on RCF** (Revolving Credit Facility)	£0 0m
10 75% Senior Secured Notes	£200 0m
Senior Secured Notes / debt portfolios	84 5%
Operating cash generation (actual collections received less servicing costs, working capital and capital expenditure)	£91 6m

* Net Debt is total indebtedness (£200 0m) less cash in bank (£9 0m)

** Facility available under the RCF is £40 0m

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC as at 31 August 2012 Our forecast tail of cash flow from month 84 to month 120 is £47 9m, which is in addition to the £428 8m ERC

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 3

EMPLOYEES

The Group supports equal opportunities in respect of recruitment, career progression and employee management processes Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010 It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue Support is also given to internal applicants in moving to new jobs in other parts of the organisation

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the period that kept staff fully informed and updated on business activities The Group's magazine is used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company

DIRECTORS

The directors who served during the period are shown on page 1

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £2,665 in the period

METIS BIDCO LIMITED

DIRECTORS' REPORT (continued)
From 31 May 2011 (date of incorporation) to 31 August 2012

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 he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

During the period KPMG Audit Plc were appointed as auditors to the Company

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the Board of Directors and signed on behalf of the Board by

J J Cornell
Director

28 November 2012

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

From 31 May 2011 (date of incorporation) to 31 August 2012

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 financial statements for each financial year Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 the Parent Company and of their profit or loss for that period

In preparing each of the Group and Parent Company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the 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 Group and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the period from 31 May 2011 (date of incorporation) to 31 August 2012 set out on pages 7 to 28 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm.

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 31 August 2012 and of the Group's loss for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

K. J. Cooper

Kieren Cooper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

26 November 2012

METIS BIDCO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Collections on owned portfolios		135,903
Amount of purchase cost recovered		(55,078)
Fair value movement in debt portfolios		11,858
Turnover from debt portfolios		92 683
Other turnover		272
Turnover	1	92 955
Cost of sales	1	(17 026)
Gross profit		75,929
Administrative expenses		(25,436)
Depreciation	10	(2,004)
Operating profit	4	48,489
Interest receivable	6	11
Interest payable and similar charges	7	(51,755)
Fair value movements in derivatives	3	160
Amortisation of intangible assets	9	(7,968)
Loss on ordinary activities before taxation		(11,063)
Tax on loss on ordinary activities	8	(5,380)
Loss on ordinary activities after taxation for the period	18	(16,443)

All amounts relate to continuing operations

There were no recognised gains and losses for the period other than those included in the Profit and Loss Account and accordingly, a statement of recognised gains and losses has not been prepared

The notes on pages 11 to 28 form part of these financial statements

METIS BIDCO LIMITED

CONSOLIDATED BALANCE SHEET
31 August 2012

	Note	2012 £000
Fixed assets		
Intangible assets	9	152,728
Tangible assets	10	4,160
		156,888
Current assets		
Portfolios (including £168,262k falling due after more than one year)	1 & 2	236,759
Debtors	13	15,782
Cash at bank and in hand		9,020
		261,561
Creditors: amounts falling due within one year	14	(23,246)
Net current assets		238,315
Total assets less current liabilities		395,203
Creditors: amounts falling due after more than one year	15	(410,428)
Net liabilities		(15,225)
Called-up share capital	17	1,212
Share premium account	18	6
Profit and loss account	18	(16,443)
Total equity shareholders' deficit	19	(15,225)

These financial statements of Metis Bidco Limited Company No 07652466, were approved by the Board of Directors on 27 November 2012

Signed on behalf of the Board of Directors by

J J Cornell
Director
28 November 2012

The notes on pages 11 to 28 form part of these financial statements

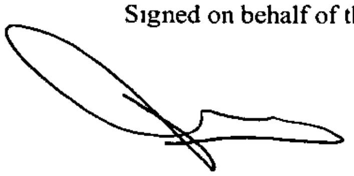
METIS BIDCO LIMITED

COMPANY BALANCE SHEET
31 August 2012

	Note	2012 £000
Fixed assets		
Investments	11	188,076
Current assets		
Debtors	13	2,692
Cash at bank and in hand		81
		2,773
Creditors: amounts falling due within one year	14	(675)
Net current assets		2,098
Total assets less current liabilities		190,174
Creditors: amounts falling due after more than one year	15	(210,428)
Net liabilities		(20,254)
Called-up share capital	17	1,212
Share premium account	18	6
Profit and loss account	18	(21,472)
Total equity shareholders' deficit	19	(20,254)

These financial statements of Metis Bidco Limited, Company No 07652466, were approved by the Board of Directors on 27 November 2012

Signed on behalf of the Board of Directors by



J J Cornell
Director
28 November 2012

The notes on pages 11 to 28 form part of these financial statements

METIS BIDCO LIMITED

CONSOLIDATED CASH FLOW STATEMENT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Cash flow from operating activities	20	2,890
Returns on investments and servicing of finance	21	(21,757)
Taxation	21	(6,521)
Capital expenditure and financial investment	21	(1,932)
Acquisitions and disposals	21	(232,125)
Cash outflow before financing		(259,445)
Financing	21	268,465
Increase in cash in the period		9,020

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Increase in cash in the period	22	9,020
Movement in borrowings	22	(267,248)
Non cash movements	22	(36,031)
Movement in net debt in the period		(294,259)
Net debt at start of the period / date of acquisition	22	(116,167)
Net debt at end of the period	22	(410,426)

The notes on pages 11 to 28 form part of these financial statements

METIS BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
From 31 May 2011 (date of incorporation) to 31 August 2012

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice The particular accounting policies adopted are described below

Basis of accounting
These financial statements are prepared under the historical cost convention, except for purchased non-performing debt portfolios which are held at fair value to reflect changes in the expected profile of future cash flows

Going concern
The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Business Review on page 2 In addition, Note 3 to these financial statements includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

There are long term business plans and short term forecasts in place which are reviewed and updated on an ongoing regular basis by management The Group is in a net liabilities position as a result of funding structures in place as investment by the ultimate controlling parent Metis Holdings Sarl

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they adopt the going concern basis of accounting in preparing these financial statements

Basis of consolidation
The Group financial statements consolidate the financial statements of Metis Bidco Limited and all its subsidiary undertakings drawn up to 31 August 2012 The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

No Profit and Loss Account is presented for Metis Bidco Limited itself as permitted by Section 408 of the Companies Act 2006 The Company s result for the period, determined in accordance with the Act, was a loss after tax of £21,472k

Financial instruments
In accordance with FRS 26, the financial instruments of the Group have been classified as follows

a) *Debt portfolios*
Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value The portfolios are initially recorded at their fair value These portfolios are classified as a financial asset at "fair value through profit or loss" as the portfolios are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and internal information is made available to the Board and key management personnel on this basis The fair value of each portfolio is assessed using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm s length transactions

b) *Financial liabilities*
All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through profit or loss, e g derivative liabilities

c) *Derivatives*
The Group enters into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities The Group does not hold derivative instruments for trading purposes

If material, derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date The resulting gain or loss is recognised in the Profit and Loss Account immediately All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative

As at the 31 August 2012 the Group had no outstanding derivative contracts All contracts matured or were closed out during the period

1. **ACCOUNTING POLICIES (continued)**

Turnover

Turnover represents the yield from purchased non-performing debt portfolios, net of VAT, all of which arose in the UK

Cost of sales

Cost of sales represents the costs of collecting debts

Fair value movement in debt portfolios

For portfolios purchased during the period, the fair value movement is the difference in net collection projections from 31 August 2012 between the original curves based on the price paid for the portfolios and the current collection projections, plus reflecting any change in discount rates

For portfolios acquired on the acquisition of Lowell Group Limited (Note 12), the fair value movement is the difference in net collection projections from 31 August 2012 between the original curves based on the price paid for the acquired portfolios and the current collection projections, plus reflecting any change in discount rates

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life as follows

Acquisition of subsidiary undertakings	20 years
Acquisition of business assets	4 years

Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value on each asset on a straight line basis over their estimated useful lives as follows

Office equipment	4 years

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in these financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in these financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

1. **ACCOUNTING POLICIES (continued)**

Amounts collected on behalf of third parties

Amounts collected on behalf of third parties are reported within both Cash at bank and in hand and Other creditors

Leases

Operating lease rentals are charged to income on a straight line basis over the lease term Any lease incentives are spread over the life of the lease

2. **CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES**

Certain assets and liabilities are reported in these financial statements based upon managements' estimates and assumptions, introducing a risk of changes to the carrying amounts of these items within the next financial year

Purchased debt portfolios

Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value The portfolios are classified as a financial asset at "fair value through profit or loss" The fair value of each portfolio is assessed on the measurement date using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions

The calculation of the amount falling due after more than one year depends upon the value and profile of 'setups' where customers enter into payment plans

The directors are of the opinion that the discount rate applied in determining the fair value of the debt portfolios represents an unobservable market rate That rate has been determined by management to be 15% for default portfolios and 12% for paying portfolios Changes in this assumption to possible alternatives of plus or minus 2 5% would lead to the following (decrease) / increase of profit

	£000
Plus 2 5%	(9,127)
Minus 2 5%	9,898

The Group has forward flow agreements in place in relation to the future purchase of debt portfolios The fair value of portfolios purchased under these agreements is determined on the same basis as the Group's other purchased debt portfolios

3. RISK MANAGEMENT AND CONTROL

As a result of its normal business activities the Group has exposure to the following risks

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Capital management risk
- Fair value estimation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk Further quantitative disclosures are included throughout these financial statements The Group manages these risks through the Board of Directors

The Group has no significant exposures in foreign currency and does not hold any speculative foreign exchange positions

The Group has no significant exposure to equity markets and does not hold any speculative equity positions

Credit risk

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 payment obligations

The risk to the Group is lower than expected collections from the acquired non-performing debt portfolios

The risk from the concentration of debtor credit risk is limited due to the relatively low value of each of the individual debtor's debts and to the Group's increasingly broadening client base from whom portfolios are purchased

The risk is managed through utilising appropriate portfolio valuation models and building current expectations of recoverability into pricing models The Group s exposure to credit risk is monitored by the Board of Directors

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt The Group does not hold any collateral in respect of its receivables

3. RISK MANAGEMENT AND CONTROL (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due 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 when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows At 31 August 2012, the Group had available undrawn committed borrowing facilities

The following table shows the Group's contractual maturities of financial liabilities including interest payments at the balance sheet date

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes	209,018	350,560	10,810	10,750	86,000	243,000
Preference shares	190,196	418,670	-	-	-	418,670
Loan with parent	20,232	54,764	-	-	-	54,764
Other liabilities	14,228	14,228	14,228	-	-	-
Total liabilities	433,674	838,222	25,038	10,750	86,000	716,434

Operational risk

Operational risk is defined by the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers

Market risk

Market risk is risk of changes caused by market variables such as interest rate and prices, i e the cost of consumer debt portfolios The Group has minimised its risk against interest rates by being funded by share capital and from 30 March 2012 by 10 75% Senior Secured Notes due 2019, upon which the interest rate is fixed

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates The Group possesses variable rate funding for which interest rate caps and interest rate swaps are used to mitigate the risk of changing interest rates

On 30 March 2012 the balance outstanding on the old RCF (Revolving Credit Facility) was fully repaid A new RCF was put in place on 30 March 2012 There have been no drawdowns on the new facility in the period from 30 March 2012 to 31 August 2012

The use of derivatives is controlled by the Board of Directors However, because there have been no drawdowns on the new RCF from 30 March 2012 to 31 August 2012 no further derivative contracts have been entered into As at the 31 August 2012 the Group has no outstanding derivative contracts All contracts matured or were closed out during the period

At 31 August 2012 the Group has no exposure to changes in interest rates Except for the RCF, which is undrawn at the year end, the Group's funding is subject to fixed terms and fixed interest rates

3 RISK MANAGEMENT AND CONTROL (continued)

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

Fair value estimation risk

Financial assets and liabilities are classified into the following categories

	2012 £000
Financial assets	
Fair value through profit and loss	236,759
Loans and receivables	24,802
Total financial assets	261,561
Financial liabilities	
Fair value through profit and loss	-
Other financial liabilities measured at amortised cost	(433,674)
Total financial liabilities	(433,674)

The directors consider that the carrying amount of financial assets and financial liabilities recorded in these financial statements approximates their fair value The fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis

4. OPERATING PROFIT

	2012 £000
Operating profit is after charging:	
Depreciation of tangible fixed assets	2,004
Amortisation of intangible fixed assets	7,968
Rentals under operating leases	805
Auditor s remuneration	
Audit of these financial statements	4
Audit of other group companies' financial statements	52
Other assurance services	18

During the period £186k was charged by the auditor for other assurance services in relation to the issue of the 10 75% Senior Secured Notes (the "Notes") These costs are charged to the Profit and Loss Account over the 7 year term of the Notes During the period to 31 August 2012 £11k has been included in "Fees payable on the Notes', (Note 7)

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £000
Directors' remuneration	
Aggregate emoluments to current directors	502
Emoluments of highest paid director	362

The above emoluments do not include any emoluments for M Dale, T J H Large, J R Rosen and B J Thompson, which are paid by a parent company

	2012 No.
Employees	
Average number of persons employed by the Group	
Administration	541

	2012 £000
Staff costs for the Group (including directors)	
Wages and salaries	15,628
Social security costs	1,663
	17,291

6. INTEREST RECEIVABLE

	2012 £000
Bank interest receivable	11

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000
Interest payable on preference shares to Company's immediate parent	23,675
Interest payable on preference shares to other parties	711
Interest payable on the Notes	9,018
Interest payable on loan notes to Company's immediate parent	10,232
Interest payable to banks	7,215
Fees payable on the Notes	479
Fees payable on revolving credit facility	425
	51,755

METIS BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
From 31 May 2011 (date of incorporation) to 31 August 2012

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 £000
Current taxation	
UK corporation tax	4,287
Group relief paid for (Note 14)	1,087
Adjustment in respect of previous periods	(13)
Total current tax charge	5,361
Deferred taxation	
Book depreciation in excess of capital allowances	
Origination and reversal of timing differences	(135)
Effects of change in tax rates	34
Deferred tax credit in the Profit and Loss Account (Note 13)	(101)
Short term timing differences	
Origination and reversal of timing differences	119
Effects of change in tax rates	1
Deferred tax charge in the Profit and Loss Account (Note 13)	120
Total deferred tax charge	19
Total charge on loss on ordinary activities	5,380

On 21 March 2012, the government announced that the main rate of corporation tax was to reduce from 26% to 24% with effect from 1 April 2012 Finance Act 2012 confirmed this and included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 Accordingly, deferred tax balances which are expected to reverse after 31 August 2012 have been revalued at 23% in these financial statements

Legislation is planned to be introduced in Finance Bill 2013 to reduce the main rate of corporation tax to 22% from 1 April 2014 This change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements The impact of this change would be to reduce the net deferred tax asset by £17k

The tax assessed for the period is greater than the standard effective rate of corporation tax in the UK for the period ended 31 August 2012 of 25% The differences are explained below

	2012 £000
Loss on ordinary activities before tax	(11,063)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 25%	(2,784)
Effects of	
Expenses not deductible for tax purposes	8,146
Movement in short term timing differences	(119)
Book depreciation in excess of capital allowances	135
Adjustment in respect of previous periods	(14)
Group relief claimed free of charge	(3)
Current tax charge for period	5,361

METIS BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
From 31 May 2011 (date of incorporation) to 31 August 2012

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £000
Cost	
Upon acquisition of Lowell Group Limited	160,696
Accumulated amortisation	
Charge for the period	(7,968)
Net book value	
At 31 August 2012	152,728

The goodwill arose from the acquisition as detailed in Note 12

This is being amortised over a period of 20 years as detailed in the accounting policies in Note 1

The charge is for the period from the acquisition date, 15 September 2011, to the 31 August 2012

10. TANGIBLE FIXED ASSETS

Group

	Office equipment £000
Cost	
At acquisition of subsidiary undertakings	9,678
Additions during the period	1,932
At 31 August 2012	11,610
Accumulated depreciation	
At acquisition of subsidiary undertakings	(5,446)
Charge for the period	(2,004)
At 31 August 2012	(7,450)
Net book value	
At acquisition of subsidiary undertakings (Note 12)	4,232
At 31 August 2012	4,160

11. FIXED ASSETS INVESTMENTS

Company
Subsidiary undertakings

	2012 £000
Cost	
Acquisition of subsidiary undertakings (Note 12)	241,887
Preference dividend received from subsidiary	(58,974)
Waiver of preference dividend from subsidiary	5,163
At 31 August	188,076

On 30 March 2012, the accrued preference dividend from Lowell Group Limited was £70,225k
On 30 March 2012, Lowell Group Limited paid a preference dividend to the Company of £65,062k, of which £58,974k was the pre acquisition amount and consequently this has been netted off the cost of investment

On 30 March 2012, the Company waived its rights to the remaining outstanding preference dividend from Lowell Group Limited of £5,163k, thereby increasing its investment

The Company and the Group have investments in the following subsidiary undertakings

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt purchase and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Limited	UK	Dormant	100

*Held directly by the Company

On 29 February 2012, Lowell Group Limited incorporated a wholly owned subsidiary Lowell Group Financing Plc with share capital of one ordinary share for £1 00 and fifty thousand preference shares of £1 00 each Lowell Group Financing Plc did not trade between 29 February 2012 (its date of incorporation) and 13 March 2012, when its ownership was transferred to Lowell Finance Holdings Limited The consideration was £50,001, being the fair value of the net assets acquired

On 12 March 2012, the Company incorporated Lowell Finance Holdings Limited with 1 £1 00 ordinary share The only other transactions for Lowell Finance Holdings Limited that have taken place since its incorporation are detailed in Note 12

On 7 June 2012, Lowell Finance Ltd incorporated Lowell Portfolio III Limited with two £1 00 ordinary shares There have been no further transactions for Lowell Portfolio III Limited since its incorporation

12. ACQUISITION AND DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 15 September 2011 the Company acquired the entire ordinary share capital of Lowell Group Limited The consideration of £59,100k was paid in cash

Also on 15 September 2011, the Company acquired the entire preference share capital of Lowell Group Limited This consisted of nominal preference share capital of £111,839k and accrued interest of £58,974k on such preference shares, a total of £170,813k The consideration of £170,813k was paid in cash

In addition, the Company incurred professional fees of £11,974k on the acquisition of Lowell Group Limited

	£000
Assets and liabilities acquired·	
Tangible fixed assets (Note 10)	4,232
Portfolios	189,295
Debtors	8,305
Cash	9,762
Creditors amounts falling due within one year	(10,307)
Creditors amounts falling due after more than one year	(115,241)
Preference shares	(170,813)
Corporation tax liabilities	(5,273)
Deferred tax assets	
Book depreciation in excess of capital allowances (Note 13)	281
Short term timing differences (Note 13)	137
	(89,622)
Goodwill (Note 9)	160,696
Consideration for share capital (including professional fees)	71,074
Consideration for preference shares	170,813
Total consideration (Note 11)	241,887

The acquisition of Lowell Group Limited has been accounted for by the acquisition method of accounting

There were no fair value adjustments to the book value of the assets and liabilities acquired

In its last financial year to 31 August 2011 the Consolidated Profit and Loss Account of Lowell Group Limited reported a loss after taxation of £1,326k

For the period since 31 August 2011 to the date of acquisition of 15 September 2011 the consolidated management accounts of Lowell Group Limited show the following

	£000
Turnover	2,456
Operating profit	396
Loss before taxation	(858)
Taxation	(59)
Loss after taxation	(917)

12. ACQUISITION AND DISPOSAL OF SUBSIDIARY UNDERTAKINGS (continued)

On 19 March 2012, the Company disposed of 100% of the issued ordinary shares of Lowell Group Limited to its wholly owned subsidiary Lowell Finance Holdings Limited The consideration was £71,073,883 being both the book value and the fair value of the Company's investment in the ordinary shares of Lowell Group Limited Lowell Finance Holdings Limited paid for this by issuing 71,073,883 ordinary shares of £1 00 each

On 30 March 2012, the Company disposed of 100% of the issued preference shares of Lowell Group Limited, to its wholly owned subsidiary Lowell Finance Holdings Limited The consideration was £111,839,512 being both the book value and fair value of the Company s investment in the preference shares of Lowell Group Limited Lowell Finance Holdings Limited paid for this by issuing 111,839,512 ordinary shares of £1 00 each

13. DEBTORS

Group

	2012 £000
Trade debtors	126
Other debtors	3,537
Deferred tax	399
Prepayments and accrued income	11,720
	15,782

Deferred tax assets recognised in these financial statements are as follows

	2012 £000
Book depreciation in excess of capital allowances	
Acquisition of subsidiary undertakings (Note 12)	281
Deferred tax credit in the Profit and Loss Account (Note 8)	101
Balance 31 August 2012	382
Short term timing differences	
Acquisition of subsidiary undertakings (Note 12)	137
Deferred tax charge in the Profit and Loss Account (Note 8)	(120)
Balance 31 August 2012	17
Total deferred tax assets at 31 August 2012	399

Company

	2012 £000
Amounts owing by group undertakings (repayable on demand)	2,577
Other debtors	18
Other taxes and social security	59
Prepayments and accrued income	38
	2,692

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	2012 £000
Trade creditors	1,769
Other taxes and social security	377
Corporation tax	3,026
Other creditors	441
Accruals and deferred income	7,528
Interest due on the Notes	9,018
Amounts owing to Company's immediate parent for group relief (repayable on demand) (Note 8)	1,087
	23,246

Company

	2012 £000
Trade creditors	71
Other taxes and social security	6
Other creditors	8
Accruals and deferred income	363
Amounts owing to group undertakings (repayable on demand)	227
	675

15. CREDITORS· AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group

	2012 £000
10 75% Senior Secured Notes due 2019	200,000
Loan notes and accrued interest, owing to Company's immediate parent (Note 23)	20,232
Preferences shares and accrued interest	
Amounts owing to Company's immediate parent (Note 23)	184,647
Amounts owing to other parties	5,549
	410,428

On 30 March 2012, the subsidiary, Lowell Group Financing Plc, issued £200m 10 75% Senior Secured Notes due 2019 The interest rate on the Notes is fixed at 10 75% for the entirety of its term The interest on the Notes will be paid by the subsidiary semi-annually on each 1 April and 1 October, commencing 1 October 2012 The Notes will mature on 1 April 2019, though the subsidiary may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012

15. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Company

	2012 £000
Loan notes and accrued interest, owing to Company's immediate parent (Note 23)	20,232
Preferences shares and accrued interest	
Amounts owing to Company's immediate parent (Note 23)	184,647
Amounts owing to other parties	5,549
	210,428

The Unsecured Loan Notes 2021 were all issued to the Company s immediate parent on 15 September 2011 The interest rate is 15 25% non-compounding for the first five years and then 12 00% compounding annually for the next five years The principal and accrued interest are both payable ten years after the issue date The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument

The rights attached to the 165,810,093 preference shares, with a nominal value of £1 00 each, are as follows

Voting
Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company, but they may not vote at general meetings in respect of their preference shares

Dividends
Each preference share shall accrue a fixed preferential dividend at 15 25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share The right to the preference dividend has priority over the dividend rights of the holders of any other class of share

Return of capital
On a return of capital on a liquidation reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend
The preference shares do not confer any further right of participation in the profits or assets of the Company
The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles

16. OPERATING LEASE COMMITMENTS

Group

Commitments under non-cancellable operating leases for which no provision has been made in these financial statements are as follows

	2012 £000
Land and buildings operating leases which expire	
Within one year	805
Within two to five years	977
	1,782

17. CALLED-UP SHARE CAPITAL

	2012 £000
Called-up, allotted and fully paid	
940,478 A ordinary shares of £1 00 each	940
226,190 B ordinary shares of £1 00 each	226
45,515 C ordinary shares of £1 00 each	46
6,250 D ordinary shares of £0 01 each	-
	1,212

The rights attached to the ordinary shares are as follows

Voting
The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Company On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them

Dividends
The profits of the Company available for distribution and resolved to be distributed shall be distributed as follows (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them, and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them

Return of capital
On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price, (ii) thereafter, of the balance remaining (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them, and (b) 1 / 1 000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them

18. RESERVES

Group

	Share premium account £000	Profit and loss account £000
Shares issued at a premium	6	-
Loss for the period	-	(16,443)
At 31 August 2012	6	(16,443)

Company

	£000	£000
Shares issued at a premium	6	-
Loss for the period	-	(21,472)
At 31 August 2012	6	(21,472)

The 6,250 D ordinary shares, with a nominal value of £0 01 each, were issued at £1 00 each giving rise to a total share premium of £6,188

19. RECONCILIATION OF MOVEMENT IN TOTAL EQUITY SHAREHOLDERS' DEFICIT

Group

	2012 £000
Issue of share capital (Note 17)	1,212
Share premium on shares issued (Note 18)	6
Loss for the period	(16,443)
Closing total equity shareholders' deficit	(15,225)

Company

	2012 £000
Issue of share capital (Note 17)	1,212
Share premium on shares issued (Note 18)	6
Loss for the period	(21,472)
Closing total equity shareholders' deficit	(20,254)

METIS BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
From 31 May 2011 (date of incorporation) to 31 August 2012

20 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2012 £000
Operating profit	48,489
Depreciation	2,004
Increase in debt portfolios	(47,464)
Increase in debtors	(791)
Increase in creditors	652
Net cash inflow from operating activities	2,890

21. ANALYSIS OF CASH FLOWS

	2012 £000
Returns on investments and servicing of finance	
Interest received	11
Interest and set up fees paid	(21,928)
Fair value movement in derivatives	160
	(21,757)
Taxation	
UK corporation tax paid	(6,521)
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(1,932)
Acquisitions and disposals	
Purchase of Lowell Group Limited (Note 12)	(241,887)
Cash acquired with Lowell Group Limited (Note 12)	9,762
	(232,125)
Financing	
Issue of 10 75% Senior Secured Notes 2019	200,000
Issue of ordinary share capital	1,218
Issue of preference shares	165,810
Issue of Unsecured Loan Notes 2021	110,000
Repayment of Unsecured Loan Notes 2021	(92 395)
Repayment of mezzanine loan	(35,355)
Repayment of bank loan	(80,813)
	268,465

22. ANALYSIS OF NET DEBT

	At start of period	Cash flow	Acquisition (excluding cash)	Non cash movements	At 31 August 2012
	£000	£000	£000	£000	£000
Debt due within one year	-	926	(926)	(9,018)	(9,018)
Debt due after more than one year	-	(268,174)	(115,241)	(27,013)	(410,428)
	-	(267,248)	(116,167)	(36,031)	(419.446)
Cash at bank and in hand	-	9,020	-	-	9.020
Total	-	(258,228)	(116,167)	(36,031)	(410,426)

23. RELATED PARTY TRANSACTIONS

During the period, loan notes (Note 15) and preference shares (Note 15) were issued, partly repaid and interest charged and paid as follows

	Directors	Company's immediate parent	Other holders	Total
	£000	£000	£000	£000
Unsecured Loan Notes 2021				
Principal	-	110,000	-	110 000
Principal repaid	-	(92,395)	-	(92,395)
Interest charged	-	10,232	-	10 232
Interest paid	-	(7,605)	-	(7,605)
	-	20,232	-	20,232
Preference Shares				
Principal	1,870	160,973	2,967	165,810
Interest charged	275	23,674	437	24,386
	2,145	184,647	3,404	190,196

24. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg

The largest group in which the results of the Company's consolidated financial statements are consolidated is that headed by Metis Holdco Limited, incorporated in England and Wales The consolidated financial statements of Metis Holdco Limited are available from its registered office at One Stanhope Gate, London, W1K 1AF