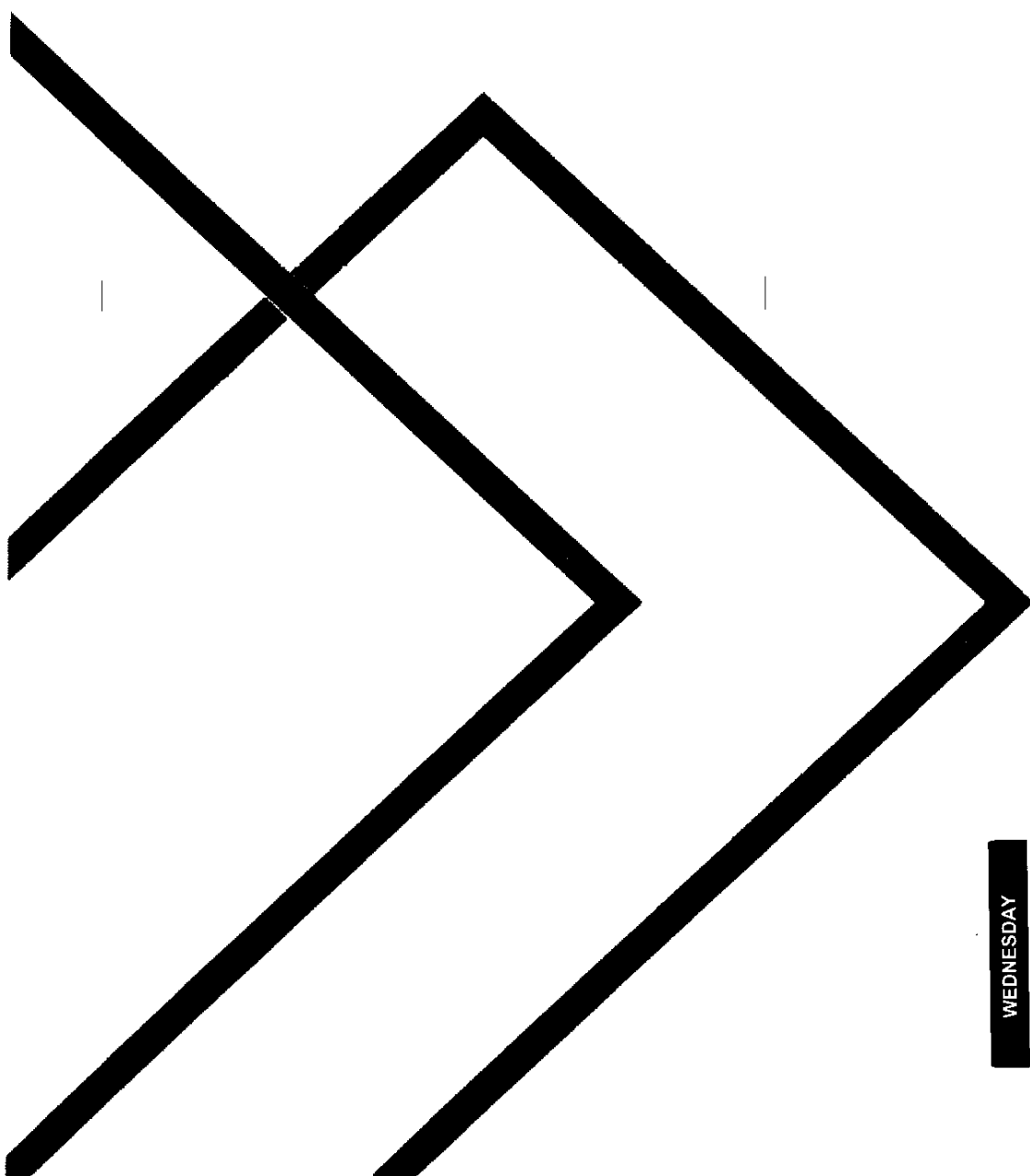


Company No. 04857418

LOWELL PORTFOLIO I LTD

Report and Financial Statements
Year ended 31 December 2023



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OFFICERS AND PROFESSIONAL ADVISORS

Directors

C Marsh
J S Pears
F C Barker
K Blake
C B Gunnigle
J P Flaherty (Resigned 31 August 2023)

Registered office

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Banker

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and financial statements of Lowell Portfolio I Ltd ("the Company") for the year ended 31 December 2023. The Company is a subsidiary undertaking of Metis Bidco Limited which prepares consolidated financial statements to include all its subsidiaries in the UK (together defined as the "Group").

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the acquisition of non-performing consumer debt portfolios.

GOING CONCERN

The Directors have made a going concern assessment for the Company, covering a period of at least 12 months from the date of approval of these financial statements. This assessment included considerations of forecasts prepared by Garfunkelux Holdco 2 S.A. ("GH2") and its subsidiaries (together "the Group").

As part of the assessment the Directors considered severe but plausible scenarios, including a significant reduction in collections. This assessment indicated that the Company would maintain sufficient liquidity and cash reserves even in downside scenarios.

The GH2 Group is however reliant on successful refinancing of the GH2 Group's existing high yield bonds, due to expire 1 November 2025 and 1 May 2026 (the "Notes"), and the Revolving Credit Facility ("RCF"), due to expire on 4 August 2025. While the Directors understand that discussions regarding the re-financing of the RCF are ongoing, the GH2 Group recently announced that it can now proceed with a fully consensual implementation of its recapitalisation transaction which would extend the maturity of the Notes by three years and incorporate a 10% cash paydown at the point the refinancing is executed. Whilst the outcome of the discussions on the RCF are uncertain at the signing of these financial statements, the Directors are confident they will lead to a successful re-financing ahead of the existing maturities.

Based on the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

DIVIDENDS

The directors do not recommend any dividends to be paid for the year (year ended 31 December 2022: £nil).

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are shown on page 1.

CHARITABLE AND POLITICAL DONATIONS

During the year, the Company made charitable donations of £100,000 (year ended 31 December 2022: £62,000). There were no political donations made or political expenditure incurred during the 2023 financial year (year ended 31 December 2022: £nil).

SECTION 172 STATEMENT

The Section 172 statement is included in the Strategic Report which includes detail on how the directors have fulfilled their duties in the year.

AUDIT

For the year ended 31 December 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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


F Barker
Director

11 February 2025

LOWELL PORTFOLIO I LTD
DIRECTORS' REPORT (continued)
Year ended 31 December 2023

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

OBJECTIVES & STRATEGY

The Company's strategy is to retain its position as a leading credit management and debt purchasing organisation and achieve significant growth across all key performance indicators by building partnerships and finding innovative, ethical, cost-effective and fair solutions for our customers, clients and colleagues.

In the year to 31 December 2023 the key objectives of the Company were to

- **exceed Customer expectations**, through driving positive Customer engagement and outcomes, continuing to build on our market-leading experiences however a Customer chooses to engage with us;
- **being the partner of choice for our Clients**, we continue to be focused on Client experience delivering broader engagement and stronger relationships;
- **make Lowell a place where people can thrive**. We will sustain our culture based on trust, accountability, inclusion and collaboration underpinned by our leadership philosophy;
- **responsibly drive collection effectiveness and efficiency**, continually striving for better, more efficient and effective processes. We are always focussed on making things easier for our Customers, Clients and Colleagues, whilst managing our risks with effective governance

and in doing so, **deliver strong, sustainable results**, as outlined in the following accounts.

THE BUSINESS MODEL

The Company's business model is to identify and purchase consumer debt, in line with the Company's risk appetite, and where it believes it can deliver a return in line with expectations.

REGULATORY OVERSIGHT

Our main regulatory oversight bodies are the Financial Conduct Authority (FCA), overseeing the debt purchase and debt collection activities; and the Solicitors Regulation Authority (SRA), overseeing litigation activities. Within the Group, Lowell Financial Limited, Lowell Portfolio I Limited, Overdales Limited and Hoist UK Limited are all regulated by the FCA and Overdales Limited is also regulated by the SRA.

Our Client base means we also operate under the oversight of a number of other regulatory, authority and industry bodies, including the Information Commissioners Office (ICO), the Credit Services Association (CSA), the Office of Communications (Ofcom), the Office of Gas and Electricity Markets (Ofgem) and Water Services Regulation Authority (Ofwat). We encourage an active dialogue with each of our regulators and engage in a range of activities and sharing of documentation to enhance greater communication and understanding between all parties.

PRINCIPAL RISKS & UNCERTAINTIES

As a result of its normal business activities, the Company is exposed to a range of risks, the most significant being credit risk on the value of the non-performing debt portfolios acquired, market risk, given the macroeconomic conditions and liquidity risk. The Company manages these and other risks on a Group basis. Documentation of the risk management procedures is included in Note 3.

Details of the Group's financial risk management policies are set out in Note 27 of the consolidated financial statements of Metis Bidco Limited.

FINANCIAL PERFORMANCE

In 2023, the Company acquired 1.8m (year ended 31 December 2022: 1.9m) consumer debt accounts with a face value of £1.3bn (year ended 31 December 2022: £1.6bn). The business acquired portfolios from 26 vendors during the year (year ended 31 December 2022: 34) across a wide range of industry sectors, including e-Commerce, Financial Services, Telecommunications and Utilities.

The overall carrying value of portfolio investments stood at £1,089.1m at 31 December 2023 (31 December 2022: £1,009.5m).

The Group benefits from a Revolving Credit Facility ("RCF") of €455.0m which benefits the wider Garfunkelux Group and is contracted with Garfunkelux Holdco 3 S.A. The Group benefits from three asset

FINANCIAL PERFORMANCE (continued)

backed securitisation facilities after entering into a new securitisation facility of £155m in October 2022, whereby assets with a 120-month ERC (Estimated Remaining Collections) of £403m were securitised.

Together, the three securitisation facilities have total capacity of £570.0m, of which £365m were drawn as at 31 December 2023.

In April 2022 the Group entered into a new securitisation facility, via Wolf Receivables Financing Plc, providing additional liquidity at completion of £100m through sale of the Senior Notes, at a coupon of SONIA + 325bps. The Group purchased 100% of the Junior Notes.

Subsequently, in August 2022 the Group sold 51% of the Junior Notes to a third-party investor and as a result of this transaction the entity was no longer controlled by the Group and therefore not consolidated (see note 11).

On 29 December 2023, the Group concluded its second asset-backed securitisation collateralised by assets. The Group has identified a pool of reperforming assets which represent stable payment characteristics. The nature of the assets is a pool of reperforming customer accounts which were purchased by Lowell as part of the acquisition of Hoist Finance UK. The securitised portfolio contains reperforming accounts with 120-month ERC of £163m. The transaction follows the previous Wolf securitisation in 2022, demonstrating the repeatable nature of funding structure across the Group's platforms, whilst further evidencing the Group's ability to increase the velocity of cash flows on its balance sheet.

The issuance raised c.£120m from the sale of 88% of the Senior Notes with the Group retaining a £14m (12%) interest and c.£25m from the sale of 95% of the Junior Notes with the Group retaining £1m (5%) interest. The Group will continue to service the portfolio. The Company defines ERC as the expected collections on acquired portfolios over a defined period, based on the proprietary valuation model and management judgement. In the prior period the ERC included a macro-level collection forecast overlay, whereas now all of the portfolios ERC curves are forecast at an individual portfolio-level.

The Company has a 120-month ERC of £2,245.1m at 31 December 2023 (31 December 2022: £2,348m), a decrease of 4.4%. There is a significant tail of cash flow forecast inherent in our portfolios past the 120 months ERC period not reflected in our ERC at 31 December 2023.

As shown in the Statement of Comprehensive Income, the business made an operating profit of £76.7m in the year ended 31 December 2023 (year ended 31 December 2022: profit £140.6m). The decrease in profit is mainly driven by a loss on sale of portfolios of £28m (see Note 11). 2022 also includes the £56m impact of the 2022 change in ERC from 84 months to 120 months. The Company's loss before tax for the year was £38.1m (year ended 31 December 2022: profit £37.2m).

Finance costs increased by £7m from £109m in 2022 to £116.2m in 2023, driven by the set-up costs of the Group's new securitisation vehicle, further drawdowns on the RCF and securitisation facilities resulting in increased interest expense.

The directors are confident that the Company will continue to grow through the acquisition and recovery of non-performing consumer debt portfolios.

The directors consider the Company to be a going concern; further details are included in Note 1.

KEY PERFORMANCE INDICATORS ("KPIs")

The Company considers performance against KPIs at a Group level; details are included in the consolidated financial statements of Metis Bidco Limited.

OUTLOOK

We believe the Company benefits from a strong pipeline of opportunities and is well placed to continue to grow as a result of such competitive advantages as its diversified origination capability, the scale of its data assets and its use of forward flow arrangements.

The need for regulatory compliance in the consumer debt industry is expected to continue, driven by ongoing client requirements and those stipulated by various bodies. We believe we are well placed to continue to collect debt in a customer and compliance centric manner, not least because culturally, our customers are at the heart of our business. (See Note 3, Conduct Risk for more details). Our risk management structure has been significantly enhanced and improvements continue to be made to the governance structure. The Company is FCA regulated. Further details of other regulators can be found in the regulatory oversight section above.

OUTLOOK (continued)

The consumer debt investor and debt management industries are expected to continue 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 customer focus, while economies of scale give competitive advantage in terms of cost of collection and indeed funding. We benefit from a strong record of being customer focussed and already have relationships with most key sellers of debt. We expect this to continue evidenced by continued off market deals with existing clients, as well as contract lengths increasing for forward flow arrangements.

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 42 million accounts to help our clients from underwriting to contact through to responsible collection.

The Company anticipates a steady flow of debt purchase opportunities, supported by our high proportion of forward flow arrangements. We also expect to have good access to any exceptional sales as they occur, given the requirement from clients to manage their balance sheets.

The Company can benefit from these opportunities given its reputation as a trusted partner to credit originators, who in turn have a greater incentive to sell non-performing loans due to regulatory and liquidity pressures.

The Company continuously monitors collections performance and macroeconomic developments to determine whether there is any impact on its business.

SECTION 172 STATEMENT

Throughout 2023, we have gone about delivering against our strategic intent as outlined below.

Our Customers

Exceed Customer expectations, through driving positive Customer engagement and outcomes, continuing to build on our market-leading experiences however a Customer chooses to engage with us.

- We treat Customers with respect and understanding. Personalised solutions and tailored support help them take control of their debt and build their financial understanding and wellbeing.
- We know our Customers - we combine industry-leading insights from multiple data sources including our 4,500+ Customer Panel. In 2023 we used the Panel to build our understanding of the circumstances that lead people into debt, to test the effectiveness of our written communications as part of our commitment to Consumer Duty requirements and to trial changes to our digital channels before rollout
- We give our Customers an industry leading choice of channels - our digital capabilities are amongst the best in the sector. We continue to invest in digital technology, pioneering the deployment of an omni-channel approach in our sector. Our Customers can access our services and support both digitally, through our app and online portal, and by calling our Customer Engagement Centre (CEC). Our app, now with Apple and Google Pay options, featured in the top 10 UK financial services apps in 2023.
- We encourage and value Customer feedback - we capture this through various voice and online channels and launched a new market-leading Customer feedback platform in 2023. The Medallia Experience Cloud captures more data and insights than ever before, which helps us understand where we can support Customers further and target colleague training.
- Supporting Customers in vulnerable situations - all front-line colleagues received cost of living training which included information on government help available, reminder of forbearance options and signposting to free debt advice. We also introduced a flexible payment plan option to give Customers more control when they have a temporary change in circumstances.
- We know that every Customer's story is different, and we seek to put their needs first. We seek to engage with Customers through a variety of channels and will help find a solution for each Customer's debt that suits them and helps them meet their goals.

Key areas of Board Customer focus throughout 2023 have been;

- Implementation of Consumer Duty regulations, a welcome and key evolution in approach to our Customers which included reassessing our communications and approach to ensure continued high standards were being maintained. We have both a Board Consumer Duty Champion as well as an Executive sponsor of Consumer Duty, with extensive Board discussions through the year in order to ensure compliance and progress.
- Continued monitoring and assessment of the cost-of-living crisis and ensuring that we are ensuring our Customer approach remains supportive and relevant given the pressures on affordability through the period. Lowell have continued to support Customers in maximising their financial situation through the provision of benefit calculators, access to budgeting tools as well as being able to access their credit score via the Lowell App. Key decisions have been made on how to continue to improve the online journey, simulating the high-quality experience already available through our engagement centres.
- Ensuring that the migration of Hoist Customers onto the Lowell systems and strategies has been achieved with no issues.
- The Board have monitored overall Customer engagement and satisfaction levels, utilising the feedback through the Medallia platform, QA results, Trustpilot ratings as well as evidenced by the low percentage of complaints and FOS cases.

Our Clients

We look to be the partner of choice for our Clients, continuing to be focused on Client experience delivering broader engagement and stronger relationships.

- Our business has been built and continues to benefit from strong Client relationships across our key sectors of e-Commerce, Financial Services, Telecommunications and Utilities.
- We believe that an open, partnership with our clients based on trust is necessary to ensure the best outcomes for our Customers, our Clients and ourselves. We seek to build long-term sustainable relationships that allow us to help our clients manage Customers who have moved into arrears.

SECTION 172 STATEMENT (continued)

Our Clients (continued)

- Clients continue to look for opportunities to work with us on a longer-term basis, with many of our contracts increasing in length. We also benefit from strong Client feedback which we receive annually through a survey, which allows us to continue to further improve our approach and relationships.
- Given our success with our existing sectors of coverage, we continue to discuss with the Board and Investors potential additional sectors for us to expand into, with success in 2023 within the banking sector, with several new banking relationships established. This will continue to be a focus for the future.

Key areas of Board Client focus throughout 2023 have been;

- Review of pipeline of expected purchases, with a view to strategic growth ambition, as well as being mindful of concentration risks and sector strategy deployment. Ensuring that we maintain the right balance between level of purchases and achieving a strong IRR.
- Reviewing progress of our broader sector strategy, in particular progress within the banking sector, which has seen a number of successful new client relationships being established over the year.
- Ensuring that our transaction management process continued to mature, setting the standards for the sector on due diligence.
- Assessing Client Experience and feedback through the Client survey to look for any areas of opportunity to improve our partnership approach with Clients. Whilst Client engagement scores remain high (90%+) we continue to look for opportunities on how to improve ease of doing business as well as adding additional value to our Clients.

Our People

We continue to make Lowell a place where people can thrive. We will sustain our culture based on trust, accountability, inclusion and collaboration underpinned by our transformational leadership philosophy.

- Our Colleagues remain our foundation and how they work to deliver the right Customer outcomes on a daily basis is critical to the success of the Group. Engagement with our colleagues is through a variety of methods, from regular face-to-face meetings with managers to colleague surveys, and regular 'town-hall' style meetings for communicating key messages.
- As a colleague-focused business we have continued to listen to our people to understand the topics that matter most to them, at both Group and regional levels. Their inputs shaped the development of our Employer Value Proposition, one key element of which is embedding a new hybrid working culture that works for our people and our business. Alongside this we have invested in career development and initiatives to boost diversity and inclusion across our business. We have also increased financial assistance for our colleagues to help them through the cost-of-living crisis.
- During 2023, we have continued to embed our overall Employer Value Proposition (EVP), Together We Go Further. Our EVP is supported by four pillars: sustainability, hybrid-working, leadership development and career progression.
- In Q1 2023 we onboarded our colleagues from the Hoist acquisition, with over 130 colleagues joining across both Leeds and Salford sites.
- Our Colleague Engagement score in the UK has seen an increase year-on-year, with overall engagements levels in the top quartile. reflecting and validating our approach of listening to colleagues and adapting to support their needs, as enshrined in our EVP. We continue to review all of the feedback from colleagues and look for opportunities to deliver improvements across our rewards, environment and culture to ensure all colleagues have the opportunity to thrive during their time at Lowell.
- In Q3 2023 we moved into our new home at No1 The Square Thorpe Park, which has been purpose built for our needs. The building operates across 6 floors, and includes a Gym, Faith Rooms, Wellbeing Floor, as well as a restaurant and a coffee bar. The facility is designed to promote interaction and collaboration as teams are in neighbourhoods. Colleague feedback since the move has been extremely positive.
- Throughout 2023 we continued to support our broader DE&I agenda, whereby we want to encourage every Lowell colleague to be able to be themselves in work. We have established broad networks groups, such as RISE for promoting growth for our female colleagues and advocates and SPARK for neurodiversity and disabilities. They have all contributed to continuing to develop a supportive culture,

SECTION 172 STATEMENT (continued)

Our People (continued)

where colleagues tell us that acceptance and psychological safety are key strengths in our recent Colleague Engagement survey.

- The Group continues to support equal opportunities in respect of recruitment, career progression and colleague 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. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.
- The members of the executive team conducted a number of Colleague briefings throughout the year that kept our people fully informed and updated on business activities, including financial and economic factors affecting the performance of the business. Regular colleague surveys are undertaken to understand the views of colleagues and feedback is taken into consideration when making decisions that are likely to affect their interests. Colleague engagement is further encouraged through a Colleague bonus scheme which rewards both performance of the individual and the Group.

Key areas of Board People focus throughout 2023 have been;

- Ensuring that the integration of our new Colleagues from Hoist was successful.
- Ensuring our transition to our new Thorpe Park HQ was delivering the expected market-leading environment for our Colleagues.
- Challenging our progress on DE&I, reviewing progress against our Gender Pay Gap reporting and diversity ambitions.

Responsibly driving our collection effectiveness and efficiency

"We will do things well, striving for better, more efficient and effective. Always focussed on making things easier for our customers, clients and colleagues."

- To meet the long-term aspirations of our key stakeholders, we continue to invest in improving our operational capabilities, building additional functionality and resilience into everything that we do.
- During 2022 following FCA approval Lowell announced the completion of the acquisition of Hoist Finance UK Ltd positioning Lowell as the UK's largest credit management service provider. The purchase extended Lowell's Customer base and gives the business the data and insight to further strengthen Lowell's award-winning Customer service. During Q1 2023 we successfully migrated all Hoist accounts and Colleagues over to the Lowell platforms, both ahead of expected timeframes and under budget.
- Throughout 2023 we have continued to be focussed on delivering on our Conduct Risk commitments and ensuring we continue to give assurance that we have effective Risk & Control processes, as evidenced by our comprehensive Risk and Control Self Assessments and control testing for each area of the business. Given the complexity and volume of our Operations, we appreciate that despite all of these controls, there will be times when we get something wrong, but as a business we commit to resolving any issues quickly, effectively and consistently as well as then demonstrating that we have learned from it.
- We have been focussed in 2023 on delivering against the requirements of Consumer Duty and this has resulted in Lowell being in a strong position to demonstrate substantive compliance with the Duty as we can evidence that we have identified and delivered enhancements in line with the Duty through the implementation plan. Mitigating controls to minimise risk of harm to Customers have been embedded. In line with our positive compliance culture, Lowell will continue to take an iterative approach to compliance with the Duty by continuously monitoring industry developments published by the FCA. Progress continues to be monitored through a monthly Conduct and Consumer Duty forum.
- We have continued in 2023 to deliver against our collection targets across all areas of the UK business with a strong focus on cost effectiveness and efficiency to strengthen our pricing competitiveness. This has included portfolio specialisms, improved tracing and strategy capability, digital servicing enhanced to increase efficiencies and improve margins and maximising our return on investment in Litigation and Enforcement spend. In addition, performance has been supported by a suite of initiatives designed

SECTION 172 STATEMENT (continued)

Responsibly driving our collection effectiveness and efficiency (continued)

to continue to improve the Client and Customer journeys, as well as increasing digital engagement and ease of Customer interactions with us.

- During 2023 we have continued to invest in our Data platforms, with the deployment of a new data squad to improve availability and accuracy of data to drive opportunity across our business value streams. This has both improved our data governance standards as well as improved the way data is ingested to our Analytics platform.
- We are also continuing to deliver against our decision science roadmap, building and enhancing our decision model suite, utilising advances in our data environment and tooling. We will continue to explore future innovation through data and AI advances to support operational decisioning capability and efficiency.
- Given the continued threat that cyber risk poses to our business, we have pressed on with further significant enhancements to our cyber security protections and controls and whilst this has given the Board assurance of strong controls it will continue to be a key risk focus area of the business.

Key areas of Board Operational focus throughout 2023 have been;

- Ensuring that the integration of Hoist was successful.
- Reviewing progress against Consumer Duty requirement, including challenge from our Consumer Duty Champions on both the UK Executive and the UK Board, in order to ensure compliance and progress.
- Reviewing and challenging operational initiatives delivery, both in absolute delivery as well as realisation of expected benefits.
- Ensuring that we continue to deliver the right Customer outcomes.
- Review and challenge our cyber security protections and controls.

Deliver Strong Sustainable Results

"Through impactful engagement with our Colleagues, Clients and Customers we will deliver a strong and sustainable business model, driving improved returns for our Investors."

- The core strength of the Group remains our ability to acquire and collect on non-performing consumer debt portfolios. During 2023 the UK continued to be the wider Garfunkelux Group's largest region accounting for 62% of the Group Cash EBITDA, with £2.4bn 120-month ERC.
- The contribution of all other pillars of the UK strategy are expected to then result in strong sustainable financial results. Through 2023, the UK business demonstrated strong delivery across every aspect of the strategy which enabled it to meet its overall business objectives.
- As part of our broader financial controls and discipline we have continued to review during the year a clear, strong approach to managing out asset quality, including our ability to understand the value of our portfolio assets, through discussions in appropriate governance forums. The business also continued to focus on cost efficiency and broader risk management areas as outlined in previous sections.
- Whilst funding and liquidity is managed at an overall Group level, the UK business continued to ensure that we maintained appropriate coverage in order to have confidence we can meet our obligations as they fall due, as well as confidence to support our growth and acquisition ambitions. Throughout 2023 the Board discussed financial strength and funding. As at December 2023, the Garfunkelux Group had available liquidity of £270m and leverage continued at the lower end of the public guidance.
- In addition to our financial strength, a core tenet of our strategy is to deliver results that are sustainable in both longevity as well as with consideration to our obligations to meet our own ESG standards. In 2023 we continued to improve our activity to support our longer term ESG targets, reflected in our silver status rating against the EcoVadis standards. Attached is a link to our 2023 ESG report (lowellbusiness.co.uk/hubfs/Lowell_Sustainability_Report_2023_Final.pdf?hsLang=en)

Key areas of Board Financial focus throughout 2023 have been;

- Reviewing our collections and subsequent portfolio performance.
- Reviewing our portfolio revaluation modelling outputs and impact on balance sheet valuation.

SECTION 172 STATEMENT (continued)

Deliver Strong Sustainable Results (continued)

- Reviewing progress against our ESG targets.
- Reviewing and challenging our funding and liquidity positions.
- Challenging our business operating costs and relative efficiency.
- Ensuring we have an effective resource to operate the business in a controlled manner.
- Inputting and challenging the wider UK business strategy.

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

A handwritten signature in black ink, appearing to read 'F Barker', written in a cursive style.

F Barker

Director

11 February 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable, relevant and reliable;
- > state whether they have been prepared in accordance with UK-adopted international accounting standards;
- > assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to *going concern*; and
- > use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2023

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Income from portfolio investments	9	262,032	256,578
Portfolio write up	9	13,791	44,351
Gain on derecognition of financial assets	9	-	3,086
Fair value gains/losses on portfolio investments	9	4,923	1,161
Other income		(474)	-
Total revenue		280,272	305,176
Operating expenses			
Collection activity costs	1	(38,443)	(34,522)
Other expenses		(165,099)	(130,070)
Total operating expenses		(203,542)	(164,592)
Operating profit		76,729	140,584
Finance Income	5	1,354	5,617
Finance costs	6	(116,225)	(108,999)
Profit before tax	3	(38,141)	37,202
Income tax (expense) / credit	7	5,361	(1,164)
Profit/(loss) for the year attributable to equity shareholders		(32,780)	36,038
Other comprehensive income		-	-
Total comprehensive income for the year attributable to equity shareholders		(32,780)	36,038

All results relate to continuing operations.

The notes on pages 14 to 38 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Portfolio investments – amortised cost	9	717,530	684,579
Portfolio investments – fair value	9	27,050	13,068
Junior Loan	12	126,783	122,698
Deferred tax	14	7,193	1,832
Total non-current assets		878,556	822,177
Current assets			
Portfolio investments- amortised cost	9	344,498	311,881
Junior Loan	12	13,146	38,895
Other financial assets		22,250	-
Trade and other receivables	13	442,273	130,883
Cash and cash equivalents	20	32,120	9,112
Total current assets		854,287	490,771
Total assets		1,732,845	1,312,948
Equity			
Share capital	18	0	-
Capital contribution reserve		267	267
Retained earnings		187,261	220,041
Total equity attributable to shareholders		187,528	220,308
Liabilities			
Non-current liabilities			
Borrowings	17	658,008	766,492
Total non-current liabilities		658,008	766,492
Current liabilities			
Trade and other payables	15	537,042	172,433
Provisions	16	155	136
Borrowings	17	350,112	153,579
Total current liabilities		887,309	326,148
Total equity and liabilities		1,732,845	1,312,948

For the year ended 31 December 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

These financial statements of Lowell Portfolio I Ltd, Company No. 04857418, were approved by the Board of Directors on 11 February 2025.



Signed on behalf of the Board of Directors by:

F Barker

Director

11 February 2025

The notes on pages 14 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2022	-	267	184,003	184,270
Profit for the year			36,038	36,038
Balance at 31 December 2022	-	267	220,041	220,308
Profit for the year			(32,780)	(32,780)
Balance at 31 December 2023	-	267	187,261	187,261

The notes on pages 14 to 38 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2023

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Net cash inflow from operating activities	20	42,367	(36,425)
Financing activities			
New borrowings		284,837	210,872
Repayment of borrowings		(185,182)	(151,631)
Interest and fees paid		(119,015)	(49,796)
Net cash generated from financing activities		(19,360)	9,445
Net increase/(decrease) in cash and cash equivalents		23,007	(26,980)
Cash and cash equivalents at beginning of year		9,113	36,092
Exchange differences		-	-
Cash and cash equivalents at end of year*	20	32,120	9,112

*Cash and cash equivalents at 31 December 2023 contains £2.9m of restricted cash (31 December 2022: £4.4m). See note 20 for further details.

The notes on pages 14 to 38 form part of these financial statements.

NOTES TO THE 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 UK-adopted international accounting standards. Those standards have been applied consistently to the historical periods.

Going concern

The Company Directors have made a going concern assessment for the Company, covering a period of at least 12 months from the date of approval of these financial statements. This assessment included considerations of forecasts prepared by Garfunkelux Holdco 2 S.A. ("GH2") and its subsidiaries (together "the GH2 Group").

As part of the assessment the Company Directors considered severe but plausible scenarios, including a significant reduction in collections. This assessment indicated that the Company would maintain sufficient liquidity and cash reserves even in downside scenarios.

The GH2 Group is however reliant on successful refinancing of the GH2 Group's existing high yield bonds ("Notes"), due to expire 1 November 2025 and 1 May 2026, and the revolving credit facility ("RCF"), due to expire on 4 August 2025. While the Directors understand that discussions regarding the re-financing of the RCF are ongoing, the GH2 Group recently announced that it can now proceed with a fully consensual implementation of its recapitalisation transaction which would extend the maturity of the Notes by three years and incorporate a 10% cash paydown on Day 1. Whilst the outcome of the discussions on the RCF are uncertain at the signing of these financial statements, the Directors are confident they will lead to a successful re-financing ahead of the existing maturities.

Based on the above, the Company Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Finance revenue on portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, all of which arose in the UK. Acquired portfolio investments are held to collect contractual cash flows of payments of solely principal and interest, recognising them at amortised cost and in line with IFRS 9.

The effective interest rate (EIR) is the rate that exactly discounts 120 months, being the expected life 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).

Acquired portfolio investments are acquired at a deep discount and classified as purchased or originated credit impaired ("POCI") in line with IFRS 9. As a result, the estimated future cash flows, and hence EIRs reflect the expected credit losses within each portfolio.

Increases or decreases in portfolio carrying values can and do occur should forecasted cash flows be deemed greater or less than previous estimates and because of the rolling nature of the period to derive future cash receipts. The difference in carrying value following an enhanced collection forecast is 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, an impairment is recognised in the SCI, also recorded in the portfolio write up line.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Impairment of portfolio investments

Acquired portfolio investments are reviewed for indications of impairment in accordance with the IFRS 9 forward looking expected credit loss ("ECL") model. As the Group's portfolio investments are classified as POCI assets, lifetime ECL is included in the calculation of EIR. Impairment adjustments represent changes to carrying values, discounted at the EIR, of the portfolio investments as a result of reassessments of the estimated future cash flows. These are recognised in net portfolio write up in the SCI.

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 ERC of our portfolio investments at a given point in time, are calculated over the portfolio's expected useful life, based on previous month's collections and portfolio performance information collated within our proprietary valuation model.

Collection activity costs

The activity of collecting debts from customers is a service provided by fellow subsidiaries, namely Lowell Financial Ltd, Overdales Legal Ltd and Lowell Legal Ltd (formerly Lowell Solicitors Ltd). Collection activity costs represents the service charge from Lowell Financial Ltd, Overdales and Lowell Legal Ltd (formerly Lowell Solicitors Ltd) for providing this service.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

Cash and cash equivalents

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

The Company holds cash in relation to its securitisation facilities. These restricted cash balances are shown within cash.

Deferred portfolio payment

Certain portfolio investments are purchased with a future settlement date. Where the purchase price is material and the period to the settlement date is significant, the portfolio is recognised at a discounted value in the Company's SFP. Interest is then charged to the SCI over the settlement period.

Financial instruments

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

Recognition

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

On initial recognition, a financial asset is classified at amortised cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The Group does not have any financial assets classified as FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Classification

Amortised cost financial assets

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolios 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 Company 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 Company'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 year 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.

Financial assets and liabilities at fair value through profit or loss

This category relates to financial assets and liabilities that must be recognised at fair value through profit or loss. Such assets or liabilities are initially recognised at transaction price, which at this point equates to fair value. They must be measured subsequently at fair value.

The main assets and liabilities in the Group falling into this category are portfolio investments held at FVTPL and derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IFRS 9.

The Company 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. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

If the terms of the financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value less any eligible transaction costs.

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES (continued)*****Derecognition of financial assets (continued)***

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and 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 Company are measured at amortised cost using the effective interest method, except for those measured at fair value through the SCI, e.g. derivative liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derecognition of financial liabilities

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

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 19.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Company 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, considering 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.

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 year 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 income statement, 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 Company intends to settle its current tax assets and liabilities on a net basis.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. UK company law and IFRS require the directors, in preparing the Company'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 Company'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 Company would affect its reported results.

Portfolio investment valuation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Portfolio investment valuation (continued)

Actual cash flows are regularly compared to estimates to assess the accuracy of previous forecasts. Future collections may differ from those estimated at this point in time and if they do differ, an adjustment is recorded to the carrying value of the portfolio and is included as a net portfolio write up or write down within income.

Management's key judgement is an assumption that an element of 2022 expected collections have been deferred into future periods, rather than lost.

In the first part of 2022 the Group's collections were impacted by the implementation of enhanced legal operations, which led to a temporary impact to litigation capacity and case selections. These selections are a core component of the UK collection strategy and the temporary reduction in capacity impacted collections across H1-22 until BAU levels were re-established in H2-22, resulting in a re-phasing of the collections expectation. The UK also experienced some marginal softening in the value collected from settlement payments across the year. Encouragingly, payment plan default rates remained low and performance in the UK was in line with the reforecast performed at H1-22.

Given the reason behind reduced collections was largely not customer related but instead due to the Group's operating capacity, management has judged that the collections were deferred into later periods and not lost. Collections initiatives have resulted in increased gross ERC.

At 31 December 2023, management has re-evaluated its underlying portfolio-level ERC in line with the Group's revaluation policy to assess the future collections expectation in relation to timing of collections and quantum of collections and concluded that the portfolio investments carrying value is appropriate. An uplift or reduction in expected future cash flows of 1% would increase or decrease the closing carrying value of portfolio investments at 31 December 2023 by £10.6m (at 31 December 2022: £9.6m).

Derecognition – Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cashflows in a transaction which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

If the terms of the financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs.

During FY22, the Group's investment in Wolf Receivables Financing Plc was derecognised following the Group determining it was no longer substantially exposed to the risks and rewards of the financial assets following the transfer of the contractual cashflows to a third party.

NOTES TO THE FINANCIAL STATEMENTS

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Derecognition – Financial Assets (continued)

During FY23, the Company sold assets with a carrying value of £162m to Wolf Receivables Financing 3 Plc. The assets sold were a pool of reperforming customer accounts which were purchased by Lowell as part of the acquisition of Hoist Finance UK. The transaction follows the previous Wolf securitisation in 2022, demonstrating the repeatable nature of funding structure across the Group's platforms, whilst further evidencing the Group's ability to increase the velocity of cash flows on its balance sheet.

The issuance raised c.£120m from the sale of 88% of the Senior Notes with the Company retaining a £14m (12%) interest and c.£25m from the sale of 95% of the Junior Notes with the Company retaining £1m (5%) interest. Lowell Financial Limited will continue to service the portfolio.

3. SIGNIFICANT RISKS

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

- > Credit risk
- > Market risk
- > Liquidity risk
- > Conduct risk
- > Operational risk
- > Regulatory risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual payment obligations.

The credit risk from the concentration of customers is limited due to the high number of individual customers and the relatively low value of each of the individual's debts. At 31 December 2023 the Company had 42.8m individual customer accounts (at 31 December 2022: 39.2m), of those 17.5m were still open (31 December 2022: 18.4m) and of those 3.5m made at least one payment during the last 12 months (year ended 31 December 2022: 3.7m). The average balance on a customer account at 31 December 2023 was £770 (at 31 December 2022: £662).

The Company's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Company continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The ongoing 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. An Investment Committee is in place, attended by members of the Executive Committee, which scrutinises all aspects of debt acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Inflation presents a fundamental risk that has some effect on every customer and counterparty and consequently on the Company's credit risk. Customer default rate is the most relevant measure of credit risk and the Company monitors this on an on-going basis. The default rate during 2023 was 5.78% (2022: 4.84%). The default rate is calculated by taking the latest plan due in the month for an account, and looking at if that account made any payment, and is calculated on a volume basis. A default would be where the plan due date has passed, and no payment has been made. If an account pays less than is due it is not classed as a default, but a partial arrears.

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

NOTES TO THE FINANCIAL STATEMENTS**3. SIGNIFICANT RISKS (continued)***Macro-economic conditions*

There is continuing evidence of the adverse effects of concerns relating to economic contraction in the UK along with recent inflationary pressures and the rising costs of living. In response to such pressure, the Bank of England's Monetary Policy Committee has increased the Bank Rate several times since December 2021. The outlook for interest rates in the year ahead is progressively downwards but over an uncertain time period. Any increases would continue to have a negative impact on the ability of consumers to repay their existing debts. As a result, these challenging macro-economic conditions may adversely affect the performance of collections which could experience higher delinquency and default rates than anticipated leading to performance challenges through extended forbearance and increased litigation.

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 Company to expect a yield high enough to cover all costs of collection and to contribute to overhead costs, the Company minimises its risk against the cost of these portfolios. The Company uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market.

The Company monitors its pricing assumptions through an Investment Committee which is attended by members of the Executive Committee. The Company manages the unpredictability of the market through a Revolving Credit Facility (RCF). As at 31 December 2023 the Company had access to a Group RCF of €455m. This Group facility allows the Company the flexibility to bid on portfolios as and when they come to market and to not be restricted by cash flow constraints.

Macro-economic conditions

There is continuing evidence of the adverse effects of concerns relating to economic contraction in the UK along with recent inflationary pressures and the rising costs of living. In response to such pressure, the Bank of England's Monetary Policy Committee has increased the Bank Rate several times since December 2021. Interest rates may further change in the future and the existing increases and any further increases in interest rates could have a negative impact on the ability of consumers to repay their existing debts. As a result, these challenging macro-economic conditions may adversely affect the performance of collections which could experience higher delinquency and default rates than anticipated leading to performance challenges through extended forbearance and increased litigation.

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 Company to expect a yield high enough to cover all costs of collection and to contribute to overhead costs, the Company minimises its risk against the cost of these portfolios. The Company uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Company monitors its pricing assumptions through an Investment Committee, as described under Credit risk.

The Company manages the unpredictability of the market through a number of financing structures. As at 31 December 2023 the Group has in place a £431.8m loan with its immediate parent and is also party to the GH2 Group RCF of €455.0m and an asset backed facility of £570.0m. These facilities allow the Company the flexibility to bid on portfolios as and when they come to market and to not be restricted by cash flow constraints.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT RISKS (continued)

Wholesale Market Risk

Interest rate risk

Interest rate risk is the risk of changing interest rates affecting the profitability of the Company. The Company is subject to interest charged by another group company on its intercompany loan. This interest rate is specified by the Lender from time to time however is at such a rate which allows the Lender to meet its interest payments on its listed loan Notes. The Lender's interest rate is fixed for the term of the Notes and therefore the Company's exposure to interest rate risk is reduced.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for 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% 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% higher/lower and all other variables were held constant, the Company's movement in net loss for the year ended 31 December 2023 would be £3.9m (year ended 31 December 2022: £2.4m). This is attributable to the Company's exposure to interest rates on its variable rate borrowings.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company and the Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 December 2023, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on borrowing facilities.

Conduct risk

The Financial Conduct Authority (FCA) introduced new regulations which came into force in July 2023, known as the Consumer Duty, obliging financial services companies to put consumers' needs first and deliver higher standards of consumer protection. We implemented the Consumer Duty ahead of the implementation date, delivering on the cross-cutting rules that require firms to act in good faith, avoid causing foreseeable harm, and enabling and supporting customers to pursue their financial objectives.

Our mission to make credit work better for all aligns with the Duty to deliver good outcomes to consumers. This includes putting their needs first, ensuring they receive communications they can understand, providing products and services that meet their needs, whilst offering fair value and the support they need when they need it. Failure to embed the consumer duty in our business or retain sufficient evidence to demonstrate the Duty could result in regulatory scrutiny and potential sanctions.

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 a 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 by focussing on good customer outcomes through a series of policies, processes, training, and the monitoring of actions. These are reported through the governance structure involving the Board and Executive Consumer Duty Champions who ensure the Consumer Duty is raised regularly in all relevant discussions and challenge management's focus on and embedment of the Duty.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT RISKS (continued)

Conduct risk (continued)

Whistleblowing

We actively promote a culture where colleagues are empowered to speak up and are protected when they do so. Colleagues can do this via a mix of formal and informal channels that provide colleagues the ability to share their feedback and raise concerns, ensuring colleague voices are heard. The Company's policy and procedure for whistleblowing are available on our intranet and sets out the options available to colleagues wishing to raise concerns with confidence and protection. If a colleague wishes to raise a concern anonymously, an online portal and telephone line hosted by Positive People HR is available.

Operational risk

Operational risk is defined by the Company and the Group as the risk arising from inadequate or failed internal systems, processes, controls, people or resulting from internal/external events affecting the operation of the Company and the Group. The Board of Directors are responsible for approving the Group's risk appetite statement, which guides the day-to-day management of operational risk by line managers. The Company maintains a register of operational risks and controls, which are subject to regular assessment and testing.

Our approach to operational risk extends to information risk, affecting data management, data protection, and cybersecurity. Cyber threats are continuously evolving and the risk of cyber-attacks is increasingly material due to the rise in the volume and complexity of external threats. We continue to take proactive steps to manage security and enhance our cyber and technology controls.

The Company recognises that the complete elimination of operational risk is unlikely and economically prohibitive. When incidents occur, they are promptly reported in our risk system of record, ensuring we address impacts and root causes, communicate clearly with impacted customers, and take action to minimise reoccurrence.

Operational Resilience

Operational Resilience is defined by the Company and the Group as the ability to prevent, adapt, respond to, recover, and learn from operational disruptions. The Company has identified the important business services that, if disrupted, can cause intolerable harm to customers. The services are monitored and maintained to avoid disruptions that exceed the Board approved impact tolerances. The Company and the Group consider all dependencies the services have, and implement business continuity, disaster recovery, and crisis response plans for the restoration of important business services should they be impacted through a continuity event.

Disruptions from cyber-attacks are an increasing threat to all organisations, and the ability to protect the Company from, respond to, and recover from a cyber-attack is critical. The Company has developed and tested a series of playbooks that provide technical guidance and ensure prompt reaction, containment, remediation, and recovery from cyber-attacks.

The Company recognises that it is impossible to eliminate all threats to our important business services. To prove its ability to operate within its impact tolerances when continuity events materialise, scenario-based exercises are conducted. The outcomes of scenario tests are used to strengthen our existing resilience capabilities and identify areas of increased operational risk ensuring the business responds to these weaknesses appropriately and remains within risk appetite.

The Company has a requirement to comply with operational resilience rules introduced by the Financial Conduct Authority (FCA) by April 2025. The Digital Operations Resilience Act (DORA) came into force in January 2023 and will apply to EU banks, insurance companies and investment firms from January 2025. Although DORA does not directly apply to the Company, our clients may include the Company in scope for their third-party risk management requirements.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT RISKS (continued)

Regulatory risk

Regulatory risk is the risk that regulatory developments and /or a shift in regulatory focus and requirements adversely impact on the business model and / or profitability leading to associated increased cost and risks to objectives. This is an ongoing risk across the sector.

These risks are actively monitored and managed through risk management committees with senior management ownership identified for key risks.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

The following table shows the amount of remuneration to directors in respect of their services provided to the Company.

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Directors' emoluments	644	523

All the directors provided services to the Group.

The number of directors who have benefits accruing under defined contribution pension schemes is three (year ended 31 December 2022: three).

The highest paid director received remuneration in respect of services to the Company of £264k. (year ended 31 December 2022: £177k).

The Company has no employees (year ended 31 December 2022: none).

5. AUDITOR'S REMUNERATION

Audit services in respect of these financial statements were £nil (year ended 31 December 2022: £nil).

6. FINANCE INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Interest income and revaluation on junior loan	1,354	5,617
Total	1,354	5,617

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COSTS

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest and fees payable on revolving credit facility	10,770	1,220
Interest payable on loans to Simon Bidco Limited	34,023	32,474
Realised (gain) / loss on foreign exchange	-	(4)
Interest and fees payable on failed sale liability	62,615	70,760
Release of deferred finance costs	8,817	4,548
Total	116,225	108,998

8. INCOME TAX

a) Amounts recognised in Statement of Comprehensive Income

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Deferred tax		
Current year	(4,239)	2
Adjustment in respect of previous periods	(855)	-
Effect of changes in tax rates	(267)	1,161
Total deferred tax charge / (credit) (Note 14)	(5,361)	1,163
Tax expense/(credit) as per Statement of Comprehensive Income	(5,361)	1,163

The Finance Bill 2021 increased tax rates from 19% to 25% in April 2023. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. Accordingly, deferred tax balances have been calculated using a rate of 25%, apart from on balances which were expected to reverse before 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX (continued)

b) Reconciliation of effective tax rate

The tax assessed for the year is lower (year ended 31 December 2022: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2023 of 23.52% (year ended 31 December 2022: 19.00%). The differences are explained below:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Profit (loss) on ordinary activities before tax	(38,141)	37,202
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 23.52% (2022: 19.00%)	(4,239)	7,068
Effects of:		
Adjustment in respect of prior year	(855)	
Tax rate changes	(267)	(623)
Group relief	-	(5,282)
Total tax expense/(credit)	(5,361)	1,163

9. PORTFOLIO INVESTMENTS

	31 December 2023 £'000	31 December 2022 £'000
Non-current		
Portfolio investments – amortised cost	717,530	684,579
Portfolio investments – fair value	27,052	13,068
Total non-current	744,582	679,647
Current		
Portfolio investments – amortised cost	344,498	311,881
Portfolio investments – fair value	-	-
Total current	344,498	311,881
Total portfolio investments	1,089,080	1,009,528

The amortised cost value includes the £56m impact of the 2022 change in ERC from 84 months to 120 months.

The movements in portfolio investment assets were as follows:

	31 December 2023 £'000	31 December 2022 £'000
Amortised cost		
As at the year brought forward	996,460	948,639
Portfolios acquired during the year	180,863	235,285
Collections in the year ¹¹	(397,092)	(491,479)
Income from portfolio investments	262,032	256,578
Portfolio write up	13,791	44,351
Gain on derecognition of financial assets	-	3,086
ABS acquired during the year	5,959	-
As at the year end	1,089,080	996,460

NOTES TO THE FINANCIAL STATEMENTS

9. PORTFOLIO INVESTMENTS (continued)

The carrying value as at 31 December 2023 represents discounted 120-month cashflows of £2,245.1m (31 December 2022: £2,348m). Of this amount, £852m (31 December 2022: £833m) has been provided as security in relation to the securitisation facilities.

The movements in fair value acquired portfolio investments were as follows:

	31 December 2023 £'000	31 December 2022 £'000
Fair value		
At start of year	13,068	-
Portfolios acquired during the year	31,824	12,497
Collections in the year	(264)	(590)
Income during the year	16	-
Fair value gain	4,923	1,161
Disposal	(22,500)	-
At end of year	27,068	13,068

10. INVOLVEMENT WITH UNCONSOLIDATED SECURITISATION VEHICLES

Unconsolidated securitisation vehicles are all structured entities that the Company has an interest in but does not control. The Company uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios. Servicing activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

Nature and risks associated with Company interests in unconsolidated structured entities:

Underlying asset type	UK
Loan receivables	
Number of entities at 31 December 2023	2
Portfolio investments	
Amortised cost	£5.9m
Fair value through the profit or loss	£18.8m
Fair value through other comprehensive income	£8.3m
Total assets at 31 December 2023	£33.0m

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Company's holdings at the fact that no additional support has been provided or committed to the vehicles. Unconsolidated structured entities in which the Company holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

NOTES TO THE FINANCIAL STATEMENTS

11. TRANSFER OF FINANCIAL ASSETS

In the ordinary course of business, the Company enters transactions that result in the transfer of financial assets, primarily loan receivables. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised in their entirety or to the extent of the Company's continuing involvement or are derecognised in their entirety.

The Company transfers financial assets that are not derecognised in their entirety or for which the Company has continuing involvement primarily through securitisation activities in which loan receivables are transferred to unconsolidated securitisation vehicles.

As at 31 December 2023 Wolf Receivables Financing Plc and Wolf Receivables Financing 3 Plc were unconsolidated and the remaining three SPVs were consolidated.

Transferred financial assets that are derecognised in their entirety

Sales to unconsolidated structured entities

Certain securitisation transactions undertaken by the Company result in the Group derecognising transferred assets in their entirety. This is the case when the Company transfers the ownership of the financial assets to the unconsolidated securitisation vehicle which the Company does not control. Where the financial assets are derecognised in their entirety, then the interest in the unconsolidated securitisation vehicles that the Company receives as part of the transfer and the servicing arrangement represent continuing involvement with those assets.

In April 2022, the Company sold certain loan receivables to a securitisation vehicle and, as part of the consideration, received 100% of the junior notes issued by the securitisation vehicle. The notes received represent 100% of the total issuance. In August 2022, the Group sold 51% of the Junior Notes to a third party, and this transaction was the trigger for the deconsolidation of the SPV and derecognition of the sold reperforming portfolio. The Company classified the Junior Notes as measured at FVTPL.

During the year ended 31 December 2022, the Company realised a gain of £13m on the sale of the loan receivables to the unconsolidated securitisation vehicle.

In December 2023 the Group sold £162m of portfolio assets, representing a portion of the total portfolio assets held by Lowell Receivables Financing 3 Limited, via Lowell Portfolio I Ltd, to Wolf Receivables Financing 3 PLC, recognising a loss on sale of the portfolios of £28m. The proceeds received by Lowell Receivables Financing 3 Limited were used to repay the Senior Loan in full. As a result, only the Junior Note remains outstanding, and Lowell Portfolio I Ltd continues to hold 100% of this Junior Note and consolidates the SPV. Lowell Portfolio I Ltd holds 12% of the Senior Note and 5% of the Junior Note issued by Wolf Receivables Financing 3 PLC. As at 31 December 2023, there was no material fair value movement or interest income received on the Wolf Receivables Financing 3 PLC Notes held due to the transaction occurring close to the financial year-end.

The Group initially subscribed to 100% of the Junior Notes whilst also entering into a separate agreement to sell 95% of the Notes to a third party 3 business days later. The Group recognised a receivable of £22.5m for this sale, which will be paid in instalments over the next 18 months as performance triggers are met.

NOTES TO THE FINANCIAL STATEMENTS

12. JUNIOR LOAN

	31 December 2023 £'000	31 December 2022 £'000
Non-current		
Junior Loan and interest to Lowell Receivables Financing 3 Limited	126,783	122,698
Current		
Junior Loan and interest to Lowell Receivables Financing 3 Limited	13,146	38,985
Total	139,930	161,683

In October 2022 Lowell Receivables Financing 3 Limited issued Junior Loan Notes of £158.6m bearing interest at a rate of 6.5% + SONIA to the Company.

13. TRADE AND OTHER RECEIVABLES

	31 December 2023 £'000	31 December 2022 £'000
Trade receivables	12	-
Amounts owed by immediate parent undertaking (Note A)	430,779	115,835
Other receivables	-	2
Prepayments and accrued income	11,482	15,046
Total	442,273	130,883

Note A: Amounts owed by Group undertakings are non-interest bearing and repayable on demand.

14. DEFERRED TAX

Deferred taxation assets recognised in the financial statements are as follows:

	Short term timing difference s £'000	Deferred Tax on losses £'000	Total £'000
At 1 January 2022	4	2,991	2,995
Prior year adjustment	-	-	-
(Charge)/Credited to the Statement of Comprehensive Income (Note 8)	(2)	(1,161)	(1,163)
At 1 January 2023	2	1,830	1,832
Prior year adjustment	-	855	855
(Charge)/Credited to the Statement of Comprehensive Income (Note 8)	-	4,239	4,239
Rate change	-	267	267
At 31 December 2023	2	7,191	7,193

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

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	31 December 2023 £'000	31 December 2022 £'000
Trade payables	100	100
Amounts owed to group undertakings (Note A)	519,634	159,926
Accruals and deferred income	2,922	11,342
Other payables	12,247	1,065
Other taxes and social security	2,139	-
Total	537,042	172,433

Note A: Amounts owed to Group undertakings are non-interest bearing and repayable on demand. For further details see Note 17.

16. PROVISIONS

	Unallocated Cash £'000	Other £'000	Total £'000
At 1 January 2022	368	1	369
Provisions made during the year	-	59	59
Provisions utilised during the year		(60)	(60)
At 31 December 2022	368	-	368
Provisions made during the year	-	-	-
Provisions utilised during the year	(213)	-	(213)
At 31 December 2023	155	-	155

The unallocated cash provision represents amounts received from consumers within the last 6 years which the company has not been able to identify from the information provided. The company is committed to identifying these consumers as soon as possible to make sure the cash has been correctly accounted.

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS

	31 December 2023 £'000	31 December 2022 £'000
Non-Current		
Unsecured borrowings at amortised cost		
Shareholder loans with Simon Bidco Limited	431,760	431,760
Secured borrowings at amortised cost		
Failed sale liability	226,248	334,732
Total borrowings due for settlement after 12 months	658,008	766,492

Loan with Simon Bidco Limited

On the 13 October 2015 the Company entered into a loan agreement with the Simon Bidco Limited. The loan was for an amount of £492.7m, attracting a compounding annual interest rate of 10%. The loan maturity date was 1 November 2023. The proceeds of the loan were used to repay the Senior Secured Notes and the RCF. As part of a wider group re-financing arrangement, on 5 November 2020, the contract for the outstanding loan of £391.8m between the Company and the parent undertaking of the Company was amended for the maturity date and interest rate. The loan is attracting compounding annual interest of 7.77% and maturity date is 31 October 2025. The principal amount outstanding as at 31 December 2023 was £391.8m (31 December 2022: £391.8m).

On 21 December 2020, the Company entered into a loan agreement with Simon Bidco Ltd, a parent undertaking of the Group, to borrow £40.0m at an interest rate of 7.77%. The proceeds of the loan were used to repay the RCF. The loan maturity date is 31 October 2025. The principal amount outstanding as at 31 December 2023 was £40.0m (31 December 2022: £40.0m).

Securitisation Facility – Asset Backed Loan (Lowell Receivables Financing 1)

On 29 June 2018, the Company along with Lowell Receivables Financing 1 Limited entered into a securitisation facility and thus a Senior Loan agreement totalling £255.0m. The funding was drawn on 20 November 2018 and bore interest at a rate equivalent to 2.75% plus 1-month LIBOR.

During 2018 to 2021, there were a number of amendments made to the Senior Loan agreement and at the beginning of the financial year, the refinanced facility bore an interest rate of SONIA + 3.28% with a maximum commitment of £175.0m.

The facility was amended on 30 October 2023 to replace the multiple Senior loan instruments with one Senior loan instrument. This had no valuation or accounting impact.

Securitisation facility – Asset Backed Loan (Lowell Receivables Financing 2)

On October 2021, the Company along with Lowell Receivables Financing 2 Limited (a newly incorporated special purpose vehicle), entered into a securitisation facility and thus a Senior Loan agreement totalling £215.0m and obtained funding of £85m, with a further £130m drawn down before the end of 2021. The Senior Loan bears interest at a rate 3.5% + SONIA. The structure is revolving until December 2023 and maturity date is 22 January 2027.

During 2022 the facility was increased to £225.0m and a further £10.0m was drawn down by the Group.

There were no further changes to the facility during 2023.

Securitisation facility – Asset Backed Loan (Lowell Receivables Financing 3)

In October 2022, Lowell Portfolio I Ltd along with Lowell Receivables Financing 3 Limited (a newly incorporated special purpose vehicle), entered into a securitisation facility and thus a Senior Loan agreement totalling £175.0m, against which £155.0m was drawn down. The Senior Loan bears interest at a rate 3.9% + SONIA.

On 20 December 2023, the Senior Loan was repaid in full as part of the Wolf Receivables Financing 3 plc transaction, where the assets were transferred to the Company at book value, as this was a transfer between group entities, and then sold by the Company to the SPV, resulting in a loss on sale of £28m.

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (continued)

	31 December 2023 £'000	31 December 2022 £'000
Current		
Unsecured borrowings at amortised cost		
Interest on loans with Simon Bidco Limited	5,594	5,594
Total unsecured borrowings due for settlement before 12 months	5,594	5,594
Secured borrowings at amortised cost		
Revolving credit facility (RCF)	157,000	94,664
Failed sale liability	187,518	53,321
Total secured borrowings due for settlement before 12 months	344,518	147,985
Total borrowings due for settlement before 12 months	350,112	153,579

The RCF in place is the Group RCF, for €455m that is managed for the Group by a fellow group undertaking, Garfunkelux Holdco 3 S.A. The Company is party to the RCF and therefore has access to draw on this facility. The RCF has a variable interest rate linked to LIBOR. The maturity of the RCF was extended in 2020 to September 2025.

18. SHARE CAPITAL

	31 December 2023 £'000	31 December 2022 £'000
Share Capital		
2 (2022:2) Ordinary shares of £1.00 each	2	2
Total	2	2

Ordinary Shares

Income: The profits of the Company available for distribution and resolved to be distributed shall be distributed to the holders of the Ordinary Shares pro rata to the number of Ordinary Shares held.

Voting: The holders of the Ordinary Shares shall have the right to receive notice of, and to attend, speak at and vote at any general meeting of the Company. The holders of the Ordinary Shares shall have one vote for each Ordinary Share held.

Capital: On a return of capital on liquidation, reduction of capital or otherwise, the balance of any assets available for distribution shall be distributed by paying each holder of the Ordinary Shares a sum equal to the issue price, thereafter of the balance remaining to the holders of Ordinary Shares only, pro rata to the number of Ordinary Shares held.

NOTES TO THE FINANCIAL STATEMENTS

19. 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.

The following tables show the Company's contractual maturities of financial liabilities including interest payments relating to the amounts owed to Group undertakings as at the Statement of Financial Position dates:

31 December 2023

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Amounts owed to Group undertakings*	437,355	465,324	16,782	16,782	431,759	-
Failed sale liability	413,766	476,627	87,482	112,894	276,251	-
Revolving credit	157,000	157,747	157,747	-	-	-
Trade and other payables	537,042	537,042	537,042	537,042	537,042	-
Total liabilities	1,545,163	1,636,740	799,054	129,676	708,010	-

*Includes interest

31 December 2022

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Amounts owed to Group undertakings	431,759	566,019	16,782	16,782	532,454	-
Loan interest	5,594	5,594	5,594	-	-	-
Failed sale liability	388,053	620,231	8,292	39,934	572,005	-
Revolving credit	94,664	94,664	94,664	-	-	-
Trade and other payables	172,433	172,433	172,433	-	-	-
Total liabilities	1,092,503	1,458,941	297,765	56,717	1,104,459	-

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	31 December 2023 £'000	31 December 2022 £'000
Financial assets		
Portfolio investments	1,089,079	1,009,528
Junior Loan	139,930	161,593
Other financial assets	22,250	0
Trade and other receivables	442,273	130,883
Cash and Cash equivalents	32,120	9,112
Financial liabilities		
Revolving credit facility	(157,000)	(94,664)
Trade and other payables	(537,042)	(172,433)
Loan with immediate parent undertaking	(437,355)	(437,354)
Failed sale liability	(413,766)	(388,053)

Fair value of financial instruments

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.

	Carrying amount		Fair Value	
	31 December 2023 £'000	31 December 2022 £'000	31 December 2023 £'000	31 December 2022 £'000
Financial assets				
Portfolio investments	1,089,079	1,009,528	1,089,079	1,009,528
Junior Loan	139,930	161,593	139,930	161,593
Other financial assets	22,250	0	22,250	0
Trade and other receivables	442,273	130,883	442,273	130,883
Cash and Cash equivalents	32,120	9,112	32,120	9,112
Financial liabilities				
Revolving credit facility	(157,000)	(94,664)	(157,000)	(94,664)
Trade and other payables	(537,042)	(172,433)	(537,042)	(172,433)
Loan with immediate parent undertaking	(437,355)	(437,354)	(437,355)	(437,354)
Failed sale liability	(413,766)	(388,053)	(413,766)	(388,053)

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.
- > 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 cash flows as detailed above.
- > The fair value of the portfolio investments is determined using a discounted cashflow model. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.
- > The fair value of non-financial instruments has been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (continued)

- > The fair value of the portfolio is determined using a discounted cash flow model with unobservable inputs.

20. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Profit for the year	(38,141)	36,038
Adjustments for:		
Interest income	(1,354)	(5,617)
Tax expense	5,361	1,164
Finance costs	116,225	108,999
Release of deferred finance cost	(8,817)	
	73,274	140,584
(Increase)/decrease in portfolio investments	(79,551)	(186,468)
(Increase)/decrease in trade and other receivables	(311,390)	2,083
Increase/(decrease) in trade and other payables	364,609	7,377
(Increase)/decrease in other financial assets	(22,250)	
(Increase)/decrease in junior loan	23,036	-
(Increase)/decrease in Deferred tax asset	(5,361)	-
Cash generated from operating activities	42,367	(36,424)
Income taxes paid	-	-
Net cash (used in)/generated from operating activities	42,367	(36,424)

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Total cash and equivalents	32,120	9,112

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.

The Company holds cash in relation to its securitisation facility. This restricted cash balance, of £7.1m (31 December 2022: £2.9m), is included within cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

21. RECONCILIATION OF MOVEMENTS IN BORROWINGS TO FINANCING CASH FLOWS

	Shareholder loan £'000	RCF £'000	Failed Sale Liability £'000	Total £'000
Balance at 1 January 2023	437,354	94,664	388,053	920,071
Changes from financing cash flows				
Proceeds from loans and borrowings		62,753	222,084	284,837
Repayment of borrowings			(185,182)	(185,182)
Interest paid	(34,023)	(11,187)	(73,804)	(119,015)
Total changes from financing cash flows	(34,023)	51,566	(36,902)	(19,360)
Changes from liabilities				
Interest expense	34,023	10,770	62,615	107,408
Total liability related changes	34,023	10,770	62,615	107,408
Balance at 31 December 2023 (Note 17)	437,354	157,000	413,766	1,008,120

22. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Bidco Limited.

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Transactions with related parties		
Intermediate Parent Undertaking		
Loan interest expenses charged by Simon Bidco Limited	(33,565)	(33,565)
Regional management fee costs (from)/to Simon Midco Limited	(16)	-
Regional management fee costs (from)/to Simon Bidco Limited	-	5,594
Other Group Undertaking		
Regional management fee costs from Lowell Financial Ltd	(153,425)	(89,563)
Expenses and costs recharged from Lowell UK Shared Services Limited	(12,525)	(41,909)
	31 December 2023 £000	31 December 2022 £000
Year end balances with related parties		
Immediate Parent Undertaking		
Metis Bidco Limited (trading)	14,264	7,741
Intermediate Parent Undertaking		
Simon Bidco Limited (trading)	(15,699)	(53,494)
Simon Bidco Limited (loan and interest)	(437,354)	(437,354)
Simon Midco Limited	62,072	61,622
Simon Holdco Limited	15	21
Other Group Undertaking		
Lowell Financial Ltd	(164,859)	(78,127)
Lowell UK Shared Services Limited	44,776	8,948
Overdales Legal Limited	(3,966)	256
Lowell Receivables Financing 3 Limited	(71,273)	-
Lowell Group Shared Services Limited	49,721	6,680
Wolf Receivables Financing plc	2,261	2,261



NOTES TO THE FINANCIAL STATEMENTS

22. RELATED PARTY TRANSACTIONS (continued)

All transactions are on an arm’s length basis.

All these balances are non – interest bearing and repayable on demand except for the loan balances with Simon Bidco Limited. Further details in relation to the loan maturity and interest rate charged are set out in Note 19.

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £00
Directors’ emoluments	644	523

23. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Garfunkelux S.A.R.L., which is the ultimate parent company, incorporated in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Garfunkelux Holdco 2 S.A., incorporated in Luxembourg. The smallest group in which they are consolidated is that headed by Metis Bidco Limited, incorporated in England and Wales. The consolidated financial statements of Garfunkelux Holdco 2 S.A. and Metis Bidco Limited are each available from their registered offices at 488, route de Longwy, L – 1940, Luxembourg and at No. 1 The Square Thorpe Park View, Thorpe Park, Leeds, England, LS15 8GH respectively.