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FINANCIAL INFORMATION

The following English-language consolidated financial statements of GFKL Financial Services AG *(now GFKL Financial Services GmbH – which arose through transformation in accordance with the resolution of the Shareholders' Meeting of February 16, 2016 as a result of the successful squeeze-out)* are free translations of the respective German-language consolidated financial statements of GFKL Financial Services AG.

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Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

Year ended 30 September 2014

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J J Cornell
M Dale
A R Hill
T J H Large
J B Rosen
B J Thompson
I A Kennedy (appointed 25 September 2014)
M Teubner (appointed 25 September 2014)

Company secretary

M A Gilbert (appointed 25 March 2014)

Registered office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

DIRECTORS' REPORT
Year ended 30 September 2014

The directors present their annual report and the audited consolidated financial statements of Metis Bidco Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2014.

In 2014 the Company and Group converted its accounting methodology from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). These financial statements are the first to be presented by the Company and Group under IFRS. The directors have decided that the effective date of the transition is to be 1 September 2012 and as a result the comparative periods have been restated accordingly.

In 2013 the financial year end of the Company and the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly, the prior year financial statements are prepared for the 13 months from 1 September 2012 to 30 September 2013, and as a result, the comparative figures stated in the consolidated statement of comprehensive income and notes are not comparable.

During the current year the directors of Tocatto Ltd, a subsidiary of the Company, took the decision to end the trading of that company. The operational site of Tocatto Ltd, located in Preston, was formally closed in December 2013 and the expectation is that all trade and operations will cease by the end of September 2015.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Lowell Group of companies.

The principal activities of the Group are the acquisition and collection of non-performing consumer debt portfolios.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the investment into and recovery 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).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (13 months ended 30 September 2013: £nil).

EMPLOYEES

The Group continues to support 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 year that kept our people fully informed and updated on business activities. The Group's intranet and magazine are 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 held office during the year and up to the date of signing the financial statements are shown on page F-207.

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £6,397 (13 months ended 30 September 2013: £1,238).

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

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

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

J J Cornell
Director

27 January 2015

STRATEGIC REPORT
Year ended 30 September 2014

OBJECTIVES & STRATEGY

The Group's strategy is to flourish as a debt recovery organisation, achieve significant growth across all key performance indicators and find innovative, ethical, cost-effective and fair solutions for our customers, clients and team members.

In the year to 30 September 2014 the Group's key objectives were to build capacity and capability, to provide a first class service to our clients, to ensure the customer is at the heart of what we do, to increase profitable collections, to develop and create new market opportunities, to maximise efficiency and reduce cost, and to manage our risks with effective governance.

THE BUSINESS MODEL

The Group's business model remains unchanged from the prior year – the acquisition and collection of non-performing consumer debt portfolios through a largely in-house, UK based, integrated collection platform.

PRINCIPAL RISKS AND UNCERTAINITIES

Details of the Group's financial risk management policies are set out in Notes 1 and 25.

FINANCIAL PERFORMANCE

It is estimated that the Group, through its subsidiaries, is invited to bid upon over 94% of the portfolios brought to market. The business acquired portfolios from 30 vendors during the year (13 months ended 30 September 2013: 30).

The overall fair value of portfolio investments stood at £368.3m at 30 September 2014 (2013: £275.4m), growth of 34% over the year.

The Group continues to be funded by the £200m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 17), which the subsidiary, Lowell Group Financing Plc, had issued on 30 March 2012. An additional £75m was issued on 11 February 2013 under the same terms, and a further £115m was issued on 11 March 2014 under the same terms apart from the interest rate of 5.875%. Semi-annual interest payments have been made during the year.

In addition, on 28 November 2013 the facility available under the Revolving Credit Facility ("RCF") was increased from £55m to £66m. Specific conditions in the RCF allowed the facility to be increased to £83m. As at 30 September 2014 these conditions had been met and the Group therefore has an available facility of £83m.

The Group has performed strongly in the year, with 84 months ERC (Estimated Remaining Collections) of £713.9m at 30 September 2014 (2013: £532.1m), an increase of 34%. 120 month ERC was £800.9m at 30 September 2014 (2013: £593.4m).

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

Adjusted EBITDA is defined as collections on acquired portfolios plus other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs. The Adjusted EBITDA in the year ended 30 September 2014 is £126.1m (13 months ended 30 September 2013: £119.0m).

ERC and Adjusted EBITDA are non-IFRS financial measures but 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 other non-IFRS financial measures, including Net Debt and certain other financial measures and ratios, to aid the reader of these financial statements.

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 Senior Secured

FINANCIAL PERFORMANCE (Continued)

Notes due 2019. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

KEY PERFORMANCE INDICATORS (KPIs)

	2014	2013
Cumulative face value of debt acquisitions	£13.1bn	£11.0bn
Cumulative number of accounts	15.6m	12.3m
Collections on acquired portfolios	£196.8m	£173.2m
Portfolio investments	£368.3m	£275.4m
ERC (Estimated Remaining Collections)	£713.9m	£532.1m
Consolidated Adjusted EBITDA	£126.1m	£119.0m
Fixed charge cover ratio (Consolidated Adjusted EBITDA / Fixed Charges)	3.51	3.90
Bond covenant (Net Debt* / ERC)	0.50	0.51
Drawdown on RCF** (Revolving Credit Facility)	—	£10.0m
10.75% Senior Secured Notes	£275.0m	£275.0m
5.875% Senior Secured Notes	£115.0m	—
Net Debt* / portfolio investments	96.5%	97.9%

* Net Debt is total indebtedness of £390.0m (2013: £285.0m) less cash in bank of £34.4m (2013: £15.3m).

** Facility available under the RCF as at 30 September 2014 is £83.0m (2013: £55.0m). The RCF was increased from £55.0m to £66.0m on 28 November 2013. Under the terms of the RCF, if certain conditions are achieved this will allow the facility to increase to a maximum limit of £83.0m. As at 30 September 2014 these conditions had been met and therefore the available facility is £83.0m. (see Note 17 for further details).

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 at 30 September 2014. Our forecast tail of cash flow from month 84 to month 120 is £87.0m (2013: £61.3m), which is in addition to the £713.9m (2013: £532.1m) ERC.

OUTLOOK

There are a number of external factors which we believe will affect both our business and the industry as a whole.

Regulatory requirements in the consumer debt industry are expected to continue to increase as a result of evolving client and regulatory requirements. We believe we are well placed to respond to such developments, not least because culturally, our FAIR programme places our customers at the heart of our business. (See Note 25, page F-252, Conduct Risk for more details). In the year leading up to FCA regulation our risk management structure has been significantly enhanced and improvements made to the governance structure.

The consumer debt investor community is expected to consolidate around a smaller number of trusted partners. Clients are increasingly reducing their auction panel sizes as they seek to maintain relationships with those investors who can demonstrate compliance excellence. We benefit from a strong record in compliance and already have relationships with the majority of key clients.

We also believe that our data asset will aid the business in terms of both our investment ambitions and our servicing offerings, leveraging the knowledge that comes from owning over 15 million accounts to help our clients from underwriting to contact through to responsible collection.

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

J J Cornell
Director

27 January 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS
Year ended 30 September 2014

The directors are responsible for preparing the Directors' Report, the Strategic 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 International Financial Reporting Standards (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 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping 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 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 year ended 30 September 2014 set out on pages F-215 to F-262. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-212, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards 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 Strategic Report and 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.

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

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

28 January 2015

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2014

	Note	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Continuing operations			
Revenue			
Income from portfolio investments	1,14	107,050	93,295
Portfolio write up	1,14	25,338	11,911
Portfolio fair value release	14	(4,882)	(7,268)
Other revenue	1	18,688	6,849
Total revenue		**146,194**	**104,787**
Operating expenses			
Collection activity costs	1	(33,486)	(23,591)
Other expenses	5	(63,117)	(43,374)
Total operating expenses		**(96,603)**	**(66,965)**
Operating profit		**49,591**	**37,822**
Interest income	6	127	206
Finance costs	7	(63,931)	(60,952)
Goodwill impairment	9	—	(785)
Loss before tax	4	**(14,213)**	**(23,709)**
Income tax expense	8	(1,874)	(1,755)
Loss for the period attributable to equity shareholders		**(16,087)**	**(25,464)**
Other comprehensive income		—	—
Total comprehensive expenditure for the period attributable to equity shareholders	20,21	**(16,087)**	**(25,464)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Goodwill	9	169,819	169,819	140,205
Intangible assets	10	5,622	7,434	9,322
Property, plant and equipment	11	3,987	2,072	2,346
Portfolio investments	14	204,600	146,098	119,519
Deferred tax asset	16	250	4,310	930
Total non-current assets		**384,278**	**329,733**	**272,322**
Current assets				
Portfolio investments	14	163,677	129,290	105,670
Trade and other receivables	15	33,153	14,796	9,226
Cash and cash equivalents	22	34,373	15,303	9,020
Total current assets		**231,203**	**159,389**	**123,916**
Total assets		**615,481**	**489,122**	**396,238**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(72,866)	(56,779)	(31,315)
Total deficit attributable to shareholders	21	**(71,502)**	**(55,480)**	**(30,097)**
Liabilities				
Non-current liabilities				
Borrowings	17	650,023	508,344	403,089
Current Liabilities				
Trade and other payables	18	36,909	25,774	11,202
Borrowings	17	—	10,000	9,018
Current tax liabilities		51	484	3,026
Total current liabilities		**36,960**	**36,258**	**23,246**
Total equity and liabilities		**615,481**	**489,122**	**396,238**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
Year ended 30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Investments	12	176,102	176,102	176,102
Current assets				
Trade and other receivables	15	5,200	2,466	2,692
Cash and cash equivalents		695	482	81
Total current assets		**5,895**	**2,948**	**2,773**
Total assets		**181,997**	**179,050**	**178,875**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(98,935)	(64,551)	(33,446)
Total deficit attributable to shareholders	21	**(97,571)**	**(63,252)**	**(32,228)**
Liabilities				
Non-current liabilities				
Borrowings	17	268,600	240,698	210,428
Current Liabilities				
Trade and other payables	18	10,968	1,604	675
Total equity and liabilities		**181,997**	**179,050**	**178,875**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 30 September 2014

Group

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(31,315)**	**(30,097)**
Loss for the period (Restated*)	—	—	(25,464)	(25,464)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(56,779)**	**(55,480)**
Loss for the year	—	—	(16,087)	(16,087)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(72,866)**	**(71,502)**

Company

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(33,446)**	**(33,228)**
Loss for the period (Restated*)	—	—	(31,105)	(31,105)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(64,551)**	**(63,252)**
Loss for the year	—	—	(34,384)	(34,384)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(98,935)**	**(97,571)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CASH FLOWS
Year ended 30 September 2014

Group

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	(81,247)	(57,085)
Investing activities			
Interest received		127	206
Purchase of property, plant and equipment		(3,148)	(916)
Purchase of intangible assets		(1,768)	(1,795)
Proceeds of sale of property, plant and equipment		41	—
Acquisition of subsidiary		—	(29,163)
Net cash from investing activities		(4,748)	(31,668)
Financing activities			
New borrowings		115,000	95,036
Repayment of borrowings		(10,000)	—
New share issue		65	—
Net cash from financing activities		105,065	95,036
Net increase in cash and cash equivalents		19,070	6,283
Cash and cash equivalents at beginning of period		15,303	9,020
Cash and cash equivalents at end of period		34,373	15,303

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CASH FLOWS (Continued)
Year ended 30 September 2014

Company

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	143	316
Investing activities			
Interest received		5	4
Net cash from investing activities		5	4
Financing activities			
New share issue		65	81
Net cash from financing activities		65	81
Net increase in cash and cash equivalents		213	401
Cash and cash equivalents at beginning of period		482	81
Cash and cash equivalents at end of period		695	482

The notes on pages F-221 to F-262 form part of these financial statements.

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 19 (amended)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

No new or revised Standards and Interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

- IFRS 9—Financial Instruments—will impact the measurement and disclosures for Financial Instruments. The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006.

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages F-215 and F-216. In addition, Note 25 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.

The Group is in a net liabilities position as a result of funding structures in place from investment by the immediate parent, Metis Holdco Limited. These funding structures relate to redeemable cumulative preference shares and a shareholder loan (see Note 17 for further details), both of which have a fixed

1. ACCOUNTING POLICIES (Continued)

Going concern (Continued)

interest rate and are not due to be redeemed until September 2021. The interest due is not payable until the redemption date.

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the year ended 30 September 2014 with the Adjusted EBITDA of £126.1m (13 months ended 30 September 2013 Adjusted EBITDA £119.0m).

The business as a whole is cash generative, receiving £196.8m in gross cash collections for the year ended 30 September 2014 (2013: £173.2m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Other than the funding from the immediate parent the Group has two other sources of funding at 30 September 2014, £390m of listed Senior Secured loan notes ("Notes"), and an £83m Revolving Credit Facility ("RCF"). These are due for repayment on 1 April 2019 and 1 April 2018 respectively. The key covenant for the Loan Notes is the Loan to Value ratio ("LTV") and for the RCF is the Super Senior Loan to Value ratio ("SSLTV"). The LTV is defined as the Net Debt to estimated remaining collections ("ERC") and cannot exceed 75%. As at 30 September 2014 the LTV was 50%. The SSLTV is defined as the percentage of utilised RCF to ERC and cannot exceed 25%. At 30 September 2014 the RCF was unutilised. As at 30 September 2014 the gross ERC would need to fall by 34% to £471.1m before the covenant would be breached.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. 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.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 25). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

1. ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (CGU), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income ("SCI") line item.

When an individual portfolio's carrying value is completely recovered, the Group recognises collections as revenue as they are received.

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on 15 September 2011 the portfolio investments were uplifted to their fair value at the date of

1. ACCOUNTING POLICIES (Continued)

Revenue recognition and effective interest rate method (Continued)

acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 14). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position ("SFP") date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1. ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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 SCI, e.g. derivative liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group historically (prior to 1 September 2012) entered into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group did not and does not hold derivative instruments for trading purposes.

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 SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page F-224).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 25.

1. ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections profile over seven years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. ACCOUNTING POLICIES (Continued)

Taxation

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years (4 years prior to October 2013)
Fixtures and fittings	5 years (4 years prior to October 2013)
Hardware	5 years (4 years prior to October 2013)
Leasehold improvements	Life of lease (4 years prior to October 2013)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset

1. ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years (4 years prior to October 2013) Straight line
Licences	3 years (4 years prior to October 2013) Straight line
Development costs	Not amortised
Acquired customer contracts	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. UK company law and IFRS require the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/- 2.5% has the following impact on the income from portfolio investments:

	Year ended 30 Sept 2014 £000	Restated 13 months ended 30 Sept 2013 £000
Plus 2.5%		
Income from portfolio investments	5,377	4,340
Portfolio write-up	(8,992)	(6,208)
Decrease of income	(3,615)	(1,868)
Minus 2.5%		
Income from portfolio investments	(5,102)	(3,952)
Portfolio write-up	9,063	6,054
Increase of income	3,961	2,102

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Revenue recognition (Continued)

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections ("ERC") of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 9 for further details regarding goodwill.

3. EXPLANATION OF TRANSITION TO IFRS

These financial statements are the first to be presented by Metis Bidco Limited under IFRS. The financial statements for the periods ended 30 September 2013 and 31 August 2012 were both prepared under the UK Companies Act and applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The directors have decided that the effective date for the first time adoption of IFRS for these financial statements will be 1 September 2012. Consequently IFRS accounting policies have been applied consistently for the period ended 30 September 2013.

3.1 Adjustments to profit attributable to shareholder and shareholder's equity

a) Acquired portfolio investment accounting

Portfolio investments were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Group, on transition to IFRS a policy of amortised cost, under IAS 39 (Financial Instruments), has been adopted.

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.1 Adjustments to profit attributable to shareholder and shareholder's equity (Continued)

b) Reversal of goodwill amortisation

Goodwill was previously amortised under UK GAAP. This is not permitted under IFRS so the previously amortised amounts have been reversed.

c) Identification of separable intangible assets

IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) require recognition of identifiable, separable intangible assets prior to recognising goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortised over their useful economic lives.

d) Expenditure of capitalised costs

Costs in relation to business combinations were previously capitalised under UK GAAP as part of the recognised goodwill. IFRS is more restrictive on this matter and any costs that did not meet the capitalisation criteria in IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) have been expensed.

e) Reclassifications

i) Under UK GAAP portfolio investments were recognised within current assets however under IFRS they have been split between current and non-current assets.

ii) Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortisation as per IAS 38 (Intangible Assets).

iii) Upfront set up fees and any premium paid for the listed Loan Notes have been reclassified to Borrowings under the amortised cost method.

iv) Under UK GAAP corporation tax is recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

v) Under UK GAAP RCF borrowings were recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

f) Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

g) Goodwill impairment

As at 30 September 2013 the goodwill within Tocatto Ltd was fully written down under UK GAAP. As a result of the IFRS conversion the previous amortisation was reversed leaving an outstanding balance at 30 September 2013. An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of loss under UK GAAP to total comprehensive expenditure under IFRS

Group

13 months to 30 September 2013

	UK GAAP £000	Porftolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassif-ications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Revenue									
Income from portfolio investments	173,684	(80,389)	—	—	—	—	—	—	93,295
Portfolio write up	10,997	914	—	—	—	—	—	—	11,911
Portfolio fair value release	—	(7,268)	—	—	—	—	—	—	(7,268)
Amount of acquisition cost recovered	(74,527)	74,527	—	—	—	—	—	—	—
Other revenue	6,849	—	—	—	—	—	—	—	6,849
Total revenue	**117,003**	**(12,216)**	**—**	**—**	**—**	**—**	**—**	**—**	**104,787**
Collection activity costs	(23,591)	—	—	—	—	—	—	—	(23,591)
Other operating expenses	(49,310)	—	9,479	(2,710)	(833)	—	—	—	(43,374)
Total operating expenses	**(72,901)**	**—**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**(66,965)**
Operating profit / (loss)	**44,102**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**37,822**
Interest income	944	—	—	—	—	(738)	—	—	206
Finance costs	(61,690)	—	—	—	—	738	—	—	(60,952)
Goodwill impairment	—	—	—	—	—	—	—	(785)	(785)
Loss before tax	**(16,644)**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**(785)**	**(23,709)**
Income tax expense	(4,752)	2,096	—	767	—	—	6	128	(1,755)
Loss for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive deficit for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Non-current assets									
Goodwill	174,249	234	17,447	(8,553)	(12,807)	—	34	(785)	169,819
Intangible assets	—	—	—	4,798	—	2,636	—	—	7,434
Property, plant and equipment	4,708	—	—	—	—	(2,636)	—	—	2,072
Portfolio investments	—	(44,773)	—	—	—	190,871	—	—	146,098
Deferred tax asset	—	4,815	—	(960)	—	473	(18)	—	4,310
	178,957	**(39,724)**	**17,447**	**(4,715)**	**(12,807)**	**191,344**	**16**	**(785)**	**329,733**
Current assets									
Portfolio investments	299,465	20,696	—	—	—	(190,871)	—	—	129,290
Trade and other receivables	22,623	—	—	—	—	(7,827)	—	—	14,796
Cash and cash equivalents	15,303	—	—	—	—	—	—	—	15,303
Total assets	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**
Equity									
Share capital	1,230	—	—	—	—	—	—	—	1,230
Share premium	69	—	—	—	—	—	—	—	69
Retained deficit	(36,907)	(19,028)	17,447	(4,715)	(12,807)	—	16	(785)	(56,779)
	(35,608)	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**—**	**16**	**(785)**	**(55,480)**
Non-current liabilities									
Borrowings	515,698	—	—	—	—	(7,354)	—	—	508,344
	515,698	**—**	**—**	**—**	**—**	**(7,354)**	**—**	**—**	**508,344**
Current liabilities									
Trade and other payables	36,258	—	—	—	—	(10,484)	—	—	25,774
Borrowings	—	—	—	—	—	10,000	—	—	10,000
Current tax liabilities	—	—	—	—	—	484	—	—	484
Total equity and liabilities	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 1 September 2012

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	IFRS £000
Non-current assets								
Goodwill	152,728	2	7,968	(8,553)	(11,974)	—	34	140,205
Intangible assets	—	—	—	7,508	—	1,814	—	9,322
Property, plant and equipment	4,160	—	—	—	—	(1,814)	—	2,346
Portfolio investments	—	(48,743)	—	—	—	168,262	—	119,519
Deferred tax asset	—	2,660	—	(1,727)	—	149	(152)	930
	156,888	**(46,081)**	**7,968**	**(2,772)**	**(11,974)**	**168,411**	**(118)**	**272,322**
Current assets								
Portfolio investments	236,759	37,173	—	—	—	(168,262)	—	105,670
Trade and other receivables	16,714	—	—	—	—	(7,488)	—	9,226
Cash and cash equivalents	9,020	—	—	—	—	—	—	9,020
Total assets	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**
Equity								
Share capital	1,212	—	—	—	—	—	—	1,212
Share premium	6	—	—	—	—	—	—	6
Retained deficit	(15,511)	(8,908)	7,968	(2,772)	(11,974)	—	(118)	(31,315)
	(14,293)	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**—**	**(118)**	**(30,097)**
Non-current liabilities								
Borrowings	410,428	—	—	—	—	(7,339)	—	403,089
	410,428	**—**	**—**	**—**	**—**	**(7,339)**	**—**	**403,089**
Current liabilities								
Trade and other payables	23,246	—	—	—	—	(12,044)	—	11,202
Borrowings	—	—	—	—	—	9,018	—	9,018
Current tax liabilities	—	—	—	—	—	3,026	—	3,026
Total equity and liabilities	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 30 September 2013

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,466	—	2,466
Cash and cash equivalents	482	—	482
Total current assets	**2,948**	**—**	**2,948**
Total assets	**191,024**	**(11,974)**	**179,050**
Equity			
Share capital	1,230	—	1,230
Share premium	69	—	69
Retained deficit	(52,577)	(11,974)	(64,551)
	(51,278)	**(11,974)**	**(63,252)**
Non-current liabilities			
Borrowings	240,698	—	240,698
Current liabilities			
Trade and other payables	1,604	—	1,604
Total equity and liabilities	**191,024**	**(11,974)**	**179,050**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed. See page F-235 for further details.

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 1 September 2012

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,692	—	2,692
Cash and cash equivalents	81	—	81
Total current assets	**2,773**	**—**	**2,773**
Total assets	**190,849**	**(11,974)**	**178,875**
Equity			
Share capital	1,212	—	1,212
Share premium	6	—	6
Retained deficit	(21,472)	(11,974)	(33,446)
	(20,254)	**(11,974)**	**(32,228)**
Non-current liabilities			
Borrowings	210,428	—	210,428
Current liabilities			
Trade and other payables	675	—	675
Total equity and liabilities	**190,849**	**(11,974)**	**178,875**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed.

4. LOSS BEFORE TAX

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period is after charging/(crediting):		
Release of contingent consideration obligation (Note 18)	(5,200)	—
Impairment of goodwill (Note 9)	—	785
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Loss on disposal of property, plant and equipment (Note 11)	314	—
Loss on disposal of intangible assets (Note 10)	131	—
Staff costs (Note 5c)	35,681	25,039
Rentals under operating leases (Note 23)	2,233	1,098

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Staff costs (Note 5c)	35,681	25,039
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Other	23,109	13,128
Total other operating expenses	**63,117**	**43,374**

b) Auditor's remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Audit of Parent Company and consolidated financial statements	3	4
Audit of financial statements of subsidiaries	67	87
Other services	1,032	—
Total auditor's remuneration	**1,102**	**91**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees (including executive directors) was:

	Year ended 30 Sept 2014 Number	13 months ended 30 Sept 2013 Number
Customer account associates	548	310
Other operational staff	244	231
Business support	288	199
Total	**1,080**	**740**

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Wages and salaries	32,071	22,541
Social security costs	3,300	2,387
Pension costs (Note 24)	310	111
Total	**35,681**	**25,039**

d) Directors' remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Directors' remuneration		
Directors' emoluments to current directors	518	557
Company contributions to defined contribution scheme	2	1
	520	**558**

5. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

d) Directors' remuneration (Continued)

The emoluments listed above relate to JJ Cornell and A R Hill, who are directors of the Company. JJ Cornell is paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for his services as a director to the Company and the Group. A R Hill is paid by the Company for his services as a director to the Company and the Group. The above does not include any emoluments for M Dale, T J H Large, J B Rosen, B J Thompson, I A Kennedy and M Teubner who are paid by a parent undertaking for their services to the Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 26. These five employees are paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for their services as directors to the Group.

The aggregate of emoluments of the highest paid director was £370.4k (2013: £402.7k) and company pension contributions of £2.1k (2013: £0.2k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is one (2013: one).

e) Holiday pay

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014 a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay. A UK Employment Appeal Tribunal is also considering whether commission payments should be included in the calculation and is expected to conclude in 2015. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are likely to be capped at two years.

6. INTEREST INCOME

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Bank interest receivable	127	206

7. FINANCE COSTS

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Interest payable on the £200m Notes	21,500	23,292
Fees payable on the £200m Notes	1,152	1,297
Interest payable on the £75m Notes	8,062	5,151
Fees payable on the £75m Notes	242	156
Release of premium on £75m Notes (Note A)	(1,161)	(738)
Interest payable on the £115m Notes	3,754	—
Fees payable on the £115m Notes	326	—
Interest payable on preference shares to Metis Holdco Limited	24,249	26,661
Interest payable preference shares to other parties	968	703
Interest payable on loan notes to Metis Holdco Limited	2,672	2,906
Interest payable on loan notes to other parties	13	—
Interest and fees payable on revolving credit facility	2,154	1,524
	63,931	**60,952**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 17 and 18 respectively.

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Current taxation		
UK corporation tax	(2,164)	5,313
Adjustment in respect of previous periods	(22)	(97)
Total current tax (credit) / charge	(2,186)	5,216
Deferred tax		
Origination and reversal of temporary differences	4,469	(4,136)
Prior period adjustment	(3)	(8)
Change in estimate of recoverable deferred tax	—	(42)
Impact of change in tax rate	(406)	725
Total deferred tax charge / (credit) (Note 16)	4,060	(3,461)
Total tax expense	**1,874**	**1,755**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

b) Reconciliation of effective tax rate

The tax assessed for the year is higher (13 months ended 30 September 2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 September 2014 of 22.00% (13 months ended 30 September 2013: 23.54%) The differences are explained below:

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Loss on ordinary activities before tax	(14,213)	(23,709)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 22.00% (13 months ended 30 September 2013: 23.54%)	(3,127)	(5,581)
Effects of:		
Expenses not deductible for tax purposes	6,717	6,754
Income not taxable for tax purposes	(1,144)	—
Effects of other tax rates	(547)	726
Adjustment to tax charge in respect of previous periods	(25)	(105)
Change in estimate of recoverable deferred tax asset	—	(42)
Group relief paid for	—	3
Total tax expense	**1,874**	**1,755**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

9. GOODWILL

	Total £000
Cost	
At 1 September 2012	140,205
Addition on acquisition of Interlaken Group on 16 May 2013 (Note 13)	30,399
At 30 September 2013 and 2014	170,604
Impairment	
At 1 September 2012	—
Charge for the period—Tocatto Limited	(785)
At 30 September 2013 and 2014	(785)
Net book value	
At 30 September 2014	169,819
At 30 September 2013	169,819
At 1 September 2012	140,205

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance relating to Tocatto Ltd being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGU on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Lowell Group CGU	11.81%	13.66%	13.81%
Interlaken Group CGU	19.57%	18.68%	—

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following two years at a flat rate. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 30 September 2014 the five year forecast assumed acquisitions growth of between 9% and 11% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

9. GOODWILL (Continued)

Lowell Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (41% at 30 September 2013 and 35% at 1 September 2012).

Interlaken Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (13% at 30 September 2013).

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 September 2012	2,790	—	11,404	14,194
Acquisition of subsidiary (Note 13)	56	—	—	56
Additions	1,795	—	—	1,795
At 30 September 2013	4,641	—	11,404	16,045
Additions	271	1,497	—	1,768
Reclassification	1,138	(1,293)	—	(155)
Disposals	(1,829)	—	—	(1,829)
At 30 September 2014	4,221	204	11,404	15,829
Accumulated amortisation				
At 1 September 2012	(976)	—	(3,896)	(4,872)
Charge for the period	(1,029)	—	(2,710)	(3,739)
At 30 September 2013	(2,005)	—	(6,606)	(8,611)
Charge for the year	(1,625)	—	(1,669)	(3,294)
Disposals	1,698	—	—	1,698
At 30 September 2014	(1,932)	—	(8,275)	(10,207)
Net book value				
At 30 September 2014	2,289	204	3,129	5,622
At 30 September 2013	2,636	—	4,798	7,434
At 1 September 2012	1,814	—	7,508	9,322

Reclassifications: Development costs can be a combination of “Software and Licences” and “Property, Plant and Equipment”. When projects go live and development costs are reclassified they are transferred to “Software and Licences” or “Property, Plant and Equipment” (Note 11).

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 September 2012	33	1,399	2,199	5,189	8,820
Acquisition of subsidiary (Note 13)	11	—	118	149	278
Additions	—	89	738	89	916
At 30 September 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	400	199	3,148
Disposals	—	(1,294)	(817)	(1,699)	(3,810)
Reclassification	—	—	155	—	155
At 30 September 2014	143	2,644	2,793	3,927	9,507

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Accumulated depreciation					
At 1 September 2012	(18)	(819)	(839)	(4,798)	(6,474)
Charge for the period	(13)	(381)	(766)	(308)	(1,468)
At 30 September 2013	(31)	(1,200)	(1,605)	(5,106)	(7,942)
Charge for the year	(18)	(337)	(546)	(132)	(1,033)
Disposals	—	1,279	525	1,651	3,455
At 30 September 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Net book value					
At 30 September 2014	94	2,386	1,167	340	3,987
At 30 September 2013	13	288	1,450	321	2,072
At 1 September 2012	15	580	1,360	391	2,346

Reclassifications: Development costs can be a combination of “Software and Licences” and “Property, Plant and Equipment”. When projects go live and development costs are reclassified they are transferred to “Software and Licences” or “Property, Plant and Equipment” (Note 10).

12. NON-CURRENT ASSET INVESTMENTS

Company

Subsidiary undertakings

	£000
Cost	
At 30 September 2014 and 2013 and 1 September 2012	176,102

The Company has 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 acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Overdales Legal Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

* Held directly by the Company.

All subsidiaries are included in the consolidation.

12. NON-CURRENT ASSET INVESTMENTS (Continued)

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. Further details of the acquisition are set out in Note 13.

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.9m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets. The potential undiscounted amount of all future payments that could be required under the contingent consideration is between £nil and £5.2m. The fair value of the contingent consideration was calculated by estimating the probability of achieving the defined revenue targets.

During the year ended 30 September 2014 it was assessed that these revenue targets will not be achieved and the decision was taken to release the contingent consideration to the SCI (see Notes 4 and 18).

In addition, the Group incurred professional fees of £0.8m on the acquisition of Interlaken Group Limited.

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting. Included below is a fair value adjustment which has been made to the portfolio investments acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an increase in the portfolio value of £0.4m. The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

	£000
Assets and liabilities acquired at fair value:	
Intangible assets (Note 10)	56
Property, plant & equipment (Note 11)	278
Portfolio investments (Note 14)	999
Trade and other receivables	4,197
Cash	827
Trade and other payables	(1,427)
Payables: deferred tax liability (Note 16)	(140)
	4,790
Goodwill (Note 9)	30,399
Consideration	35,189

The goodwill arising and the justification for the acquisition can be attributed to a combination of how Interlaken's debt management capability aids Lowell Portfolio I's acquisition ambitions, the value of the workforce, the going concern of the business, and expectations of future growth. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £4.2m, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £nil.

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (Continued)

For the period since acquisition on 16 May 2013 to 30 September 2013, the consolidated unaudited management accounts of Interlaken Group Limited showed the following:

	£000
Turnover	6,933
Gross Profit	2,897
Profit before taxation	130

If the acquisition of Interlaken Group Limited had been completed on the first day of the financial period on 1 September 2012, Group revenues for the period would have been £12.4m, and group profit after tax would have been £50k.

14. PORTFOLIO INVESTMENTS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Portfolio investments	204,600	146,098	119,519
Current			
Portfolio investments	163,677	129,290	105,670
Total	**368,277**	**275,388**	**225,189**

The movements in acquired portfolio investments were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
As at the period brought forward	275,388	225,189	—
Portfolios acquired during the period	162,209	124,447	90,682
Portfolios acquired through acquisitions	—	999	189,295
Collections in the period	(196,826)	(173,185)	(135,902)
Income from portfolio investments	107,050	93,295	68,649
Portfolio fair value release	(4,882)	(7,268)	(8,777)
Portfolio write-up	25,338	11,911	21,242
As at the period end	**368,277**	**275,388**	**225,189**

15. TRADE AND OTHER RECEIVABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade receivables	2,176	2,961	126
Litigation deferred costs	14,410	2,888	—
Other receivables	6,162	3,706	4,719
Prepayments and accrued income	6,818	5,070	4,381
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	3,587	—	—
	33,153	**14,796**	**9,226**

15. TRADE AND OTHER RECEIVABLES (Continued)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Amounts owed by group undertakings (Note B)	5,146	2,245	2,577
Other receivables	18	18	18
Other taxes and social security	—	—	59
Prepayments and accrued income	—	32	38
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	36	—	—
	5,200	**2,466**	**2,692**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: All directors loans were repaid in full during the year ended 30 September 2014.

Note B: These balances are non- interest bearing and repayable on demand.

16. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 September 2012	382	548	—	930
Credited to the income statement*	267	3,194	—	3,461
Credited to goodwill (Note A)	—	59	—	59
Deferred tax acquired in the period (note 13)	(140)	—	—	(140)
At 30 September 2013	509	3,801	—	4,310
Credited/(charged) to the income statement*	467	(6,615)	2,088	(4,060)
At 30 September 2014	**976**	**(2,814)**	**2,088**	**250**

Note A: Deferred tax charged/(credited) to goodwill represents deferred tax adjustments to the acquired balance sheet as a result of converting to IFRS. These adjustments have altered the net assets acquired and consequently the goodwill arising on the relevant acquisition.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

* See Note 8.

17. BORROWINGS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428

17. BORROWINGS (Continued)

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Secured borrowing at amortised cost			
Senior secured notes	390,000	275,000	200,000
Prepaid costs on senior secured notes	(8,577)	(7,354)	(7,339)
Total Secured	381,423	267,646	192,661
Total borrowings due for settlement after 12 months	**650,023**	**508,344**	**403,089**
Current			
Unsecured borrowing at amortised cost			
Revolving credit facility	—	10,000	—
Total unsecured	—	10,000	—
Secured borrowing at amortised cost			
Interest on senior secured notes	—	—	9,018
Total Secured	—	—	9,018
Total borrowings due for settlement before 12 months	**—**	**10,000**	**9,018**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428
Total borrowings due for settlement after 12 months	**268,600**	**240,698**	**210,428**

All borrowings are denominated in Sterling.

The other principal features of the Group's borrowings are as follows:

Redeemable Cumulative Preference Shares ("Preference Shares")

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. Preference Shares 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.

17. BORROWINGS (Continued)

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 (15 September 2011). 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.

Senior Secured Notes ("Notes")

On 30 March 2012 the Company 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. Commencing on 1 October 2012, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company 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.

On 11 February 2013 the Company issued a further £75m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 April 2013, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 3 February 2013.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 18) and is being released to the SCI over the remaining term of the Notes. The release to the SCI during the year ended 30 September 2014 was £1.2m (13 months ended 30 September 2013: £0.7m). As at 30 September 2014 and 30 September 2013 the outstanding loan premium is £5.2m and £6.4m respectively.

On 11 March 2014 the Company issued £115m 5.875% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 5.875% for the entirety of its term. Commencing on 1 October 2014, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 4 March 2014.

Unsecured Loan Notes 2021 ("Shareholder Loan")

The Unsecured Loan Notes 2021 were issued by the Company on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12% 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.

As at 30 September 2014 the amount of Shareholder Loan outstanding was £25.8m (2013: £23.1m), comprising loan principal of £17.6m (2013: £17.6m) and accrued interest of £8.2m (2013: £5.5m).

Revolving Credit Facility ("RCF")

The current RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On 28 November 2013 the facility was further increased to £66m. Under the terms

17. BORROWINGS (Continued)

Revolving Credit Facility ("RCF") (Continued)

of the RCF, if certain conditions were achieved this would allow the facility to increase to £83m. As at 30 September 2014 these conditions had been met and the available facility, which is unutilised at 30 September 2014, is £83m.

The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility. The current RCF ceases on 1 April 2018.

The weighted average interest rates during the period were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Notes	9.83%	10.75%	10.75%
RCF	4.49%	4.28%	5.10%
Shareholder Loan	15.25%	15.25%	15.25%
Preference Shares	15.25%	15.25%	15.25%

18. TRADE AND OTHER PAYABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade payables	6,257	2,886	1,769
Amounts owed to Metis Holdco Limited (Note A)	2,785	3,773	1,087
Amounts owed to other parties (Note B)	1,361	—	—
Other taxes and social security	1,533	1,115	377
Accruals and deferred income	5,763	4,235	3,636
Other payables	4,682	1,381	441
Other payables—acquired portfolio investments	9,302	797	3,892
Other payables—contingent consideration	—	5,200	—
Loan notes premium	5,226	6,387	—
	36,909	**25,774**	**11,202**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Trade payables	3,358	30	71
Amounts owed to Metis Holdco Limited (Note A)	2,785	1,279	—
Amounts owed to other parties (Note B)	1,361	—	—
Amounts owed to group undertakings (Note C)	1,101	—	227
Other taxes and social security	4	14	6
Accruals and deferred income	2,359	281	363
Other payables	—	—	8
	10,968	**1,604**	**675**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: This group relief balance due to Metis Holdco Limited is non- interest bearing and repayable on demand.

Note B: This group relief balance due to other parties is interest bearing and repayable on demand. The loan attracts a fixed interest rate of 5.4% payable annually.

Note C: These balances are non- interest bearing and repayable on demand.

Other payables—acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the year end. In all cases the obligation is settled within one month.

18. TRADE AND OTHER PAYABLES (Continued)

Other payables—contingent consideration: this relates to the acquisition of Interlaken Group Limited on 16 May 2013. During the year ended 30 September 2014 the decision was taken to release the obligation to pay the contingent consideration. Further details see Note 13.

Loan notes premium—for further details see Notes 7 and 17.

19. SHARE CAPITAL

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Called up, allotted and fully paid:			
940,478 (2012 & 2013: 940,478) A ordinary shares of £1.00 each	940	940	940
226,190 (2012 & 2013: 226,190) B ordinary shares of £1.00 each	226	226	226
128,082 (2013: 62,836; 2012: 45,515) C ordinary shares of £1.00 each	128	63	46
23,810 (2013: 23,810; 2012: 6,250) D ordinary shares of £0.01 each	1	1	—
	1,295	**1,230**	**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 Parent 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 Parent 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.

During the 13 month period ended 30 September 2013 the Company issued 17,321 C ordinary shares and 17,560 D ordinary shares at a subscription price of £1.00 and £3.57 respectively for cash. This gave rise to a share premium on the D ordinary shares of £63k.

During the year ended 30 September 2014 the Company issued 65,246 C ordinary shares at a subscription price of £1.00 for cash.

20. RETAINED DEFICIT

Group

	£000
At 1 September 2012 (Restated*)	(31,315)
Loss for the period (Restated*)	(25,464)
At 30 September 2013 (Restated*)	(56,779)
Loss for the year	(16,087)
At 30 September 2014	**(72,866)**

Company

	£000
At 1 September 2012 (restated)	(33,446)
Loss for the period	(31,105)
At 30 September 2013	(64,551)
Loss for the year	(34,384)
At 30 September 2014	**(98,935)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

21. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' DEFICIT

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(55,480)	(30,097)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(16,087)	(25,464)	(31,315)
Closing total shareholders' deficit	**(71,502)**	**(55,480)**	**(30,097)**

Company

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(63,252)	(32,228)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(34,384)	(31,105)	(33,446)
Closing total shareholders' deficit	**(97,571)**	**(63,252)**	**(32,228)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

22. NOTES TO THE CASHFLOW STATEMENT

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(16,087)	(25,464)
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Impairment of goodwill (Note 9)	—	785
Release of deferred consideration	(5,200)	—
Interest receivable	(127)	(206)
Loss on sale of property, plant and equipment	314	—
Loss on sale of intangible assets	131	—
Tax expense	1,874	1,755
Finance costs	63,931	60,952
	49,163	43,029
Increase in portfolio investments	(92,889)	(49,201)
Increase in trade and other receivables	(14,229)	(1,270)
Increase/(decrease) in trade and other payables	17,123	(970)
Cash generated from operating activities	(40,832)	(8,412)
Interest paid	(38,954)	(43,804)
Income taxes paid	(1,461)	(4,869)
Net cash from operating activities	**(81,247)**	**(57,085)**

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	34,373	15,303	9,020

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(34,384)	(31,105)
Adjustments for:		
Interest receivable	(5)	(4)
Finance costs	27,902	30,270
	(6,487)	(839)
(Increase) / decrease in trade and other receivables	(2,735)	226
Increase in trade and other payables	9,365	929
Net cash from operating activities	**143**	**316**

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	695	482	81

22. NOTES TO THE CASHFLOW STATEMENT (Continued)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Lease payments under operating leases recognised as an expense in the period	2,233	1,098

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
No later than one year	1,275	1,137	805
Later than one year and no later than five years	4,622	989	1,943
Later than five years	5,898	—	1,326
	11,795	2,126	4,074

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of one to three years with various options for breaks. The car leases run for three years with the option to extend.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £310k (13 months ended 30 September 2013: £111k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes

As at 30 September 2014, contributions of £66k (30 September 2013: £41k) due in respect of the current reporting period had not been paid over to the schemes.

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	34,373	15,303	9,020
Loans and receivables	368,277	275,388	225,189
Trade and other receivables	33,153	14,796	9,226
Financial liabilities			
Borrowings	(650,023)	(508,344)	(412,107)
Borrowings—Revolving Credit Facility (RCF)	—	(10,000)	(9,018)
Trade and other payables	(36,909)	(20,574)	(11,202)
Tax liability	(51)	(484)	(3,026)
Contingent consideration (FVTPL)	—	(5,200)	—

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	695	482	81
Trade and other receivables	5,200	2,466	2,692
Financial liabilities			
Borrowings	(268,600)	(240,698)	(210,428)
Trade and other payables	(10,968)	(1,604)	(675)

Financial risk management objectives

As a result of its normal business activities, the Company and Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

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

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

The Group has no significant exposure in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is considered immaterial by the Group. The Company has no exposures in foreign currency.

The Company and Group have no exposure to equity markets and do not hold any speculative equity positions.

Credit risk management

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 from the concentration of debtor credit risk is limited due to the high number of individual debtors and the relatively low value of each of the individual's debts. At 30 September 2014 the Group had 15.6m individual customer accounts, of those 10.6m were still open and of those 1.0m made at least one payment during the last 12 months. The average balance on a customer account at 30 September 2014 was £839.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business. This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 30 September 2014 is 15.52% (30 September 2013 17.47%, 1 September 2012 19.72%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.).

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. The Group's maximum exposure to credit risk as at 30 September 2014 is £435.8m (30 September 2013: £305.5m, 1 September 2012: £243.4m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company's maximum exposure to credit risk as at 30 September 2014 is £5.9m (30 September 2013: £2.9m, 1 September 2012: £2.8m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The 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 Company's or the Group's reputation.

25. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2014, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on banking facilities.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	9.31	381,423	553,434	—	18,159	535,275	—
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	36,960	36,960	36,960	—	—	—
Total liabilities		686,983	1,063,828	36,960	18,159	535,275	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	267,646	437,593	—	14,781	118,250	304,562
RCF	4.49	10,000	10,000	10,000	—	—	—
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	21,058	21,058	21,058	—	—	—
Contingent consideration	—	5,200	5,200	—	—	5,200	—
Total liabilities		544,602	947,285	31,058	14,781	123,450	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	201,679	350,560	10,810	10,750	86,000	243,000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	14,228	14,228	14,228	—	—	—
Total liabilities		426,335	838,222	25,038	10,750	86,000	716,434

* Includes Loan principal outstanding and accrued interest (Note 17).
Other liabilities: this includes "Trade and other payables" and "Tax liabilities".

25. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

The following tables show the Company's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	10,968	10,968	10,968	—	—	—
Total liabilities		279,568	484,402	10,968	—	—	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	1,604	1,604	1,604	—	—	—
Total liabilities		242,302	475,038	1,604	—	—	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	675	675	675	—	—	—
Total liabilities		211,103	474,109	675	—	—	716,434

Other liabilities: includes "Trade and other payables".

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's and the Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set on the next page.

Group financing facilities

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
RCF			
Amount used	—	10,000	—
Amount unused	83,000	45,000	40,000
	83,000	55,000	40,000

25. FINANCIAL INSTRUMENTS (Continued)

Group financing facilities (Continued)

The Company has no separate financing facilities.

Operational risk

Operational risk is defined by the Company and 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 the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

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. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place £390m of senior secured loan notes along with an £83m RCF facility. At 30 September 2014 the RCF facility was unutilised. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital, in particular Preference Shares that have a fixed coupon for the whole term, and from 30 March 2012 by a series of Senior Secured Notes with fixed interest rates for the whole term.

The Group's RCF has a variable interest rate however at 30 September 2014 this was fully unutilised.

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. Historically the Group entered into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the Group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

25. FINANCIAL INSTRUMENTS (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 Parent company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 17 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 to 20.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Investments and receivables	401,430	290,184	234,415
Total financial assets	401,430	290,184	234,415
Financial liabilities			
Fair value through SCI	—	(5,200)	—
Financial liabilities measured at amortised cost	(686,983)	(539,402)	(426,335)
Total financial liabilities	(686,983)	(544,602)	(426,335)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Receivables	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692
Financial liabilities			
Financial liabilities measured at amortised cost	(279,568)	(242,302)	(211,103)
Total financial liabilities	(279,568)	(242,302)	(211,103)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the year ended 30 September 2014 would be £nil (30 September 2013: decrease/increase £0.1m, 1 September 2012: £nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings

25. FINANCIAL INSTRUMENTS (Continued)

Interest rate swap contracts

Under interest rate swap contracts, the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date was determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. As at 30 September 2014 the Company and the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Group

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Investments and receivables:						
Portfolio investments	368,277	275,388	225,189	387,177	299,465	236,759
Trade and other receivables	33,153	14,796	9,226	33,153	14,796	9,226
Total financial assets	401,430	290,184	234,415	420,330	314,261	245,985
Financial liabilities						
Financial liabilities measured at amortised cost:						
Senior secured notes	(381,423)	(267,646)	(201,679)	(408,088)	(311,094)	(208,272)
RCF	—	(10,000)	—	—	(10,000)	—
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(34,175)	(17,285)	(13,141)	(34,175)	(17,285)	(13,141)
Amounts owed to parent	(2,785)	(3,773)	(1,087)	(2,785)	(3,773)	(1,087)
Contingent consideration	—	(5,200)	—	—	(5,200)	—
Total financial liabilities	(686,983)	(544,602)	(426,335)	(713,648)	(588,050)	(432,928)

25. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

Company

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Receivables:						
Trade and other receivables	5,200	2,466	2,692	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692	5,200	2,466	2,692
Financial liabilities						
Financial liabilities measured at amortised cost:						
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(8,183)	(325)	(448)	(8,183)	(325)	(448)
Amounts owed to parent	(2,785)	(1,279)	(229)	(2,785)	(1,279)	(229)
Total financial liabilities	(279,568)	(242,302)	(211,105)	(279,658)	(242,302)	(211,105)

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value. All of the Company's financial assets and liabilities have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as "paying" at the point of acquisition and 12% and 10% for portfolios that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed on page F-257.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional

25. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2013		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	—	—	(5,200)

	30 September 2014		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	—	—	—

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Holdco Limited, which prepares consolidated financial statements. The consolidated financial statements of Metis Holdco Limited are available from the company's registered office at 20 Bentinck Street, London, W1U 2EU.

26. RELATED PARTY TRANSACTIONS (Continued)

The tables below set out the related party transactions and year end balances between the Company and its related parties and also the Group and its related parties.

Group and Company

Year ended 30 September 2014

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 30 September 2013	23,138	—	23,138
Principal and accrued interest transferred	(9,294)	9,294	—
Interest charged (Note 7)	2,672	13	2,685
As at 30 September 2014	16,516	9,307	25,823
Preference Shares			
Principal and accrued interest at 30 September 2013	213,114	4,446	217,560
Principal and interest transferred	(85,794)	85,794	—
Interest charged (Note 7)	24,249	968	25,217
As at 30 September 2014	151,569	91,208	242,777

13 months ended 30 September 2013

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 1 September 2012	20,232	—	20,232
Interest charged (Note 7)	2,906	—	2,906
As at 30 September 2013	23,138	—	23,138
Preference Shares			
Principal and accrued interest at 1 September 2012	184,647	5,549	190,196
Principal and interest transferred	1,806	(1,806)	—
Interest charged (Note 7)	26,661	703	27,364
As at 30 September 2013	213,114	4,446	217,560

Group and Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Other year end balances with related parties			
Metis Holdco Limited (group relief)	(2,785)	(3,773)	(1,087)
Other related parties (group relief)	(1,361)	—	—
Directors' loans	—	171	—

26. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Company also had the following transactions and year end balances with other related parties.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Transactions with related parties		
Expenses and costs recharged to Lowell Financial Limited	1,286	801
Expenses and costs recharged to Tocatto Ltd	13	162
Expenses and costs recharged to Fredricksons International Limited	384	—

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Lowell Portfolio I Ltd (trading)	(793)	(155)	2,442
Lowell Portfolio I Ltd (group relief)	1,902	2,093	4
Tocatto Ltd	(4)	8	135
Lowell Group Limited	—	11	(7)
Fredrickson International Limited	(44)	—	—
Lowell Financial Ltd (trading)	(260)	87	(220)
Lowell Financial Ltd (group relief)	3,244	2,653	1,083

Group

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Short-term employee benefits	1,483	1,195

The above details relate to five key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by a subsidiary company (Lowell Financial Ltd) for their services to the Group. Emoluments of directors of the Company, who provide services as directors to the Company and the Group, but are paid by the Company or by a subsidiary company (Lowell Financial Ltd) are set out in Note 5d.

27. 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 which consolidates these financial statements is that headed by Metis Holdco Limited, the Company's immediate parent undertaking, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at 20 Bentinck Street, London, W1U 2EU.

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2014 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 31, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer Wirtschaftsprüfer [German Public Auditor]	Hiller-Breh Wirtschaftsprüferin [German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2014 (in accordance with IFRSs)
in €k

	Notes	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	3 799	2 354
Intangible assets	III.2.	19 268	16 156
Goodwill	III.3.	21 585	23 523
Non-performing loans and receivables acquired for settlement	III.4.	59 458	59 681
Other financial assets	III.6.	8 392	78
		112 502	**101 793**
Current assets			
Inventories	III.8.	29	0
Non-performing loans and receivables acquired for settlement	III.4.	43 356	41 011
Trade and other receivables	III.9.	10 761	10 136
Income tax refund claims	III.10.	4 370	4 630
Other financial assets	III.6.	12 897	12 632
Cash and cash equivalents	III.11.	35 743	58 212
		107 157	126 620
Assets classified as held for sale	III.12.	0	11 433
		107 157	**138 053**
Total assets		**219 659**	**239 846**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 760	51 668
Hybrid capital	III.15.	36 682	33 852
Treasury shares	III.16.	– 17 890	– 17 890
Retained earnings	III.17.	64	97
Valuation reserves	III.18./III.25.	– 2 853	– 1 291
Net retained loss		– 86 639	– 98 881
Equity attributable to equity holders of the parent		7 008	– 6 561
Non-controlling interests	III.19.	761	– 100
Total equity		**7 768**	**– 6 661**
Non-current liabilities			
Liabilities to banks	III.22.	71 870	100 008
Derivatives with negative fair values	III.5.	1 289	1 616
Other financial liabilities	III.23.	32 669	30 777
Provisions	III.24.	642	1 019
Provisions for pensions	III.25.	5 291	4 564
Deferred tax liabilities	III.7.	10 704	5 093
		122 465	143 077
Current liabilities			
Liabilities to banks	III.22.	7 541	10 042
Derivatives with negative fair values	III.5.	571	443
Trade payables and other liabilities	III.26.	9 545	8 509
Other financial liabilities	III.23.	42 457	41 456
Income tax provisions	III.27.	17 630	14 224
Provisions	III.24.	11 682	24 107
		89 426	98 780
Liabilities classified as held for sale	III.12.	0	4 650
		89 426	103 430
Total liabilities		**211 891**	**246 507**
Total equity and liabilities		**219 659**	**239 846**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Revenue	IV.1.	243 839	190 396
Other operating income	IV.2.	16 055	11 069
Cost of purchased goods and services	IV.3.	763	0
Personnel expenses	IV.4.	45 191	43 951
Depreciation, amortization and impairment expense	IV.5.	6 277	3 850
Other operating expenses	IV.6.	163 779	134 570
Interest and similar income	IV.7.	545	2 642
Interest and similar expenses	IV.8.	16 049	14 828
Earnings before tax		**28 380**	**6 908**
Income taxes	IV.9.	11 027	−7 536
Profit/loss from continuing operations		**17 354**	**14 444**
Profit/loss from discontinued operations	**IV.10.**	−2 260	−12 157
Consolidated profit/loss for the period		**15 094**	**2 288**
Profit attributable to non-controlling interests		21	0
Loss attributable to non-controlling interests		0	13
Profit/loss attributable to equity holders of the parent		**15 073**	**2 301**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	0,70	0,58
Diluted	V.1.	0,70	0,58
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	−0,09	−0,49
Diluted	V.1.	−0,09	−0,49

1 Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2014 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Consolidated profit/loss for the period		**15 094**	**2 288**
Result from the valuation reserve for financial instruments	III.18.	0	542
Result from deferred taxes for financial instruments	III.7.	0	– 172
Items that may be reclassified to profit or loss in the future		**0**	**370**
Actuarial gains and losses on pension plans	III.18., III.25.	– 2 273	– 390
Deferred taxes on actuarial gains and losses from pension plans	III.18., III.25.	711	106
Items that will not be reclassified to profit or loss in the future		**– 1 563**	**– 284**
Other comprehensive income		**– 1 563**	**86**
Total comprehensive income		**13 532**	**2 374**
Thereof attributable to:			
Equity holders of the parent		13 510	2 387
Non-controlling interests		21	– 13

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserves: Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserves: Valuation reserve for financial instruments III.18.	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
As of January 1, 2013 before adjustment	**25 884**	**51 668**	**31 246**	**– 17 890**	**64**	**0**	**– 370**	**– 98 576**	**– 7 974**	**– 54**	**– 8 027**
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**– 1 007**	**0**	**0**	**– 1 007**	**0**	**– 1 007**
As of January 1, 2013 after adjustment	**25 884**	**51 668**	**31 246**	**– 17 890**	**64**	**– 1 007**	**– 370**	**– 98 576**	**– 8 981**	**– 54**	**– 9 034**
Other comprehensive income	0	0	0	0	0	– 284	370	0	86	0	86
Consolidated profit/loss for the period	0	0	2 605	0	0	0	0	– 305	2 301	– 13	2 288
Total comprehensive income	**0**	**0**	**2 605**	**0**	**0**	**– 284**	**370**	**– 305**	**2 387**	**– 13**	**2 374**
Acquisition of non-controlling interests	0	0	0	0	33	0	0	0	33	– 33	0
As of December 31, 2013	**25 884**	**51 668**	**33 852**	**– 17 890**	**97**	**– 1 291**	**0**	**– 98 881**	**– 6 561**	**– 100**	**– 6 661**
As of December 31, 2014	**25 884**	**51 668**	**33 852**	**– 17 890**	**97**	**– 1 291**	**0**	**– 98 881**	**– 6 561**	**– 100**	**– 6 661**
Other comprehensive income	0	0	0	0	0	– 1 563	0	0	– 1 563	0	– 1 563
Consolidated profit/loss for the period	0	0	2 831	0	0	0	0	12 242	15 073	21	15 094
Total comprehensive income	**0**	**0**	**2 831**	**0**	**0**	**– 1 563**	**0**	**12 242**	**13 510**	**21**	**13 532**
Sale of the Multigestión Group	0	91	0	0	– 33	0	0	0	58	0	58
Sale of non-controlling interests	0	0	0	0	0	0	0	0	0	– 5	– 5
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	845	845
As of December 31, 2014	**25 884**	**51 760**	**36 682**	**– 17 890**	**64**	**– 2 853**	**0**	**– 86 639**	**7 008**	**761**	**7 768**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in €K

		Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
1.	**Operating activities**			
	Profit/loss from continuing operations		17 354	14 444
	Profit/loss from discontinued operations		– 2 260	– 12 157
	Consolidated profit/loss for the period		**15 094**	**2 288**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		6 277	16 307
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		118	2
–	Gain from the disposal of property, plant and equipment/intangible assets		– 6	– 15
+/–	Change in provisions		– 9 088	– 10 519
+/–	Change in deferred taxes		5 554	– 368
–/+	Repayments and changes in value of NPL portfolios		23 926	32 202
	Changes in assets and liabilities in the period			
–/+	Inventories		– 13	0
–/+	Trade and other receivables		– 314	620
+/–	Trade payables and other liabilities		– 857	– 437
–/+	Change in lease assets/lease refinancing		0	0
–/+	Changes in other net assets		– 3 746	13 233
=	**Cash flow from operating activities**	**VI.2, VI.3**	**36 945**	**53 312**
2.	**Investing activities**			
+	Cash received from the disposal of property, plant and equipment/intangible assets		10	6
–	Acquisition of property plant and equipment/intangible assets		– 4 952	– 2 063
–	Investment in NPL portfolios		– 27 774	– 26 064
+	Divestment of NPL portfolios		1 725	6 030
–	Acquisition of companies and shares less net cash acquired		– 1 630	0
+/–	Sale of companies and shares less net cash sold		2 953	0
=	**Cash flow from investing activities**	**VI.4**	**– 29 667**	**– 22 090**
3.	**Financing activities**			
–	Repurchase of shares from former ABIT shareholders[1]		– 21	– 11
+	Cash received from bank loans		87 000	0
–	Repayment of bank loans		– 116 099	– 14 492
+	Cash received from financing for NPL portfolios		16 647	18 321
–	Repayment of financing for NPL portfolios		– 19 134	– 13 142
=	**Cash flow from financing activities**	**VI.5**	**– 31 608**	**– 9 324**
4.	**Development of liquidity**			
	Cash and cash equivalents at the beginning of the period		60 072	38 174
+	Change in cash and cash equivalents		– 24 329	21 898
=	**Cash and cash equivalents at the end of the period**	**VI.1**	**35 743**	**60 072**
5.	**Composition of cash and cash equivalents**			
	Cash		**35 743**	**60 072**
	thereof restricted cash		24 359	19 796

1 ABIT = former ABIT AG, which was merged into GFKL Financial Services Aktiengeselslchaft in 2005

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

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Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014 (in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen (GFKL), is the parent of the GFKL Group. The company's registered offices are at Am EUROPA-CENTER 1b, Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main—a subsidiary of Advent International Corp., Boston, USA—is the majority shareholder with a stake of 97.95%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2014 were authorized for issue by the Executive Board on March 31, 2015.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER WUPPERTAL GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft, Essen, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Sec. 315a HGB ["Handelsgesetzbuch" German Commercial Code]. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 13 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. GFKL Financial Services AG exercises full control over the 13 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. These consolidated financial statements include comparative information for the prior reporting period.

2. Changes in accounting policies and disclosure

There were no changes in accounting policies and disclosure in the reporting period.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

II. Basis of presentation and accounting policies (Continued)

The following new standards and amendments and changes in standards and amendments that were mandatory in fiscal year 2014 for the first time did not have any significant effect on the consolidated financial statements of GFKL:

– IFRS 10—*Consolidated Financial Statements:* New guidelines on control and consolidation of subsidiaries

– IFRS 11—*Joint Arrangements:* New classification of joint operations and joint ventures and abolishment of the proportionate consolidation option

– IFRS 12—*Disclosure of Interests in Other Entities:* Disclosures on consolidated and non-consolidated entities

– IFRS 10/IFRS 11/IFRS 12—Changes—transition provisions: Changes in transition guidance

– IFRS 10/IFRS 12/IAS 27—Investment Entities: The changes grant an exemption from the consolidation of subsidiaries if the parent meets the definition of an "investment entity" (e.g., certain investment funds). Certain subsidiaries are then measured at fair value through profit or loss in accordance with IFRS 9/IAS 39

– IAS 27—*Separate Financial Statements:* Consequential amendments as a result of the new provisions for full consolidation under IFRS 10

– IAS 28—*Investments in Associates and Joint Ventures:* Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes

– IAS 32—*Financial Instruments:* Offsetting Financial Assets and Financial Liabilities

– IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	No	None

II. Basis of presentation and accounting policies (Continued)

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5- step principles-based model
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 41	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	No	None
IAS 19	Employee Benefits: Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Feb. 1, 2015	Yes	No significant changes
IAS 27	Equity Method in Separate Financial Statements	Aug. 12, 2014	Jan. 1, 2016	No	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Feb. 1, 2015	Yes	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jan. 1, 2015	Yes	No significant changes
IFRS (2012 to 2014)	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jun. 17, 2014	Yes	No significant changes

Voluntary early adoption of the standards is not planned.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to

II. Basis of presentation and accounting policies (Continued)

section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €102.8 million as of the balance sheet date (prior year: €100.7 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, as transactions for the assets or liabilities did not take place with sufficient frequency and volume to provide price information on an ongoing basis, they were measured in accordance with IFRS 13.3 using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

GFKL tests goodwill (€21.6 million; prior year: €23.5 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

II. Basis of presentation and accounting policies (Continued)

Pension obligations

When measuring provisions for pensions (€5.3 million; prior year: €4.6 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Change in the basis of consolidation

The Group sold the Multigestión Group, liquidated the Spanish Universal Lease Iberia Properties, S. L., sold SBL Mobilien GmbH, acquired intratech GmbH and Deutsche Multiauskunftei GmbH and established and included GFKL Service Center GmbH in the basis of consolidation. Please refer to section II.8.a (Consolidation disclosures) for more information.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2014 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €22.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €16.6 million for the company in March 2014.

The plan is to use the established structure for more securitizations in 2015.

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.6 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to €3.8 million plus €2.7 million in interest (prior year: €2.2 million).

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

II. Basis of presentation and accounting policies (Continued)

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under "Non-performing loans and receivables acquired for settlement." In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. Depending on the classification, the average calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market. Changes to discounting lead to additional monthly income or expenses from the portfolios due to changes in market interest rates.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue and the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to "Accounting treatment of acquired portfolios" (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized

II. Basis of presentation and accounting policies (Continued)

at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: "Other financial assets," "Trade and other receivables" and "Cash and cash equivalents."

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. Unlike the prior year, GFKL had no assets in this category as of the balance sheet date.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as "at fair value through profit or loss" on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: "Liabilities to banks," "Other financial liabilities," and "Trade payables and other liabilities."

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets/liabilities classified as held for sale, together with assets/liabilities in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please see section III.12. (Disclosures regarding discontinued operations) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

II. Basis of presentation and accounting policies (Continued)

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

As of December 31, 2014, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH. Due to the sale of SBL Mobilien GmbH on December 29, 2014, this company is no longer included in the consolidated tax group as of December 31, 2014.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

II. Basis of presentation and accounting policies (Continued)

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions—

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL AG issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they

II. Basis of presentation and accounting policies (Continued)

have already been tendered to GFKL AG. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed as follows compared to December 31, 2013:

The company acquired shares in intratech GmbH, Cologne, effective as of June 30, 2014. Its share capital amounts to €25k. The shares acquired as of the date of sale are equivalent to a 42.6% stake in the share capital of intratech GmbH. The purchaser is INKASSO BECKER WUPPERTAL GmbH & Co. KG, a wholly owned subsidiary of GFKL Financial Services Aktiengesellschaft, Essen. In addition, a resolution was approved to increase intratech GmbH's share capital by €4,260 to €29,260. Following the capital increase, INKASSO BECKER WUPPERTAL GmbH & Co. KG 51.0% holds of intratech GmbH' share capital. The capital increase was entered in the commercial register on July 28, 2014. The purpose of intratech GmbH is the development of software interpretations, network administration, services related to office management, assembly and installation of computer systems and other technical equipment as well as all kinds of related business. Effective as of July 1, 2014, Walter Süss, Elchesheim-Illingen, was appointed as an additional general manager of intratech GmbH.

II. Basis of presentation and accounting policies (Continued)

GFKL Service Center GmbH, Gelsenkirchen, was established on May 12, 2014. Its share capital amounts to €25k. The entry in the commercial register was made on June 27, 2014. The entity renders commercial and organizational services including IT-related work for other companies. The entity's general manager is Marc-Ulrich Knothe, Vienna, Austria.

The company acquired all the shares in Deutsche Multiauskunftei GmbH, effective as of October 27, 2014. Deutsche Multiauskunftei with its registered office in Karlsruhe is an established consulting firm and a credit information agency. Contrary to conventional credit information agencies, it has no credit rating information of its own, but rather serves as a central interface to leading information agencies in Germany, Austria and Switzerland.

The company Universal Lease Iberia Properties S.L., Seville, Spain, was liquidated with effect from December 18, 2014.

The company sold all its shares in Multigestión Portfolio S.L., Madrid, with effect from December 30, 2014.

The company sold all its shares in SBL Mobilien GmbH, Essen, effective as of December 31, 2014.

The significant assets and liabilities of the entities sold in fiscal year 2014 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	3 915
Cash and cash equivalents	1 347
Subtotal	**5 263**
Other liabilities	1 435
Provisions	1 762
Net assets	**2 066**
Cash outflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	−1 347
Cash flow (balance)	**−1 347**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2014 net of the cash and cash equivalents held by the sold companies on the disposal date.

II. Basis of presentation and accounting policies (Continued)

The assets acquired and liabilities assumed from intratech GmbH (ITT) and Deutsche Multiauskunftei GmbH (DMA) break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value ITT	Acquisition-date fair value DMA
Assets		
Property, plant and equipment	25	0
Intangible assets	3 081	490
Inventories	70	0
Receivables and other financial assets	307	2
Cash and cash equivalents	96	18
	3 578	**511**
Liabilities		
Non-current financial liabilities	437	0
Deferred tax liabilities	662	109
Other liabilities	763	2
	1 862	**111**
Total identifiable net assets at fair value	**1 717**	**400**
Goodwill arising on acquisition	502	0
Non-controlling interests	837	0
Total consideration	**1 381**	**400**

In the first half of 2014, the consolidated financial statements do not include any proceeds or profits or losses of intratech GmbH (date of first-time consolidation is June 30, 2014). Proceeds or profits or losses of Deutsche Multiauskunftei GmbH are only included from the date of first-time consolidation (October 27, 2014). No information is provided on proceeds or profits or losses from January 1, 2014 because financial statements for intratech GmbH and Deutsche Multiauskunftei GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entities.

From June 30, 2014, consolidated profit/loss for the period includes revenue of intratech GmbH of €1.7 million and earnings of −€0.1 million.

From the date of first-time consolidation of Deutsche Multiauskunftei GmbH consolidated profit/loss for the period includes revenue of €53k and earnings of −€6k.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from

II. Basis of presentation and accounting policies (Continued)

transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €57.4 million as of December 31, 2014.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL AG does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2014	9 263	0
Additions from business combinations	25	0
Additions	2 329	44
Reclassifications	44	– 44
Disposals	2 729	0
Balance as of December 31, 2014	**8 933**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2014	6 909	0
Additions	831	0
Disposals	2 607	0
Balance as of December 31, 2014	**5 133**	**0**
Residual carrying amounts as of December 31, 2014	**3 799**	**0**

III. Balance sheet disclosures (Continued)

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	–206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

Office furniture and equipment was acquired at a cost of €661k (prior year: €328k) in the current fiscal year in connection with a project to install an emergency computer center at the location in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €50k (prior year: €286k). Leasehold improvements were made in Gelsenkirchen as part of the relocation. The related cost was €53k (prior year: €109k).

As part of the relocation of GFKL's Essen operations, new office furniture and equipment was acquired at a cost of €1.1 million and leasehold improvements were made at a cost of €0.2 million. In addition, in preparation for the move, the company scrapped office furniture and equipment that cost €1.9 million and leasehold improvements that cost €0.8 million. At the time of scrapping, the assets in question had been largely written off.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

Additions from business combinations relate to other office furniture and equipment of intratech GmbH.

III. Balance sheet disclosures (Continued)

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2014	18 910	3 984	11 319	153
Additions from business combinations	2 393	0	1 178	0
Additions	699	395	0	1 457
Reclassifications	66	40	0	– 107
Disposals	383	0	0	0
Balance as of December 31, 2014	**21 685**	**4 419**	**12 497**	**1 504**
Accumulated amortization and impairment losses				
Balance as of January 1, 2014	12 035	3 984	2 192	0
Additions	1 429	57	1 520	0
Disposals	379	0	0	0
Balance as of December 31, 2014	**13 085**	**4 041**	**3 712**	**0**
Residual carrying amounts as of' December 31, 2014	**8 600**	**378**	**8 785**	**1 504**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	– 758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

In the current fiscal year, IT software was acquired at a cost of €0.7 million. This software is mostly software to optimize GFKL's internal processes and procedures. By contrast, licenses costing €0.4 million that were no longer required were returned.

III. Balance sheet disclosures (Continued)

In addition, a subsidiary of GFKL AG developed its own software to expand the system landscape for upstream credit checks on customers. Moreover, internally developed software was acquired in the acquisition of intratech GmbH and Deutsche Multiauskunftei GmbH. Deutsche Multiauskunftei GmbH's internally developed software routes queries from customer systems in real time to the desired external data sources, standardizes the different information codes used by the credit agencies (e.g., in relation to credit information) and forwards this information as well as the raw data from the data sources used back to the customer system. In addition, customers of Deutsche Multiauskunftei GmbH have the option to have specific rules stored in the entity's system in order to take external data sources into account in their credit risk processes, e.g., in the form of a query cascade. The cost of this internally developed software comes to €0.5 million. intratech GmbH's internally developed software forms the basis of its entire business operations and allows for the placement of auxiliary business involving hardware installations and office administration, which is now increasingly becoming the focus of attention. Since the entity's formation, various modules tailored in particular to the needs of the fitness sector have been developed. The cost of this internally developed software comes to €1.9 million.

Additions to advance payments largely comprise IT software to optimize GFKL's internal processes and procedures.

In addition, contractual and non-contractual customer relationships at a cost of €1.2 million were allocated upon the purchase of intratech GmbH.

The customer relationships allocated to GFKL Collections GmbH upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives. The contractual and non-contractual customer relationships acquired upon purchase of intratech GmbH are being amortized over a useful life of 10 years.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2013	39 838
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Acquisition of subsidiaries	502
Balance as of December 31, 2014	**24 754**
Write-downs and impairment losses	
Balance as of January 1, 2013	4 210
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Impairment losses	2 440
Balance as of December 31, 2014	**3 169**
Carrying amounts as of December 31, 2013	**23 523**
Carrying amounts as of December 31, 2014	**21 585**

III. Balance sheet disclosures (Continued)

in €k	Dec. 31, 2014	Dec. 31, 2013
Zyklop Inkasso Deutschland GmbH	10 102	12 542
GFKL Collections GmbH	4 253	4 253
Domnowski Inkasso GmbH	3 410	3 410
Proceed Collection Services GmbH	3 318	3 318
intratech GmbH	502	0
Total	**21 585**	**23 523**

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the "Reclassifications to non-current assets held for sale" and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2014 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 11.5% (prior year: 13.8%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company's financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €39.3 million (prior year: €37.4 million), whereas the corresponding recoverable amount was €167.8 million (prior year: €46.7 million).

An impairment loss of €2.4 million was recognized on the goodwill of ZYKLOP INKASSO DEUTSCHLAND GmbH. Negative developments in financial planning or the discount rate would lead to a further reduction in goodwill.

Cash flow planning is primarily driven by a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular growth potential for receivables management services in the areas of telecommunications, energy supply and public sector, with the outsourcing efforts on the part of customers in particular also offering growing potential. Significant growth is also expected in e-commerce in subsequent years. The reduction of relative costs is based on the further optimization of operational processes as well as the synergy effects resulting from the centralization of service functions in the company in 2014.

In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million attributable to the Multigestión Group was written off. These impairment losses are presented under discontinued operations.

III. Balance sheet disclosures (Continued)

4. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2014	Dec. 31, 2013
Secured, terminated loans	4 033	3 860
Unsecured, terminated loans	34 961	31 020
Unsecured, overdue other receivables	63 820	65 812
Total	**102 814**	**100 692**

For 2014, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	43 356	51 920	7 538	102 814

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2014	2013
Opening balance	100 692	116 771
Reclassification to assets classified as held for sale	0	4 103
Acquisitions	27 774	26 064
Disposals	1 725	6 030
Subtotal	**126 740**	**132 702**
Payment receipts	90 010	85 884
Investment income	13 054	13 434
Service income	33 825	32 968
Repayment	**43 131**	**39 481**
Write-ups	27 018	26 343
Impairment expense	− 7 813	− 18 872
Measurement at fair value	**19 205**	**7 471**
Closing balance	**102 814**	**100 692**

In the current fiscal year, GFKL generated income of €67.6 million (prior year: €53.9 million) from the non-performing loans and receivables acquired for settlement.

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

III. Balance sheet disclosures (Continued)

Measurement at fair value is set out in detail below:

in €k	2014	2013
Additional amounts collected	8 104	10 048
Correction of direct write-downs	43	0
Plan adjustments	17 005	14 036
Changes in market interest rates	1 865	2 259
Write-ups	**27 018**	**26 343**
Shortfall in amounts collected	−1 585	−2 615
Direct write-downs	−639	0
Plan adjustments	−4 112	−11 902
Service cost adjustments	−472	−220
Changes in market interest rates	−1 005	−4 136
Impairment expense	**−7 813**	**−18 872**
Total changes in value	**19 205**	**7 471**

The items “Additional amounts collected” and “Shortfall in amounts collected” show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under “Plan adjustments.”

The “Changes in market interest rates” item relates to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are three input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/− 10%	+/− €9.85 million
Cost rate	+/− 5%	−/+ €7.83 million
Term structure	+ 1%	− €2.34 million
Term structure	− 1%	+ €0.90 million

5. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €1.9 million (prior year: €2.0 million) were held. There were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates and to provide refinancing. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

There are derivatives which in terms of value and maturity hedge over half the nominal value of the newly concluded facility A. They were not designated as hedges for hedge accounting purposes (IAS 39).

The residual maturity was determined on the basis of the residual maturities of the derivatives.

III. Balance sheet disclosures (Continued)

6. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Miscellaneous non-current financial assets	8 392	78
Total other non-current financial assets	**8 392**	**78**
Cash reserve	38	39
Miscellaneous financial assets	12 860	12 593
Total other current financial assets	**12 897**	**12 632**
Total	**21 290**	**12 710**

The miscellaneous financial assets mainly relate to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables.

7. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €8.0 million (prior year: €12.2 million) were then recognized. The losses relate to GFKL Financial Services Aktiengesellschaft, Essen. No losses from the period prior to the change in shareholders in December 2009 were recognized as deferred tax assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2014	Dec. 31, 2013
NPL measurement	−16 972	−17 286
Derivatives	590	653
Intangible assets	−3 602	−2 812
Provisions	1 832	1 200
Trade receivables/payables	513	1 794
Elimination of intercompany balances	−1 116	−1 244
Loss carryforwards	7 996	12 174
Other	55	428
Balance of deferred taxes	**−10 704**	**−5 093**

III. Balance sheet disclosures (Continued)

The table below shows the changes in deferred taxes:

in €k	2014	2013
Deferred tax assets	0	516
Deferred tax liabilities	– 5 093	– 4 809
Opening balance	**– 5 093**	**– 4 293**
Reclassification to assets classified as held for sale and liabilities classified as held for sale	0	– 516
Change in equity	710	– 67
Addition from business acquisitions	– 771	0
Change arising from current results	– 5 551	217
Change in the period	**– 5 611**	**– 800**
Deferred tax assets	0	0
Deferred tax liabilities	– 10 704	– 5 093
Closing balance	**– 10 704**	**– 5 093**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

8. Inventories

Inventories mainly relate to IT hardware and access systems for customers of intratech GmbH.

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2014	Dec. 31, 2013
Expenses from the collection process	2 341	2 348
Refund claims from other taxes	1 528	2 454
Prepaid expenses and other items	1 338	1 300
Trade receivables	5 741	6 283
Specific valuation allowances on receivables	– 187	– 2 250
Total	**10 761**	**10 136**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in valuation allowances is mainly attributable to the sale of SBL Mobilien GmbH.

10. Income tax refund claims

The income tax refund claims mainly relate to the retrospective recognition of the tax group for Proceed Portfolio Services GmbH, Essen, for the years 2004 to 2006.

11. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> €5.0 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €3.0 million as of the balance sheet date. Balances on other accounts, which do not bear interest, came to €8.3 million. Of these cash and cash equivalents, €24.4 million (prior year: €19.8 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

III. Balance sheet disclosures (Continued)

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items "Assets classified as held for sale" and "Liabilities classified as held for sale" and comprised the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprised the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale broke down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

In the fiscal year, the Spanish business segment classified as held for sale was sold.

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions. In fiscal year 2010, the acquisition of shares in the Spanish companies achieved in stages by capital increase led to €91k being withdrawn from the capital reserves. This withdrawal was included in the deconsolidation carried out in the fiscal year.

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

III. Balance sheet disclosures (Continued)

15. Hybrid capital

On June 28, 2012, a second loan agreement for a loan of €30,000,000.00 was concluded between GFKL Financial Services Aktiengesellschaft, Essen, as borrower and Carl Holding GmbH as lender. The loan has no fixed maturity date. However, GFKL adjusted the earliest possible repayment date to March 16, 2019 in connection with the new refinancing arrangement. The loan bears interest of 8% up to and including March 16, 2019 and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 917,471 shares, which corresponds to a share of €917,471 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act].

Those shares not yet tendered are also disclosed under “Treasury shares” as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability). Please refer to section III.23. (Other financial liabilities).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k). In the prior year, the item included the retained earnings of €33k which were created by the acquisition of the minority interests in Multigestión Portfolio S.L. and were included in the deconsolidation in the fiscal year.

18. Valuation reserves

In the fiscal year, this item included the valuation reserve for actuarial gains and losses. Please see section III.25. (Provisions for pensions) for further information.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH. In the prior year, the item related to minority interests in Universal Lease Iberia Properties S.L., which was liquidated in fiscal year 2014.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive

III. Balance sheet disclosures (Continued)

Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	71 870	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	100 008
Total non-current liabilities to banks				**71 870**	**100 008**

in €k

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	7 540	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	10 042
Total current liabilities to banks				**7 540**	**10 042**

The arrangement fees that related to the repayment of the old credit facility and the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of €2.6 million are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- GFKL Financial Services Aktiengesellschaft, Essen
- INKASSO BECKER WUPPERTAL GmbH & Co. KG (including pledge of the shares in IBW Verwaltungs- und Beteiligungs GmbH), Wuppertal
- Proceed Collection Services GmbH, Essen
- Sirius Inkasso GmbH, Düsseldorf
- GFKL Collections GmbH, Potsdam

III. Balance sheet disclosures (Continued)

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities arising from NPL portfolios	2 891	5 656
Liabilities to affiliates	20 686	20 055
Pass-through obligations arising from portfolio management	5 121	1 861
Other	3 971	3 205
Total non-current	**32 669**	**30 777**
Liabilities arising from NPL portfolios	10 128	9 851
Pass-through obligations arising from portfolio management	11 029	12 411
Employee-related liabilities	3 189	2 746
Liabilities arising from the cash settlement offer	7 307	7 104
Deferred income and other items	10 804	9 343
Total current	**42 457**	**41 456**
Total	**75 126**	**72 233**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. The increase in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement.

The following table shows the principal liabilities of the Group as of December 31, 2014, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	7 541	71 870	0	79 411
Other financial liabilities	42 457	32 669	0	75 126
Trade payables and other liabilities	9 545	0	0	9 545
Total	**59 543**	**104 539**	**0**	**164 082**

III. Balance sheet disclosures (Continued)

24. Provisions

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
Opening balance	15 187	3 953	855	1 519	606	3 006	25 125
Reclassification	0	0	0	0	0	0	0
Allocation	26	1 643	2	657	4	598	2 929
Utilization	258	53	0	1 519	0	1 264	3 094
Reversal	10 720	410	270	0	236	847	12 483
Disposals from the sale of companies	129	57	0	0	17	0	202
Additions from business combinations	0	0	36	0	12	0	48
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**
Current	4 106	5 076	623	657	66	1 154	11 682
Non-current	0	0	0	0	302	340	642
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**

The item "Other taxes" mainly relates to provisions for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of €0.3 million (prior year: €0.6 million). By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.5 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to a total of €3.9 million plus €2.7 million in interest (prior year: €2.2 million in interest).

In addition to the abovementioned interest on VAT of €2.7 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of €0.2 million and €2.2 million, respectively.

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

III. Balance sheet disclosures (Continued)

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €270k were reversed in the reporting year.

€1.5 million of the provision recognized for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members was used in the reporting year. €0.7 million thereof related to the transfer of the outstanding potential liabilities from GFKL Financial Services Aktiengesellschaft, Essen, to the newly formed GFKL Service Center GmbH. In addition, severance payments of €0.2 million were made to departing employees.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years. The changes in other provisions over the fiscal year are shown in the following table. Changes in the discount rate resulted in a reversal of €0.2 million in the reporting period.

The "Other" item mainly comprises an allocation in connection with the acquisition of intratech GmbH by INKASSO BECKER WUPPERTAL GmbH & Co. KG and for potential payments under an existing lease. The utilization related in particular to expenses of €0.4 million incurred in connection with the sale of the Multigestión Group and expenses of €0.6 million for an onerous contract. €0.6 million of the provision for the onerous contract and €0.1 million of the provision for the sale of the Multigestión Group were reversed to profit and loss.

Disposals from the sale of companies relate to the accounts of the sold SBL Mobilien GmbH. The provisions of GFKL Service Center GmbH, intratech GmbH and Deutsche Multiauskunftei GmbH are recognized under additions from business combinations on the date of first-time consolidation in the GFKL Group.

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations—were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.03% and 2.2% (prior year: 3.13% and 3.7%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions -for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

III. Balance sheet disclosures (Continued)

The net liability is calculated as follows:

in €k	2014	2013	2012
Present value of unfunded defined benefit obligation	8 480	7 600	7 230
Plan assets	– 3 189	– 3 036	– 2 843
Net liability	**5 291**	**4 564**	**4 386**

The following table shows the changes in the defined benefit obligation:

in €k	2014	2013
Opening balance of defined benefit obligation	**7 600**	**7 230**
Interest expense	262	253
Pension payments	– 151	– 151
Current service cost	66	66
Actuarial losses	2 189	202
Change in basis of consolidation	– 1 485	0
Closing balance of defined benefit obligation	**8 480**	**7 600**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2014	2013
Opening balance of plan assets	**3 036**	**2 843**
Net interest income	111	107
Actuarial gains/losses (–)	– 85	– 188
Contributions	127	141
Balance-dependent reclassification	0	132
Closing balance of plan assets	**3 189**	**3 036**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €127k (prior year: €111k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2014	2013
Opening balance	**4 564**	**4 386**
Payments arising from pension obligations	– 151	– 151
Allocation to defined benefit obligation	218	211
Allocation to plan assets	– 127	– 141
Actuarial gains (–)/losses	2 273	390
Balance-dependent reclassification	0	– 132
Change in basis of consolidation	– 1 485	0
Closing balance	**5 291**	**4 564**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.4. (Personnel expenses and number of employees).

III. Balance sheet disclosures (Continued)

A quantitative sensitivity analysis of the key assumptions as of December 31, 2014 is as shown below:

in €k	Dec. 31, 2014	Dec. 31, 2013
Interest rate		
Increase 0.2% (prior year: 0.5%)	–357	–646
Decrease 0.2% (prior year: 0.5%)	342	710
Salary trend		
Increase 0.5%	116	91
Decrease 0.5%	–107	–86
Benefit trend		
Increase 0.5% (prior year: 1%)	646	1 181
Decrease 0.5% (prior year: 1%)	–577	–1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2014	Dec. 31, 2013
Within the next 12 months (next fiscal year)	83	153
Between 2 and 5 years	798	940
Between 5 and 10 years	1 334	1 671
More than 10 years	14 650	16 368
Total expected payments	**16 865**	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 21 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities from other taxes	1 967	1 700
Trade payables	3 506	2 735
Advance payments received	2 715	2 854
Deferred income and other items	1 357	1 219
Total	**9 545**	**8 509**

Income tax provisionsThe income tax provisions relate to provisions for corporate income tax and solidarity surcharge totaling €7.0 million (prior year: €4.8 million), trade tax of €7.5 million (prior year: €5.4 million) and provisions for the tax audit of €3.1 million (prior year: €4.0 million).

The increase in income tax provisions for corporate income tax, solidarity surcharge and trade tax is mainly due to the elimination (and recognition in profit or loss) of income tax relief effects from the recognition of VAT on NPL purchases.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	2014	2013
Fees from the collection process	132 225	94 487
Cost refunds from the collection process	42 271	34 527
Revenue from acquired portfolios	67 555	61 365
Services and programming revenue	1 312	0
Maintenance revenue and royalties	394	0
Other	82	17
Total	**243 839**	**190 396**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

Services and programming revenue as well as maintenance revenue and royalties relate to intratech GmbH which was acquired in fiscal year 2014.

2. Other operating income

Other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. For more information on the reversal of provisions and accrued liabilities, please see section III.24. (Provisions).

Other operating income breaks down as follows:

in €k	2014	2013
Reversal of provisions and accrued liabilities	12 483	4 070
Income from the reversal of valuation allowances on receivables	817	936
Income from cost allocations and receipt of various fees	2	0
Income from exchange differences	2	4
Income from the disposal of non-current assets	6	15
Purchase price adjustments	0	3 804
Other income	2 746	2 239
Total	**16 055**	**11 069**

Please see section III.24. (Provisions) for further information regarding the reversal of provisions.

3. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH.

IV. Income statement disclosures (Continued)

4. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	2014	2013
Receivables management	698	709
Holding company	103	113
Continuing operations	**801**	**822**
Discontinued operations	0	196
Employees	**801**	**1 018**
thereof employees in Germany	*801*	*822*
Average number of employees	**806**	**1 033**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations were those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€322k; prior year: €317k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	2014	2013
Current service cost	66	66
Interest income	– 111	– 107
Interest expense	262	253
Total	**218**	**211**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2 927k (prior year: €2 878k).

Please see section III.25. (Provisions for pensions) for further information.

5. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment), III.2. (Intangible assets) and III.3 (Goodwill).

IV. Income statement disclosures (Continued)

6. Other operating expenses

Other operating expenses break down as follows:

in €k	2014	2013
Costs of the collection process	139 638	102 639
Valuation allowances and write-downs on receivables	1 322	1 475
Valuation allowances and write-downs on financial assets	20	0
General and administrative expenses, contributions and rent	12 815	13 072
Personnel recruitment and freelancers	4 695	4 566
Consulting and auditing fees	3 089	4 225
Expense from the measurement of NPL receivables	286	6 560
Other taxes	137	0
Commissions, incidental refinancing costs	282	66
Expenses arising from the disposal of assets	118	2
Other operating expenses	1 377	1 965
Total	**163 779**	**134 570**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €36.6 million.

The item "General and administrative expenses, contributions and rent" includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €3.1 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

7. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives.

8. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of Carl Holding GmbH and expenses from fair value measurement as well as interest expenses from derivatives.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	2014	2013
Earnings before income tax	28 380	6 908
Expected income taxes	**9 002**	**2 191**
Modification of the determination of taxable income	914	327
Measurement and utilization of loss carryforwards	5	318
Out-of period taxes	2 674	− 8 987
Permanent effects	− 2 043	− 1 423
True-up/valuation allowances	447	0
Other	28	38
Effective income taxes	**11 027**	**− 7 536**

IV. Income statement disclosures (Continued)

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the elimination (and recognition in profit or loss) of income tax effects from the recognition of VAT on NPL purchases.

The permanent effects largely concern the interest on the hybrid loan from the shareholder and the recognition of equity investments.

The tax expenses are as follows:

in €k	2014	2013
Current taxes	2 802	1 234
Current taxes from prior years	2 674	−8 987
Deferred taxes	5 551	217
Total	**11 027**	**−7 536**

10. Discontinued operations

The sale of the Spanish companies of the GFKL Group planned in fiscal year 2013 made it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In the current reporting period, the sale of the Spanish companies was completed as of December 30, 2014. The profit/loss from these operations is included in the profit/loss from discontinued operations in the income statement.

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

The result from discontinued operations breaks down as follows:

in €k	2014	2013
Discontinued operations income	6 410	13 845
Discontinued operations expenses	6 738	13 300
thereof in respect of affiliates	*260*	*260*
Earnings before tax	**−328**	**545**
Taxes on earnings	89	−117
Profit/loss from measurement/deconsolidation less costs to sell	−2 021	−12 585
Profit/loss from discontinued operations	**−2 260**	**−12 157**

in €k	2014	2013
Cash flow from operating activities	−159	14 118
Cash flow from investing activities	5 699	−56
Cash flow from financing activities	−6 175	−15 763
Total	**−635**	**−1 702**

In the prior year, assets and liabilities related to discontinued operations were recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2014, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2014	Dec. 31, 2014	365	24 783 567	24 783 567
Total/average:		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 332	14 457
Profit/loss from discontinued operations in €k	– 2 260	– 12 157
Profit/loss attributable to equity holders of the parent in €k	**15 073**	**2 301**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0.61**	**0.09**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 411	14 541
Profit/loss from discontinued operations in €k	– 2 260	– 12 157
Profit/loss attributable to equity holders of the parent in €k	**15 151**	**2 384**
Weighted number of shares	25 001 088	25 005 526
Earnings per share in €	**0.61**	**0.10**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €78k (prior year: €84k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2014 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2013, there are no plans to distribute a dividend for 2014.

V. Other disclosures (Continued)

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2014 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	67 794	67 794
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	102 814	102 814
Liabilities			
Financial liabilities at amortized cost	FLAC	164 082	164 082
Financial liabilities at fair value through profit or loss	FLaFV	1 860	1 860

GFKL holds financial instruments in the categories "Loans and receivables" and "Financial assets at fair value through profit or loss." In the "Financial assets at fair value through profit or loss" category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the "Loans and receivables" category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

As of December 31, 2013, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	81 058	81 058
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

V. Other disclosures (Continued)

The “Financial liabilities at amortized cost” are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2014, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1	2	– 565	123	**– 443**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	66 690	**66 690**
FLAC	376	12 420	0	130	**– 11 914**
FLaFV	25	1 275	0	0	**– 1 251**

As of December 31, 2013, the amounts were as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	– 489	10	**– 475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**– 10 127**
FLaFV	53	2 837	0	0	**– 2 784**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Assigned NPL portfolios	13 066	26 446
Total	**13 066**	**26 446**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in €k	Dec. 31, 2014	Dec. 31, 2013
Derivative financial instruments with negative fair values —not designated as part of a hedge relationship	– 1 860	– 2 058

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2014. Derivative financial instruments with a negative fair value of €1,460k are held to hedge against fluctuations in the fair value of the NPL portfolios

V. Other disclosures (Continued)

arising from changes in the general level of interest rates. Derivative financial instruments with a negative fair value of €400k are held to hedge against changes in value from refinancing arising from changes in the general level of interest rates.

3. Derecognition of assets

Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under "Non-performing loans and receivables acquired for settlement" (€46.1 million; prior year: €24.3 million) and the liabilities under "Other financial liabilities" (€13.0 million; prior year: €15.8 million).

4. Contingent liabilities

In connection with Multigestión Cartera's NPL sale to Alkali Investments II SARL, Luxembourg, there is a continued liability of €2.3 million until December 31, 2015.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2014, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 972	7 803	4 626
Maintenance agreements	358	197	0
Operating leases	2 073	2 224	350

As of December 31, 2013, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases	300	201	0

GFKL enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	2014	2013
Audit services	225	249
Audit-related services	147	210
Tax services	85	92
Other services	420	165
Total	**876**	**715**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €35.7 million (prior year: €60.1 million). €24.4 million (prior year: €19.8 million) of this amount is earmarked funds as of December 31, 2014. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and do not contain any cash from discontinued operations (prior year: €1.9 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€90.0 million; prior year: €88.7 million).
3. As of December 31, 2014, the Group's cash flow from operating activities amounted to €36.9 million (prior year: €53.3 million).
4. The cash flow from investing activities of −€29.7 million (prior year: −€22.1 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to −€27.8 million (prior year: −€26.1 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans as well as the repayment of the old syndicated loan and the raising of the new syndicated loan, the cash flow from financing activities of −€31.6 million (prior year: −€9.3 million) comprised cash received from the financing of NPL portfolios (€16.6 million; prior year: €18.3 million).
6. In the period under review, the Group generated cash flow from interest paid of €11.1 million (prior year: €8.8 million) and interest received of €42k (prior year: €1.3 million). The cash flow from income taxes was −€0.3 million (prior year: −€0.1 million).

VII. Events after the balance sheet date

In February 2015, an agreement concerning the sale of an insolvency claim contained in a secured portfolio with a carrying amount of €3.8 million was concluded. The purchase price amounts to €4.6 million and includes interest claims as well as the principal claim itself. A guarantee of €0.6 million was given by the GFKL Group on the interest claims.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2014.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 97.95%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under

VIII. Related party relationships and Executive Board and Supervisory Board disclosures (Continued)

"Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	1 631	1 590	20 686	20 055
Equity holders with a significant influence	**1 631**	**1 590**	**20 686**	**20 055**
Related parties of the equity holder with a significant influence	**1 485**	**0**	**201**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	223	141	21	0
Total	**3 339**	**1 731**	**20 908**	**20 059**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

	Transactions		Balances	
in €k	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	21	11	0	0
Equity holders with a significant influence	**21**	**11**	**0**	**0**
Related parties of the equity holder with a significant influence	**1 636**	**377**	**602**	**64**
Associates	0	0	0	0
Entities over which key persons have a significant influence	1	0	1 871	0
Management in key positions	1	1	0	0
Total	**1 659**	**389**	**2 472**	**64**

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL AG. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

SBL Mobilien GmbH and Multigestión Portfolio S.L. were sold to an entity over which a Supervisory Board member has a significant influence.

Related party transactions are conducted on an arm's length basis.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures (Continued)

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	______
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	______
Marc Knothe, Vienna	May 1, 2011	______

The following table shows the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation in the year under review:

in €k	2014	2013
Current remuneration	1 880	1 887
Executive Board remuneration	**1 880**	**1 887**
Supervisory Board remuneration	92	92
Total remuneration	**1 972**	**1 979**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €0k in the reporting period (prior year: €68k). Please see section III.25. (Provisions for pensions) for further information.

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	______
Hans-Hermann Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	______
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	______

Essen, March 31, 2015

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)