Lowell

Company No. 04857418

LOWELL PORTFOLIO I LTD

Report and Financial Statements
Year ended 31 December 2022

Lowell

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REPORT AND FINANCIAL STATEMENTS
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LOWELL PORTFOLIO I LTD
REPORT AND FINANCIAL STATEMENTS
OFFICERS AND PROFESSIONAL ADVISERS

Directors

J P Flaherty (Resigned 31 August 2023)
C Marsh
H McGregor (Resigned 31 October 2022)
J S Pears
F C Barker (Appointed 1 July 2022)
K Blake (Appointed 1 July 2022)
C B Gunnigle (Appointed 13 December 2022)
C G Storrar (Resigned 1 July 2022)

Registered office

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EC2M 4AA

Solicitors

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Milton Gate
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London
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LOWELL PORTFOLIO I LTD
DIRECTORS' REPORT
Year ended 31 December 2022

The directors present their report and financial statements of Lowell Portfolio I Ltd ("the Company") for the year ended 31 December 2022. 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 remain confident that the Company, as part of the Group will continue to grow as a result of further investment in non-performing debt portfolios in the UK and the provision of wider credit receivable management on behalf of third parties. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis (further details are included in Note 1) and, after taking management actions as required, the Group and the Company maintains sufficient liquidity and cash reserves to continue as a going concern.

DIVIDENDS

The directors do not recommend any dividends to be paid for the year (year ended 31 December 2021: £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 £62,000 (year ended 31 December 2021: £74,916). There were no political donations made or political expenditure incurred during the 2022 financial year (year ended 31 December 2021: £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 2022 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:

Fiona Barker

F Barker
Director
10 May 2024

Lowell

LOWELL PORTFOLIO I LTD
STRATEGIC REPORT
Year ended 31 December 2022

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 2022 the key objectives of the Company were to

- responsibly drive collection effectiveness and efficiency
- exceed customer expectations, through driving positive customer engagement and outcomes
- manage risks with effective governance
- make Lowell a place where people can thrive and
- be the partner of choice for our clients

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.

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 2022, the Company acquired 1.9m (year ended 31 December 2021: 2.2m) consumer debt accounts with a face value of £1.6bn (year ended 31 December 2021: £1.1bn). The business acquired portfolios from 34 vendors during the year (year ended 31 December 2021: 32) across a wide range of industry sectors, including e-Commerce, Financial Services, Telecommunications and Utilities.

The overall carrying value of portfolio investments stood at £1,009.5 m at 31 December 2022 (31 December 2021: £948.6m). Included within the increase in the portfolio investments carrying value is £56.1m which relates to the change in accounting estimate from 84-month ERC curves to 120-month ERC curves.

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 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 £521.3m were drawn as at 31 December 2022.

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).

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.

In the prior period, 84m ERC was determined as a KPI, however in the year ended 31 December 2022, this has been replaced by 120m ERC. As at 31 December 2022, management's analysis shows that 120-months is an appropriate useful economic life for portfolio assets across the Group, being a change from the prior period where management's analysis showed 84m was more appropriate (see Note 2).

The Company has a 120-month ERC of £2,348m at 31 December 2022 (31 December 2021: £2,169m), an increase of 8.3%. There is a significant tail of cash flow forecast inherent in our portfolios past the 120

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LOWELL PORTFOLIO I LTD
STRATEGIC REPORT
Year ended 31 December 2022

FINANCIAL PERFORMANCE (continued)
months ERC period not reflected in our ERC at 31 December 2022. 180-month ERC was £2,835.8m at 31 December 2022 (31 December 2021: £2,612.7m), an increase of 8.5%.

As shown in the Statement of Comprehensive Income, the business made an operating profit of £140.6m in the year ended 31 December 2022 (year ended 31 December 2021: profit £123.2m). The increase in profit includes a positive net portfolio write-up of £44.4m. The Company's profit before tax for the year was £37.2m (year ended 31 December 2021: £57.3m).

Finance costs increased by £43m from £66m in 2021 to £109m in 2022, driven by the costs of the Group's new securitisation vehicle, offset slightly by a reduction in the Group's weighted average cost of debt.

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 Section 172 Statement below.

The consumer debt investor and debt management industries are expected to consolidate around a smaller number of trusted partners. Clients are increasingly reducing their auction panel sizes as they seek to maintain relationships with those investors who can demonstrate customer focus, while economies of scale give competitive advantage in terms of cost of collection and indeed funding. We benefit from a strong record in 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 39 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 Group continuously monitors collections performance and macroeconomic developments to determine whether there is any impact on its business.

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.

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 Groups

OUTLOOK (continued)

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.

Section 172 Statement

The Company has developed a strategy for the future, which is described using the five strategic priorities outlined below:

1. Our Customers

"Build a brand that our customers can believe in and deliver a simple and stress-free experience for every customer, no matter their personal circumstance".

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.

> During 2022, Lowell engaged with the Financial Conduct Authority to respond to the cost-of-living crisis and the Board discussed the emerging impacts of the cost-of-living crisis on customers through KPIs such as the number of accounts put on hold for breathing space, average disposable income and the number of customers who are able to take settlement offers. In support of our focus on the cost-of-living crisis a detailed plan was developed to ensure relevant focus on customer support initiatives and management information monitoring. The first in a series of Affordability training sessions was delivered in June 2022, followed up with modules on Quality Conversations.

> With the rising cost of living creating increasing pressure for many of our customers, it is more important than ever for customers to make sure they are not missing out on any extra financial support they could be entitled to. Lowell launched a benefits calculator, in partnership with Entitledto, one of the UKs leading benefit calculator providers to provide customers with an easy way to check that they're not missing out on any extra financial support.

> The Customer Support hub was launched in November 2022 and offers 24/7 online help and support to build customer confidence in how the business can support them when they are in a difficult situation. As well as raising awareness of our Pledges to Customers in Vulnerable Situations, the hub provides links to relevant external organisations that can offer specialist support and encourages customers to engage with us. We continue to develop our range of content, starting with cost-of-living increases, and now including debt guidance, life events (such as job loss, divorce and separation), and mental health.

> The new online complaints portal, launched in the UK during 2022, enables customers to track the progress of their complaints in real time and to receive the resolution via the App. The functionality is now live on IOS and Android mobile apps and Lowell has management information available to enable the business to view customer touchpoints along the complaints journey including how they access the complaints portal to review progress/download Final Response letters.

2. Our People

"Making life at Lowell effortless, fun, supportive and engaging so our people can focus on delivering and being responsible for being their best every day".

Our colleagues remain our foundation and how they work to deliver the right customer outcomes daily 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, 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 new 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.

Section 172 Statement (continued)

Our People (continued)

- During 2022, Lowell sought to build on its well-established values framework by introducing a new Groupwide Employer Value Proposition (EVP), Together We Go Further. The EVP is supported by four pillars: sustainability, hybrid-working, leadership development and career progression.
- Looking ahead, our EVP will help us to attract, engage and retain our colleagues. It will also drive improvements to how we work, from improving our recruitment processes and broadening the demographics of our workforce, to improving our succession planning and embedding diversity and inclusion into all our processes.
- Our Colleague Engagement score in the UK has seen an increase year on year, reflecting and validating our approach of listening to colleagues and adapting to support their needs, as enshrined in our EVP.
- Our new UK head office building has been purpose-built and is designed to reflect how we expect to work in the future. It is a great space for colleagues to meet, collaborate and connect with each other. The move was completed in Q3 2023.
- Lowell welcomed Hoist colleagues into the Lowell family with the Hoist office in Salford, enabling Lowell to attract and retain the best talent within the industry in the North West.

3. *Our Clients*

"Building strong relationships with our existing and potential clients, consistently adding value to our businesses".

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 us. We seek to build long-term sustainable relationships that allow us to help our clients manage customers who have moved into arrears. This has allowed us to build partnerships with leading businesses, particularly in our key sectors of e-Commerce, Financial Services, Telecommunications and Utilities.

- In 2022, the focus remained on strategic expansion into the UK financial services sector, specifically banking.

4. *Our Operations*

"Develop and deliver a flexible and tailored approach for our customers, clients and colleagues alike"

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.
- Throughout 2022 the business deployed and monitored a range of initiatives, many of which were trial-based, to aid the development of an enhanced selection criteria and optimal dialling strategies.
- We are 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 capability and efficiency.

5. *Financial Strength*

"Drive a leaner business by tightening our focus to deliver sustainable, profitable growth"

The core strength of the Group remains our ability to acquire and collect on non-performing consumer debt portfolios.

- During 2022 the UK continued to be the wider Garfunkelux Group's largest region accounting for 63% of the Group Cash EBITDA, with £2.7bn 120-month ERC, with £2.3bn relating to this Company.
- Throughout 2022 the Board discussed financial strength and funding. As at December 2022, the Garfunkelux Group has available liquidity of £153m and leverage continues at the lower end of the public guidance.

LOWELL PORTFOLIO I LTD
STRATEGIC REPORT (continued)
Year ended 31 December 2022

Section 172 Statement (continued)

By adopting the five strategic priorities above, we have formalised the relationships with our stakeholders, with other key stakeholders identified as:

a. Regulators

The main regulatory bodies are the Financial Conduct Authority (FCA), overseeing the debt purchase and debt collection activities; and the Solicitors Regulation Authority (SRA), overseeing litigation activities. Of these regulatory bodies, the Company is only regulated by the FCA.

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.

b. Our Suppliers

Our commitment to Operational Excellence means that in each step of the business we consider whether any activity should be supplied internally or externally. We ensure that contact with each of our suppliers remains proportionate to their impact on the business and undertake regular business reviews.

c. Our Investors

The Metis Bidco Group is made up of a number of trading subsidiaries, responsible for the Lowell operations in the UK. Engagement with Investors is predominately led by the wider Garfunkelux Group with the key engagement channel being the presentation of the quarterly results.

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

Fiona C Barker

F Barker
Director
10 May 2024

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LOWELL PORTFOLIO I LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
Year ended 31 December 2022

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.

LOWELL PORTFOLIO I LTD
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue			
Income from portfolio investments	1,9	256,578	246,892
Portfolio write up	1,9	44,351	38,999
Gain on derecognition of financial assets	9	3,086	
Portfolio fair value gain	1,9	1,161	
Other income		-	133
Total revenue		**305,176**	**286,024**
Operating expenses			
Collection activity costs	1	(34,522)	(127,919)
Other expenses		(130,070)	(34,951)
Total operating expenses		**(164,592)**	**(162,870)**
Operating profit		**140,584**	**123,154**
Interest income	6	5,617	-
Finance costs	7	(108,999)	(65,826)
Profit before tax		**37,202**	**57,328**
Income tax (expense) / credit	8	(1,164)	(1)
Profit for the year attributable to equity shareholders		**36,038**	**57,327**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to equity Shareholders		**36,038**	**57,327**

All results relate to continuing operations.

The notes on pages 12 to 31 form part of these financial statements.

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LOWELL PORTFOLIO I LTD
STATEMENT OF FINANCIAL POSITION
Year ended 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Non-current assets			
Portfolio investments – amortised cost	9	684,579	588,166
Portfolio investments – fair value	9	13,068	
Junior Loan	12	122,698	-
Deferred tax	14	1,832	2,994
Total non-current assets		**822,177**	**591,160**
Current assets			
Portfolio investments- amortised cost	9	311,881	360,473
Junior Loan	12	38,895	
Trade and other receivables	13	130,883	126,786
Cash and cash equivalents	20	9,112	36,092
Total current assets		**490,771**	**523,351**
Total assets		**1,312,948**	**1,114,511**
Equity			
Share capital	18	-	-
Capital contribution reserve		267	267
Retained earnings		220,041	184,002
Total equity attributable to shareholders		**220,308**	**184,269**
Liabilities			
Non-current liabilities			
Borrowings	17	766,492	753,282
Total non-current liabilities		**766,492**	**753,282**
Current liabilities			
Trade and other payables	15	172,433	117,457
Provisions	16	136	369
Borrowings	17	153,579	59,134
Total current liabilities		**326,148**	**176,960**
Total equity and liabilities		**1,312,948**	**1,114,511**

For the year ended 31 December 2022 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 10 May 2024.

Signed on behalf of the Board of Directors by:

Fiona C Barker

F Barker
Director
10 May 2024

The notes on pages 12 to 31 form part of these financial statements.

LOWELL PORTFOLIO I LTD
STATEMENT OF CHANGES IN EQUITY AND STATEMENT OF CASH FLOWS
Year ended 31 December 2022

	Share Capital £000	Capital Contribution Reserve £000	Retained Surplus £000	Total £000
Balance at 1 January 2021	**-**	**267**	**126,676**	**126,943**
Profit for the year	-	-	57,327	57,327
Balance at 31 December 2021		**267**	**184,003**	**184,270**
Profit for the year	-	-	36,038	36,038
Balance at 31 December 2022		**267**	**220,041**	**220,308**

The notes on pages 12 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Net cash (used in)/ generated from operating activities	**20**	**(36,425)**	**16,272**
Financing activities			
New borrowings		210,872	310,500
Repayment of borrowings		(151,631)	(252,440)
Interest paid		(49,796)	(41,714)
Net cash generated from financing activities		**9,445**	**16,346**
Net increase/decrease in cash and cash equivalents		**(26,980)**	**32,618**
Cash and cash equivalents at beginning of year		36,092	3,536
Exchange differences		-	(62)
Cash and cash equivalents at end of year*	20	**9,112**	**36,092**

*Cash and cash equivalents at 31 December 2022 contains £2.9m of restricted cash (31 December 2021: £4.4m). See note 20 for further details.

The notes on pages 12 to 31 form part of these financial statements.

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with UK-adopted international accounting standards. Those standards have been applied consistently to the historical periods.

Going concern

These financial statements have been prepared on a going concern basis, as the Company's parent company Metis Bidco Limited, has indicated that it will provide financial support to the Company for a period of at least one year from the date of the approval of the financial statements, to enable it to discharge its liabilities as they fall due.

Work has been performed at both Company and Group level, including forecasting of severe but plausible downsides, which show that combined operating cash flows of the Group, together with the cash resources and borrowings under the Garfunkelux Group's Revolving Credit Facility, will be sufficient to fund the Company's debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases.

Further explanation of the assessment of going concern of the Company's parent Metis Bidco Limited can be found on page 24 of the Metis Bidco Limited report and consolidated financial statements for the year ended 31 December 2022.

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.

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.

1. ACCOUNTING POLICIES (continued)

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.

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

1. ACCOUNTING POLICIES (continued)

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.

Derecognition of financial assets

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.

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.

1. ACCOUNTING POLICIES (continued)

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.

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.

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 2022, 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. Management has applied an overlay to the modelled ERC to allow for the deferred and not lost collections together with future positive impacts of the delivery of detailed collections initiatives and operational improvements.

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 2022 by £9.6m (at 31 December 2021: £9.5m).

A key accounting estimate is the useful economic life of the Group's portfolio investments. Management's analysis shows that 120-months is an appropriate useful economic life for portfolio assets across the Group, see note 9 for further details. In changing the accounting estimate from 84 to 120 months, the Group recognised a £56.0m revaluation gain.

The estimated life of portfolios in the Group has increased from 84 months to 120 months as at 31 December 2022, largely as a result of the impact of the Hoist Finance acquisition. Management concluded that the period over which substantially all the cashflows are recovered from the UK portfolio assets is on average 120 months, bringing it in line with the Group's other regions. The impact to the balance sheet as at 31 December 2022 of this change in accounting estimate is:

	84m estimated life £m	Revaluation £m	120m estimated life £m
Portfolio investments	953.5	56.0	1,009.5

The impact to the profit or loss for the year ended 31 December 2022 of this change in accounting estimate is:

	Year ended 31 December 2022 £m
Portfolio write up	56.0
Income from Portfolio Investments	-

The change in accounting estimate is applied prospectively.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 then 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 the year, 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.

3. SIGNIFICANT RISKS

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

> Credit risk

> Liquidity risk

> Market risk

> Conduct risk

> Operational risk

> Regulatory risk

> Interest rate risk

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty 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 2022 the Company had 39.2m individual customer accounts (at 31 December 2021: 32.5m), of those 18.4m were still open (31 December 2021: 17.6m) and of those 3.7m made at least one payment during the last 12 months (year ended 31 December 2021: 3.7m). The average balance on a customer account at 31 December 2022 was £662 (at 31 December 2021: £694).

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, which scrutinises all aspects of debt acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

3. SIGNIFICANT RISKS (continued)

Credit risk (continued)

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 2022 was 4.84% (2021: 5.10%). 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.

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 manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 December 2022, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on borrowing facilities.

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 2022 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.

Conduct risk

Conduct risk is the risk of actions, practices, behaviours or decisions leading to inappropriate or inadequate customer outcomes. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk by focussing on fair customer outcomes through a series of policies and the monitoring of actions. These are reported through a comprehensive structure to uphold the 6 Principles of Treating Customers Fairly with the outcome of these activities also scrutinised externally through regular client audits.

3. SIGNIFICANT RISKS (continued)

Conduct risk (continued)

The Financial Conduct Authority introduced a new Consumer Duty, with an implementation deadline in 2023, to bring about a fairer, more consumer-focused, and level playing field, in which firms compete vigorously in the interests of consumers. Failure to implement the standards or provide sufficient evidence to the regulator the Company is on track to be compliant with the Duty could result in regulatory scrutiny and potential sanctions. The Company will ensure sufficient resources are available to verify the customer journey achieves good customer outcomes in line with regulatory timelines.

Operational risk

Operational risk is defined by the Company 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. The risk of cyber-attacks impacting business operations is increasingly material, due to the ongoing increase in the volume and complexity of external threats. We continue to take proactive steps to manage security and resilience risks 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.

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.

Interest rate risk

Interest rate risk is the risk of changing interest rates. 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.

The Company's RCF has a variable interest rate. As at 31 December 2022 the Company had £93.5m drawn down (31 December 2021: £nil).

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 profit for the year ended 31 December 2022 would be £2.4m (year ended 31 December 2021: £1.4m). This is attributable to the Company's exposure to interest rates on its variable rate borrowings.

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 2022 £000	Year ended 31 December 2021 £000
Directors' emoluments	523	162

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 2021: three).

The highest paid director received remuneration in respect of services to the Company of £177k. (year ended 31 December 2021: £95k).

The Company has no employees (year ended 31 December 2021: none).

5. AUDITOR'S REMUNERATION

Audit services in respect of these financial statements were £nil (year ended 31 December 2021: £120,750).

6. INTEREST INCOME

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest income and revaluation on junior loan (note 12)	5,617	-
	5,617	**-**

7. FINANCE COSTS

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest and fees payable on revolving credit facility	1,220	482
Interest payable on loans to Simon Bidco Limited (Note 17)	32,474	36,826
Realised (gain) / loss on foreign exchange	(4)	25
Interest and fees payable on failed sale liability (Note 17)	70,760	28,493
Release of deferred finance costs	4,548	-
	108,999	**65,826**

8. INCOME TAX

a) Amounts recognised in Statement of Comprehensive Income

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Deferred tax		
Current year	2	2
Effect of changes in tax rates	1,161	(1)
Total deferred tax charge / (credit) (Note 14)	**1,163**	**1**
Tax expense/(credit) as per Statement of Comprehensive Income	**1,163**	**1**

The Finance Bill 2021 provided for the rate of corporation tax rate to be maintained at 19% but from April 2023 it will be 25%. 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 are expected to reverse before 1 April 2023.

b) Reconciliation of effective tax rate

The tax assessed for the year is lower (year ended 31 December 2021: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2022 of 19.00% (year ended 31 December 2021: 19.00%). The differences are explained below:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit on ordinary activities before tax	**37,202**	**57,328**
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2021: 19.00%)	7,068	10,892
Effects of:		
Tax rate changes	(623)	(1)
Group relief	(5,282)	(10,891)
Amounts not recognised	-	-
Total tax expense/(credit)	**1,163**	**1**

9. PORTFOLIO INVESTMENTS

	31 December 2022 £000	31 December 2021 £000
Non-current		
Portfolio investments – amortised cost	684,579	588,166
Portfolio investments – fair value	13,068	-
Total non-current	**679,647**	**588,166**
Current		
Portfolio investments	311,881	360,473
Total portfolio investments	**1,009,528**	**948,639**

9. PORTFOLIO INVESTMENTS (continued)

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

The movements in portfolio investment assets were as follows:

	31 December 2022 £000	**31 December 2021 £000**
Opening balance	948,639	948,947
Portfolios acquired during the year	235,285	168,515
Collections in the year	(491,479)	(454,714)
Income from portfolio investments	256,578	246,892
Portfolio write up	44,351	38,999
Gain on derecognition of financial assets	3,086	-
As at the year end	**996,460**	**948,639**

The carrying value as at 31 December 2022 represents discounted 120-month cashflows of *£2,348m (31 December 2021: £2,169m). Of this amount, £852m (31 December 2021: £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 2022 £000	**31 December 2021 £000**
At start of year	**-**	**-**
Portfolios acquired during the year	12,497	-
Collections in the year	(590)	-
Fair value gain	1,161	-
At end of year	**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 2022	1
Portfolio investments	
Fair value through the profit or loss	£13.1m
Amortised cost	-
Total assets at 31 December 2022	£13.1m

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.

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 2022 only Wolf Receivables Financing Plc was 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. During the year ended 31 December 2022, it recognised income of £1.2m in profit and loss on the 51% junior note holding.

The cumulative income on the notes held on 31 December 2022 was £1.2m.

The following table sets out the details of the assets that represent the Company's continuing involvement with the transferred assets that are derecognised in their entirety:

Type of continuing involvement	**Fair value assets**
Notes issued by unconsolidated vehicles	£13.1m
31 December 2022	£13.1m

The amount that best represents the Company's maximum exposure to loss from its continuing involvement in the form of notes issued by unconsolidated securitisation vehicles is their carrying amount.

In 2022 the Company transferred loan receivables (whilst retaining servicing rights within the wider Group) to an unconsolidated securitisation vehicle. The loans sold were classified as loan receivables and measured at amortised cost. The total carrying amount of these loans at the time of transfer was £76.4m in April 2022.

A gain of £13m was recognised on the transfer as the loan receivables were measured at amortised cost.

12. JUNIOR LOAN

	31 December 2022 £000	31 December 2021 £000
Non-current		
Junior Loan and interest to Lowell Receivables Financing 3 Limited	122,698	-
Current		
Junior Loan and interest to Lowell Receivables Financing 3 Limited	38,895	-
Total Junior Loan	**161,593**	**-**

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 2022 £000	31 December 2021 £000
Other receivables	2	340
Prepayments and accrued income	15,046	7,938
Amounts owed by Group undertakings (Note A)	115,835	118,508
	130,883	**126,786**

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 differences £000	Deferred tax on losses £000	Total £000
At 1 January 2022	**4**	**2,991**	**2,995**
Prior year adjustment	-	-	-
(Charge) / Credit to the Statement of Comprehensive Income (Note 8)	(2)	(1,161)	(1,163)
At 31 December 2022	**2**	**1,830**	**1,832**

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

15. TRADE AND OTHER PAYABLES

	31 December 2022 £000	31 December 2021 £000
Trade payables	100	127
Accruals	11,342	1,315
Other payables	1,065	1,682
Amounts owed to Group undertakings (Note A)	159,926	114,333
	172,433	***117,457***

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

LOWELL PORTFOLIO I LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2022

16. PROVISIONS

	Unallocated Cash £000	Other £000	Total £000
At 1 January 2022	**368**	**1**	**369**
Provisions made during year		59	59
Provisions released during year	(232)	(60)	(292)
At 31 December 2022	**136**	**0**	**136**

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.

17. BORROWINGS

	31 December 2022 £000	31 December 2021 £000
Non-Current		
Unsecured borrowings at amortised cost		
Shareholder loans with Simon Bidco Limited	431,760	431,759
Secured borrowings at amortised cost		
Failed sale liability	334,732	321,523
Total borrowings due for settlement after 12 months	**766,492**	**753,282**

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 is 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 2022 was £391.8m (31 December 2021: £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 2022 was £40.0m (31 December 2021: £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.

No further amendments were made to the Senior Loan agreement during the financial year.

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

17. BORROWINGS (continued)

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

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.

	31 December 2022 £000	31 December 2021 £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)	94,664	-
Failed sale liability	53,321	53,540
Total secured borrowings due for settlement before 12 months	**147,985**	**53,540**
Total borrowings due for settlement before 12 months	**153,579**	**59,134**

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 2022 £	31 December 2021 £
Allotted and fully paid		
2 (2021:2) Ordinary shares of £1.00 each	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.

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 2022

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-5 years	Over 5 years
	£000	£000	£000	£000	£000	£000
Amounts owed to Group undertakings	437,353	526,860	16,782	16,782	493,295	-
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**	**-**

31 December 2021

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-5 Years	Over 5 years
	£000	£000	£000	£000	£000	£000
Amounts owed to Group undertakings	437,353	571,614	22,378	16,782	532,454	-
Failed sale liability	375,063	516,675	23,595	33,630	440,966	18,484
Trade and other payables	117,458	117,458	117,458	-	-	-
Total liabilities	**929,874**	**1,205,747**	**163,431**	**50,412**	**973,420**	**18,484**

19. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	31 December 2022 £000	31 December 2021 £000
Financial assets		
Cash and cash equivalents	9,112	36,092
Portfolio investments	1,009,528	948,639
Trade and other receivables	*130,883*	*126,786*
Deemed loans to originator	161,593	-
Financial liabilities		
Borrowings	(920,071)	(812,416)
Trade and other payables	(172,433)	(117,458)
Provisions	*(136)*	-

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 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Financial assets				
Portfolio investments	1,009,528	948,639	1,009,528	948,639
Trade and other receivables	*130,883*	*126,786*	*130,883*	*126,786*
Financial liabilities				
RCF	(94,664)	-	(94,664)	-
Trade and other payables	*(172,433)*	*(117,458)*	*(172,433)*	*(117,458)*
Amounts owed to parent	(437,353)	(437,353)	(437,353)	(437,353)
Senior Loan	(53,321)	-	(53,321)	-
Failed sale liability	(334,732)	(375,063)	(334,732)	(375,063)
Provisions	*(136)*	-	*(136)*	-

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.

19. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

> 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 have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

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

20. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit for the year	**36,038**	**57,327**
Adjustments for:		
Interest income	(5,617)	-
Tax expense	1,163	1
Finance costs	108,999	65,826
	140,583	**123,154**
(Increase) / decrease in portfolio investments*	(186,468)	308
(Increase) / decrease in trade and other receivables	2,083	(110,791)
Increase in trade and other payables	7,377	3,601
Cash generated from operating activities	**(36,425)**	**16,272**
Income taxes paid	-	-
Net cash (used in)/generated from operating activities	**(36,425)**	**16,272**

	31 December 2022 £000	31 December 2021 £000
Cash and bank balances	**9,112**	**36,092**

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 £2.9m (31 December 2021: £4.4m), is included within cash and cash equivalents.

Lowell

21. RECONCILIATION OF MOVEMENTS IN BORROWINGS TO FINANCING CASH FLOWS

	Shareholder loan	RCF	*Failed sale* liability	Total
	£000	£000	£000	£000
Balance at 1 January 2022	**437,354**	**-**	**375,062**	**812,416**
Changes from financing cash flows				
Proceeds from loans and borrowings	-	144,500	66,372	210,872
Repayment of borrowings	-	(51,000)	(65,151)	(116,151)
Interest and fees paid	(32,474)	(56)	(52,743)	(85,273)
Total changes from financing cash flows	**(32,474)**	**93,444**	**(51,523)**	**9,446**
Changes from liabilities				
Interest expense	32,474	1,220	64,514	98,207
Total liability related changes	***32,474***	***1,220***	***64,514***	***98,207***
Balance at 31 December 2022	**437,354**	**94,664**	**388,053**	**920,070**

22. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Transactions with related parties		
Intermediate Parent Undertaking		
Loan interest expenses charged by Simon Bidco Limited	(33,565)	(41,099)
(Repayment)/drawdown of loan with Simon Bidco Limited	-	(56,612)
Regional management fee costs (from)/to Simon Bidco Limited	5,594	-
Other Group Undertaking		
Service fee charged by Lowell Financial Ltd	-	(108,279)
Court fees recharged from Lowell Financial Ltd	-	(23,851)
Regional management fee costs from Lowell Financial Ltd	(89,563)	-
Servicing fee recharged by Lowell Receivables Financing 1 Limited	-	(10,903)
Finance costs on amounts due to Lowell Receivables Financing 1 Limited	-	(25,093)
Redemption of failed sale liability to Lowell Receivables Financing 1 Limited	-	(66,840)
Failed sale liability proceeds from Lowell Receivables Financing 2 Limited	-	215,000
Net amounts transferred to Lowell Receivables Financing 2 Limited	-	(8,023)
Expenses and costs recharged from Lowell Holding Gmbh	-	12
Expenses and costs recharged from Lowell UK Shared Services Limited	(41,909)	(25,608)

22. RELATED PARTY TRANSACTIONS (continued)

	31 December 2022 £000	31 December 2021 £000
Year end balances with related parties		
Immediate Parent Undertaking		
Metis Bidco Limited (trading)	7,741	5,654
Intermediate Parent Undertaking		
Simon Bidco Limited (trading)	(53,494)	(37,227)
Simon Bidco Limited (loan and interest)	(437,354)	(437,353)
Simon Midco Limited	61,622	105,806
Simon Holdco Limited	21	15
Other Group Undertaking		
Lowell Financial Ltd	(78,127)	(92,911)
Lowell Receivables Financing 1 Limited (trading)	-	13,476
Lowell Receivables Financing 1 Limited (loan and interest)	-	(160,728)
Fredrickson International Limited	-	42
Lowell UK Shared Services Limited	8,948	17,283
Lowell Solicitors Limited	-	2,452
Overdales Legal Limited	256	1,442
Lowell Receivables Financing 2 Limited	-	(209,611)
Lowell Group Shared Services Limited	6,680	(25)
Wolf Receivables Financing plc	2,261	-

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, Lowell Receivables Financing 1 Limited and Lowell Receivables Financing 2 Limited. Further details in relation to the loan maturity and interest rate charged are set out in Note 19.

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £00
Directors' emoluments	523	162

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.