Lowell

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements
Year ended 31 December 2022

Lowell

METIS BIDCO LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
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METIS BIDCO LIMITED
OFFICERS AND PROFESSIONAL ADVISORS
YEAR ENDED 31 DECEMBER 2022

Directors

J S Pears
H McGregor (Appointed 17 January 2022, resigned 31 October 2022)
C Marsh (Appointed 17 January 2022)
F C Barker (Appointed 17 January 2022)
S J Perry (Appointed 01 July 2022)
C G Storrar (Appointed 17 January 2022)
J P Flaherty (Resigned 17 January 2022)
C B Gunnigle (Appointed 5 January 2023)

Company secretary

B C Murphy (Appointed 17 January 2022, Resigned 13 September 2022)

Registered office

No 1 The Square, Thorpe Park View
Thorpe Park
Leeds
England
LS15 8GH

Banker

National Westminster Bank plc
280 Bishopsgate
London
EC2M 4AA

Solicitors

Latham & Watkins (London) LLP
99 Bishopsgate
London
EC2M 3XF

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Lowell

METIS BIDCO LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and the audited consolidated financial statements of Metis Bidco Limited (the "Company") and its subsidiaries in the UK (together the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Group.

The principal activities of the Group are the acquisition and collection of non-performing consumer debt portfolios, as well as providing first-class debt collecting services to its clients.

GOING CONCERN

The directors remain confident that 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 Group has adequate resources to continue in operational existence for the foreseeable future.

The Company's business activities are set out in the principal activities section and the Company is part of the wider Garfunkelux Holdco 2 S.A. group (the 'Garfunkelux Group'). At 31 December 2022 the Company had access to funds as part of the wider Garfunkelux Group to which it belongs. At 31 December 2022, the Garfunkelux Group had available undrawn committed borrowing facilities by way of Group Securitisation facilities and a Revolving Credit Facility (RCF) of £88m (2021: £405m).

The assessment of the going concern basis of preparation for the Group and Company has considered both the position at 31 December 2022 and the outlook for the Group and Company, and also the going concern position of the Garfunkelux Group as a whole. This is due to the integrated nature of the companies across the Garfunkelux Group and the reliance of the Group and Company on the Garfunkelux Group's going concern position. In assessing whether the going concern basis is appropriate to adopt, the Garfunkelux Group directors have undertaken a review of forecast cash flow models and both severe and plausible scenarios for a period in excess of 12 months from the date of approval of these financial statements. The severe but plausible scenarios have been subject to stress testing, and downside scenarios have been considered on the Garfunkelux Group's cash flows. These scenarios are considered to be reasonable by management, the Garfunkelux Group maintains sufficient liquidity and cash reserves to continue as a going concern.

At the date of approving these accounts, management assessed that the 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 Group's debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases. However, the Group's ability to obtain funding in the future from these sources will depend on its performance and prospects, as well as other factors beyond its control, such factors may include weak economic and capital market conditions. An inability to procure sufficient funding at favourable terms to purchase portfolios as they become available could have an adverse effect on the Group's business, results from operations, or financial condition.

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 the payment of a dividend for the year (year ended 31 December 2021: £nil).

COLLEAGUES

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. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

METIS BIDCO LIMITEDLIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2022

The members of the executive team conducted a number of staff briefings throughout the year that kept our people fully informed and updated on business activities, 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. The Group's intranet is used on a routine basis to keep colleagues and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its colleagues, and other stakeholders. Colleague engagement is further encouraged through a colleague bonus scheme which rewards both performance of the individual and the Group.

SUPPLIERS AND CUSTOMERS

The Company knows that every customer's story is different and seeks to put their needs first. The Company seeks 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.

The Company's commitment to Operational Excellence means that in each step of the business it considers whether any activity should be supplied internally or externally. The Company ensures that contact with each of its suppliers remains proportionate to their impact on the business and carries this out through regular business reviews.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are shown on page 3.

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group has made charitable donations of £62,000 (year ended 31 December 2021: £132,911). The Group made no political donations during the year (year ended 31 December 2021: None)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

	Year ended 31 December 2022	Year ended 31 December 2021
UK Greenhouse gas emissions and energy usage		
Energy consumption used to calculate emissions (kWh)	1,427,882	1,357,915
Scope 1 – emissions in metric tonnes CO2e		
Gas consumption	50.47	40.80
Scope 2 – emissions in metric tonnes CO2e		
Purchased electricity	222.65	236.59
Total gross emissions in metric tonnes CO2e	**273.12**	**281.39**
Intensity ratio – Tonnes CO2e per m^2 of building space	**0.03**	**0.04**

Quantification and reporting methodology

The Group has followed the 2019 HM Government Environmental Reporting Guidelines. The Group has also used the GHG Reporting Protocol – Corporate Standard and the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per m^2 of building space.

Measures taken to improve energy efficiency

The nature of our business means that we have a low impact on our physical environment and we are complying with environmental regulations and effectively managing waste and recycling. Given the significance, we are still striving to improve our position, for example through reducing CO2 and GHG emissions by reducing travel and better use of our premises in the short term, and in the longer term, targeting a BREEAM rating of 'excellent' in our new purpose-built offices (from 2023).

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.

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

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

AUDITOR

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

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

Fiona Barker

F Barker
Director
10 May 2024

METIS BIDCO LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2022

OBJECTIVES & STRATEGY

The Group's strategy is to excel as a debt collection organisation, achieve significant growth across all key performance indicators and find 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 Group 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 Group's business model remains unchanged from the prior year - the acquisition and collection of non-performing consumer debt portfolios through a largely in-house, UK-based, integrated collection platform.

PRINCIPAL RISKS AND UNCERTAINITIES

As a result of its normal business activities, the Group is exposed to a range of risks, the most significant being credit risk on the non-performing debt portfolios acquired, market risk, given the macroeconomic conditions and liquidity risk. Details of the Group's financial risk management policies are set out in Note 27.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

FINANCIAL PERFORMANCE

In 2022, the Group, through its subsidiaries, 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.

On 13th April 2022, the Group entered into an agreement to purchase 100% of the share capital of Hoist Finance UK Limited. The transaction included the operations of Hoist Finance UK and its entire unsecured non-performing loan portfolio, comprising of over 2 million consumer accounts, with approximately £585m 180-month Estimated Remaining Collections as at December 2021. The loan portfolio is almost exclusively in the credit card and personal loan sector. The acquisition continues Lowell's growth trajectory as well as delivering targeted, strategic expansion into the UK financial services sector, specifically banking. Lowell will also benefit from improved data insight from the financial services market, helping us to optimise pricing and analysis whilst reducing investment risk. The transaction concluded on 25th October 2022, following regulatory approval being granted by the Financial Conduct Authority with total consideration of £342m paid (see note 8).

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 15).

FINANCIAL PERFORMANCE (continued)

Performance in 2022 reflects a year of growth and resilience, with the Group building on the significant work undertaken in 2021 to improve efficiency and margins, capitalising on unique opportunities in the market to deploy capital at attractive returns and delivering collections against known headwinds both internally and externally.

The Group reassessed the 84-month accounting estimate of the portfolio asset life in line with IFRS 9, largely as a result of the impact of the Hoist Finance UK acquisition in the UK. 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 Garfunkelux Group's other regions. The Group reassessed the asset life of the portfolio as at 31 December 2022. As a result of the change in accounting estimate the Group recognised net portfolio write up of approximately £73m. The overall carrying value of portfolio investments at 31 December 2022 was £1,292m, an increase of £343m and 36% with the balance at 31 December 2021 of £949m. This increase is principally driven by the portfolio purchases made within the year, the completion of the Hoist Finance UK acquisition in October 2022, together with the accounting estimate change.

The Group reported an operating profit of £135.6m (2021: £131.0m) with the increase from 2021 largely attributable to the acquisition of the Hoist Finance UK Portfolio and the change to 120m ERC resulting in higher net portfolio write-up during the period of £58.7m compared to the prior period. This was impacted by management judgements relating to the timing of collections as a result of operational actions taken during the early stages of the COVID-19 pandemic (12 months to December 2021: net portfolio write-down of £3.8m).

The Group's Profit before tax for the year was £69.9m (year ended 31 December 2021: £82.4m). Profit has decreased in 2022 due to higher finance costs of £22m driven by increased securitisation.

The Group's net assets at 31 December 2022 were £455.0m (at 31 December 2021: £383.6m).

KEY PERFORMANCE INDICATORS ("KPIs")

	31 December 2022	31 December 2021
Cumulative face value of debt acquisitions	£27.3bn	£25.7bn
Cumulative number of accounts	39.2m	37.0m
Collections on acquired portfolios	£506.0m*	£454.7m
Consolidated Cash Income (1)	£508.2m	£454.9m
Portfolio investments (Book value)	£1,291.9m*	£948.6m
Purchase of portfolio investments in the year	£235.3m*	£168.5m
120m ERC (Estimated Remaining Collections) (2)	£2,734.7m	£2,168.8m
Operating profit	£135.6m	£131.0m
Consolidated Cash Adjusted EBITDA (3)	£344.3m	£316.0m

(1) Cash Income is defined as cash collection on acquired portfolios plus income from 3PC services.
(2) ERC is defined as the expected collections on acquired portfolios over a defined period, based on the proprietary valuation model and management judgement.
(3) Cash EBITDA is defined as cash collections on acquired portfolios plus service revenue, other revenue and other income less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring cost, depreciation and amortisation.
* Includes £0.6m collections, £13m book value and £12.5m purchases of fair value portfolio investments. The remainder of the values in the table relate to amortised cost portfolio investments.

ERC and Cash EBITDA are non-IFRS financial measures but are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Cash EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry. These have been included to aid the reader of these financial statements.

These measurements may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures but should not be considered a substitute for results that are presented in accordance with IFRS.

METIS BIDCO LIMITED
STRATEGIC REPORT (continued)
YEAR ENDED 31 DECEMBER 2022

FINANCIAL PERFORMANCE (continued)

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 2022. Our forecast tail of cash flow from month 120 to month 180 is £487.8m (31 December 2021: £443.9m), which is in addition to the £2,734.7m (31 December 2021: £2,168.8m) ERC. Additional cash flows are also expected beyond month 180.

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 period over which to measure the portfolio assets across the Group, being a change from the prior period whereby management's analysis showed 84 months was more appropriate (see details of these changes in notes 2 & 14).

OUTLOOK

We believe the Group 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 with 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 27, Conduct Risk for more details). Our risk management structure has been significantly enhanced and improvements continue to be made to the governance structure. All of the required entities within the Group are 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 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 funding. We benefit from a strong record of being customer-focussed and already have relationships with the majority of 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 Group 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 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 Group continuously monitors collections performance and macroeconomic developments to determine whether there is any impact on its business.

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.

Section 172 Statement

We have 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. 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 Entitled to, 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 it 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, 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 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 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.
- 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.

Section 172 Statement (continued)

2. Our People (continued)

- 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.
- 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.

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. 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 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

METIS BIDCO LIMITED
STRATEGIC REPORT (continued)
YEAR ENDED 31 DECEMBER 2022

Section 172 Statement (continued)

a. Regulators (continued)

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 predominantly 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:

F Barker
Director
10 May 2024

METIS BIDCO LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with 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 Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 Group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Metis Bidco Limited ("the Company") for the year ended 31 December 2022 which comprise the consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

- Enquiring of directors, the Audit Committee and Internal Audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from portfolio investments is overstated and management may be in a position to make inappropriate accounting entries.

We also identified a fraud risk related to the valuation of portfolio investments, acquisition date fair value accounting and the carrying value of goodwill in response to the risk of bias in accounting estimates and judgements.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.
- Critically assessing management's Estimated Remaining Collections (ERC) forecasts against historical collections experience, including taking account of the potential impacts of the current economic environment and collection strategies.
- Critically assessing management's ERC forecasts using our sector knowledge, market data and external economic forecasts, and corroborating to evidence provided by management.
- Critically assessing and challenging management's assumptions and judgement used in the value in use ("VIU") calculation prepared for the goodwill impairment testing, specifically focusing on the reasonableness of the cash flows forecasts with refence to historical accuracy and challenging the discount rate used.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence. We also discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: employment law, FCA regulation, money laundering and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such

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

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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

A Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

10 May 2024

METIS BIDCO LIMITED
CONSOLIDATED 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	14	260,961	246,892
Portfolio write up	14	46,047	38,999
Gain on derecognition of financial assets	14	3,086	-
Fair value gain	14	1,161	-
Finance revenue on acquired portfolio investments		**311,255**	**285,891**
Service Revenue	1	2,143	119
Other income		21	133
Total revenue		**313,418**	**286,143**
Operating expenses			
Collection activity costs	1	(111,095)	(119,265)
Other expenses		(66,692)	(35,925)
Total operating expenses		**(177,787)**	**(155,190)**
Operating profit		**135,631**	**130,953**
Finance Income	5	4,669	-
Finance costs	6	(70,418)	(48,523)
Profit before tax	**3**	**69,882**	**82,430**
Income tax credit	7	1,252	1,036
Profit for the year attributable to equity shareholders		**71,134**	**83,466**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to equity shareholders		**71,134**	**83,466**

The notes on pages 24 to 68 form part of these financial statements

Lowell

METIS BIDCO LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Non-current assets			
Goodwill	9	220,003	172,747
Intangible assets	10	6,981	6,129
Property, plant and equipment	11	28,524	6,504
Investments	13	50	-
Deferred tax asset	19	9,810	8,554
Portfolio investments - amortised cost	14	897,613	588,166
Portfolio investments - fair value	14	13,068	-
Derivative asset	17	14,514	-
Total non-current assets		**1,190,563**	**782,100**
Current assets			
Portfolio investments - amortised cost	14	381,253	360,473
Trade and other receivables	18	123,505	173,522
Cash and cash equivalents	24	59,968	60,773
Total current assets		**564,726**	**594,768**
Total assets		**1,755,289**	**1,376,868**
Equity			
Share capital	23	-	-
Foreign exchange reserve		(6)	(7)
Retained surplus		454,758	383,624
Total equity attributable to shareholders		**454,752**	**383,617**
Liabilities			
Non-current liabilities			
Borrowings	20	816,768	777,314
Provisions	22	2,977	1,567
Other financial liabilities	12	21,138	1,692
Total non-current liabilities		**840,883**	**780,573**
Current Liabilities			
Trade and other payables	21	152,801	112,712
Provisions	22	136	1,098
Borrowings	20	303,568	97,285
Other financial liabilities	12	3,151	1,583
Total current liabilities		**459,656**	**212,678**
Total equity and liabilities		**1,755,289**	**1,376,868**

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 10 May 2024.
Signed on behalf of the Board of Directors by:

Fional Barker

F Barker
Director
10 May 2024

The notes on pages 24 to 68 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Non-current assets			
Property, plant and equipment	11	291	460
Investments	13	222,306	177,102
Deferred tax asset	19	4,763	4,386
Total non-current assets		**227,360**	**181,948**
Current assets			
Trade and other receivables	18	1,991	359
Cash and cash equivalents	24	84	59
Total current assets		**2,075**	**418**
Total assets		**229,435**	**182,366**
Equity			
Share capital	23	-	-
Share premium	23	-	-
Retained surplus		111,450	117,582
Total equity attributable to shareholders		**111,450**	**117,582**
Liabilities			
Non-current liabilities			
Other financial liabilities	12	131	394
Total non-current liabilities		**131**	**394**
Current Liabilities			
Trade and other payables	21	53,247	5,672
Borrowings	20	64,475	58,685
Other financial liabilities	12	132	34
Total current liabilities		**117,854**	**64,391**
Total equity and liabilities		**229,435**	**182,366**

These financial statements of Metis Bidco Limited, Company No. 07652466 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 24 to 68 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

Group

	Share Capital £000	Foreign Exchange Reserve £000	Retained Surplus/ (deficit) £000	Total £000
Balance at 1 January 2021	**-**	**10**	**300,158**	**300,168**
Profit for the year	-	-	83,466	83,466
Movement in the year	-	(17)	-	(17)
Balance at 31 December 2021	**-**	**(7)**	**383,624**	**383,617**
Profit for the year	-	-	71,134	71,134
Movement in the year	-	1	-	1
Balance at 31 December 2022	-	**(6)**	**454,758**	**454,752**

Company

	Share Capital £000	Share Premium £000	Retained Surplus/ (deficit) £000	Total £000
Balance at 1 January 2021	**-**	**-**	**121,213**	**121,213**
Loss for the year	-	-	(3,631)	(3,631)
Balance at 31 December 2021	**-**	**-**	**117,582**	**117,582**
Loss for the year	-	-	(6,132)	(6,132)
Balance at 31 December 2022	**-**	**-**	**111,450**	**111,450**

The notes on pages 24 to 68 form part of these financial statements.

METIS BIDCO LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Net cash inflow from operating activities	**24**	**154,592**	**15,001**
Investing activities			
Purchase of property, plant and equipment	11	(1,141)	(782)
Purchase of intangible assets	10	(3,116)	(1,868)
Acquisition of subsidiary	8	(332,556)	-
Net cash outflow from investing activities		**(336,813)**	**(2,650)**
Financing activities			
Payment of lease liabilities		(1,862)	(2,162)
New borrowings		459,392	310,500
Repayment of borrowings		(222,523)	(235,453)
Interest and fees paid		(53,593)	(41,714)
Net cash generated from financing activities		**181,414**	**31,171**
Net (decrease)/increase in cash and cash equivalents		**(805)**	**43,522**
Cash and cash equivalents at beginning of year		60,773	17,330
Exchange differences		-	(79)
Cash and cash equivalents at end of year*		**59,968**	**60,773**

* Cash and cash equivalents at 31 December 2022 contains £39.1m of restricted cash (31 December 2021: £22.5m).

The notes on pages 24 to 68 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Net cash inflow from operating activities	**24**	**45,415**	**168**
Investing activities			
Acquisition of subsidiary		(45,204)	-
Net cash outflow from investing activities		**(45,204)**	**-**
Financing activities			
Payment of lease liabilities		(185)	(130)
Net cash outflow from financing activities		**(185)**	**(130)**
Net increase in cash and cash equivalents		**25**	**38**
Cash and cash equivalents at beginning of year		59	21
Exchange differences		-	-
Cash and cash equivalents at end of year		**84**	**59**

The notes on pages 24 to 68 form part of these financial statements.

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable international accounting standards in conformity with the requirements of the Companies Act 2006. Those standards have been applied consistently to the historical periods.

Metis Bidco Limited, as the parent undertaking for the following entities, guarantees all outstanding liabilities to which the subsidiary company is subject to at the end of the 2022 financial year under section 479A of the Companies Act 2006. This guarantee absolves these entities from the requirements of the Act relating to an audit of these individual accounts:

Name	Country of incorporation	Company number	Ordinary shareholding %
Lowell Legal Limited (formerly Lowell Solicitors Limited)	UK	8647091	100
Lowell UK Shared Services Limited	UK	8336897	100
Overdales Legal Limited	UK	7407310	100
Lowell Portfolio I Limited	UK	4857418	100
Lowell Financial Limited	UK	4558936	100
Fredrickson International Limited	UK	2679522	100

Basis of consolidation

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

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

Going concern

The Metis Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages 18 and 19. In addition, Note 27 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Metis Group is in a net assets position as a result of positive reserves and funding structures in place from investment by the immediate parent, Simon Bidco Limited.

The Cash EBITDA of the Metis Group is an industry accepted measure of a business's asset base and cash flow generation. The Metis Group's Cash EBITDA during the year ended 31 December 2022 was £344.3m (year ended 31 December 2021 Cash EBITDA £316.0m).

The business as a whole is cash generative before portfolio investments, recording £506.0m in gross cash collections (see Note 14) for the year ended 31 December 2022 (year ended 31 December 2021: £454.7m). Operating cash flow after portfolio acquisitions and tax was £162.3m (year ended 31 December 2021: £15.0m). The Metis Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The assessment of the going concern basis of preparation for the Metis Group and Company has considered both the position at 31 December 2022 and the outlook for the Metis Group and Company, and also the going concern position of the wider Garfunkelux Group as a whole. This is due to the integrated nature of the companies across the Garfunkelux Group and the reliance of the Metis Group and Company on the wider Group's going concern position. In assessing whether the going concern basis is appropriate to adopt, the Directors have undertaken a review of forecast cash flow models and both severe but plausible scenarios and a reverse stress test scenario for a period in excess of 12 months from the date of approval of these financial statements. The severe but plausible scenarios have taken into account both the Garfunkelux Group's historical performance through periods of stress and external

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

events, for example the cost of living crisis, which may negatively impact a customer's ability to pay.

The scenarios were prepared at an overall Garfunkelux Group level and considered the impact of cash flow reductions of 15% across all regions, a reduction in purchases of 10% in the UK and 20% in the other regions, and a combination of both with the Garfunkelux Group maintaining c.£290m of liquidity in the next 18 months under the most severe scenario considered. The scenarios are considered to be severe but plausible by management and, both before and after taking Management actions as required, the Metis Group maintains sufficient liquidity and cash reserves to continue as a going concern.

On 19 August 2022 the Metis Group entered into a further £170m UK securitisation facility on similar commercial terms to the two existing facilities, maturing in October 2027. In April 2022, c£100m was raised through the issuance of publicly rated ABS issuance senior notes.

In December 2023, c£98m was raised through the issuance of publicly rated ABS issuance senior notes.

As a result of the new securitisation facilities during the period, the Garfunkelux Group now has three main sources of funding at 31 December 2023. €630m, £440m and €795m, of Senior Secured notes ("notes"), a €455m Revolving Credit Facility ("RCF") and three securitisation facilities, with options to reset to £225m, £175m and £170m respectively. As at 31 December 2023, £378m was drawn on the RCF and there were £405m of outstanding borrowings in total across the three securitisation facilities. No covenants have been breached, or are expected to be breached, during the going concern forecast period. The earliest debt maturity horizon is July 2025 and the latest is October 2027, being the existing and new securitisation facilities respectively. The Group's notes all mature in either 2025 or 2026. The Group continues to monitor its funding requirements and the Directors believe, given the debt maturity horizon following the recent financing activity, there is sufficient time to consider the extension or re-negotiation of existing facilities, or exploration of new funding arrangements as appropriate.

At the date of approving these accounts, management assessed that the 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 Metis Group's debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases. However, the Metis Group's ability to obtain funding in the future from these sources will depend on its performance and prospects, as well as other factors beyond its control, such factors may include weak economic and capital market conditions. An inability to procure sufficient funding at favourable terms to purchase portfolios as they become available could have an adverse effect on the Group's business, results of operations or financial condition.

Based on the above the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Business combinations

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

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to

1. ACCOUNTING POLICIES (continued)

Business combinations (continued)

employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

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

Goodwill

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

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

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

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

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

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

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, 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 estimated remaining collections, 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.

Service revenue

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

1. ACCOUNTING POLICIES (continued)

Impairment of acquired 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 expected useful life, based on previous month's collections and portfolio performance information collated within our proprietary valuation model.

Financial instruments

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

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

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

1. ACCOUNTING POLICIES (continued)

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.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial 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 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 less any eligible transaction costs.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises collateralised borrowings for the proceeds received.

Financial liabilities and equity

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

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the EIR 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.

Derivative financial instruments

The Group does not hold derivative instruments for trading purposes.

Derivative financial instruments have been used for hedging. As of the balance sheet date, they relate to hedges taken out to hedge the risk of variability in cash flows. Hedge accounting is not applied.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 27.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the

1. ACCOUNTING POLICIES (continued)

Provisions (continued)

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/(loss) for the year. Taxable profit/(loss) differs from net profit/(loss) as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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/(loss) and is accounted for using the balance sheet liability method.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the 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 SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised within other comprehensive income.

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

Non-current asset investments

Investments are stated at cost less provision for impairment, which is tested annually. Impairment is recognised if the carrying value is greater than the recoverable amount, being the higher of fair value less costs of disposal and value in use.

Pensions

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

Collection activity costs

Collection activity costs represent direct staff costs and the direct third-party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs.

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Property, plant and equipment

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

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

Office equipment	5 years
Fixtures and fittings	5 years
Hardware	5 years
Leasehold improvements	Life of lease

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

Intangible assets

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

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

- the asset will be available for use or sale;
- there is an intention and ability to use or sell the asset;
- the asset will generate future economic benefit; and
- the expenditure attributable to the asset during its development can be measured.

Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

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

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

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

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

Leases

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

1. ACCOUNTING POLICIES (continued)

Leases (continued)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. This is the case if the contract gives the right to control the use of an asset for a period of time in exchange for consideration. This right to control is established if:

- The Group has the right to obtain substantially all of the economic benefits from use of the asset; and
- The Group has the right to direct the use of the asset.

The identified asset should be physically distinct or be implicitly specified at the time the asset is made available. Even if the asset is specified, the Group does not have the right to use the asset if the supplier has the substantive right to substitute the asset throughout the period of use. If the contract is for use of a portion of an asset that is not physically distinct, it is not an identified asset unless it represents substantially all of the capacity of that asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs and an estimate of restoration costs.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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.

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 £12.9m.

A key accounting estimate is the expected life of the Group's portfolio investments. Management's analysis shows that 120 months is an appropriate expected life for portfolio assets across the Group, see note 14 for further details. In changing the accounting estimate from 84 to 120 months, the Group recognised a £73.1m revaluation gain.

The estimated expected 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 wider Group's other regions. The impact to the balance sheet as at 31 December 2022 of this change in accounting estimate is:

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Portfolio investment valuation (continued)

	84m estimated life £m	Revaluation £m	120m estimated life £m
Portfolio investments	1,218.8	73.1	1,291.9

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	73.1
Income from portfolio investments	-

The change in accounting estimate is applied prospectively.

Goodwill and valuation of intangible assets

The Group recognises goodwill on the acquisition of businesses. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates of future cash flows.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Debt purchase cashflows form the principal cash flows.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate. Additional sensitivities of key metrics is presented in Note 8.

The Group's significant estimate in the cash flow analysis underpinning the impairment review is the level of portfolio acquisitions that can be achieved over the forecast period within each CGU, based on the future profitability and funding profile of the Group.

Based on the CGU's value in use, a consistent decrease in the forecast portfolio acquisitions across the entire forecast period of 8% would result in an impairment at 31 December 2022. Management believes it is highly unlikely that the Group would observe a sustained reduction in portfolio acquisitions of this level considering the resilience shown by the business during the COVID-19 pandemic, and the cost of living crisis. Furthermore, the Group's forward flow commitments already in place partially mitigate the risk of a short-term fall in forecast portfolio acquisitions.

While management has confidence over the Group's forecasts and the supply of NPLs to the market, future conditions are never certain and the Group may not always acquire portfolios in line with its expectations.

Goodwill on acquisitions is not tested separately for impairment but is assessed as part of the carrying amount of the investment.

See Note 9 for further details regarding goodwill.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Consolidation of subsidiaries

Power is considered to exist when the Group's existing rights give it the current ability to direct the relevant activities of the entity, i.e. the activities that significantly affect the entity's returns, and the Group has the practical ability to exercise those rights. Power over the entity may arise from voting rights granted by equity instruments such as shares or, in other cases, may result from contractual arrangements.

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The Group may have power, even when it holds less than a majority of the voting rights of the entity, through a contractual arrangement with other vote holders, rights arising from other contractual arrangements, substantive potential voting rights, ownership of the largest block of voting rights in a situation where the remaining rights are widely dispersed ('de facto power'), or a combination of the above. In assessing whether the Group has de facto power, it considers all relevant facts and circumstances including the relative size of the Group's holding of voting rights and dispersions of holdings of other vote holders to determine whether the Group has the practical ability to direct the relevant activities.

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles. Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether the Group has the ability to use its power to affect the amount of returns from its involvement with an entity, the Group determines whether in exercising its decision-making rights, It Is acting as an agent or as a principal. The Group acts as an agent when it is engaged to act on behalf and for the benefit of another party, and as a result does not control an entity. Therefore, in such cases, the Group does not consolidate the entity. In making the above assessment, the Group considers the scope of its decision-making authority over the entity, the rights held by other parties, the remuneration to which the Group is entitled from its involvement, and its exposure to variability of returns from other interests in that entity.

Information about the Group's structured entities is set out in note 13.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more elements of control. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Derecognition – Financial Assets

The Group 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 in 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Derecognition – Financial Assets (continued)

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. PROFIT/LOSS BEFORE TAX

Group

a) Profit/loss for the year

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit/loss for the year is after charging:		
Staff costs (Note 4)	56,211	57,131
Depreciation of property, plant and equipment (Note 11,12)	3,060	3,252
Amortisation of intangible assets (Note 10)	2,264	2,217
Loss on disposal of property, plant and equipment	-	1,003

Company

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit/loss for the year is after charging:		
Finance Costs (Note 6)	5,822	4,155
Depreciation on right of use asset (Note 12)	168	172

Group

b) Auditor's remuneration

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Audit of Parent Company and consolidated financial statements	539	79
Audit of financial statements of subsidiaries	135	315
Total auditor's remuneration	**674**	**394**

The extent of non-audit services fees payable are reviewed on a consolidated Garfunkelux Holdco 2 S. A. level by the Audit Committee in the context of the fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained. Garfunkelux Holdco 2 S.A. is the ultimate parent company of the Group (see Note 31).

4. STAFF COSTS

a) Staff costs

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Operational staff	1,028	976
Business support	345	397
Total	**1,373**	**1,373**

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	49,370	52,272
Social security costs	5,381	4,896
Pension costs (Note 26)	1,460	(37)
Total	**56,211**	**57,131**

b) Directors' remuneration

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Directors' emoluments	**2,194**	**1,407**

All the directors provided services to the Group. J. S. Pears, J. P. Flaherty and C. G. Storrar also provided services to other entities in the Garfunkelux S.A.R.L. Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 28. These eight employees are paid by subsidiary undertakings of the Company for their services as directors to the Group.

The number of directors who have benefits accruing under defined contribution pension schemes is five (year ended 31 December 2021: five).

The highest paid director received remuneration in respect of services to the Group of £426k (year ended 31 December 2021: £379k).

5. FINANCE INCOME

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Derivative fair value gain	4,669	-
Total	**4,669**	**-**

The derivative fair value gain relates to the interest rate cap derivative contract described in note 17.

6. FINANCE COSTS

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest payable on loan notes (Note A)	5,807	4,131
Interest payable on intergroup loans (Note A)	32,474	37,111
Interest and fees payable on revolving credit facility (Note A)	1,220	482
Interest payable on Senior Loan (Note A)	22,795	6,507
Realised (gain)/loss on foreign exchange	(15)	35
Release of deferred finance costs	4,689	-
Interest expense from lease liabilities	295	257
Derivative fair value loss	3,153	-
Total	**70,418**	**48,523**

Note A: For further details on these facilities refer to note 20.

Company

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest payable on loan notes	5,807	4,131
Interest expense from lease liabilities	15	24
Total	**5,822**	**4,155**

7. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Current taxation		
Current tax on loss/profit for the year	3	1
Adjustment in respect of previous periods	-	-
Total current tax charge	**3**	**1**
Deferred tax		
Current year	147	159
Prior year adjustment	-	(277)
Impact of change in tax rate	(1,402)	(918)
Total deferred tax credit (Note 19)	**(1,255)**	**(1,036)**
Total tax credit	**(1,252)**	**(1,036)**

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 were 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	**69,882**	**83,466**
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 19.00% (year ended 31 December 2021: 19.00%)	13,278	15,859
Effects of:		
Expenses not deductible for tax purposes	1,557	1,326
Income not taxable	(7,688)	(40)
Effects of other tax rates	(1,402)	(938)
Adjustment to tax charge in respect of previous periods	-	(277)
Amounts not recognised	604	(5)
Effects of group relief	(7,601)	(14,889)
Total tax credit for the year	**(1,252)**	**(1,036)**

8. ACQUISITION OF SUBSIDIARIES

Acquisition of Hoist UK

On 25 October 2022, the Group acquired 100% of the ordinary share capital of the Hoist UK business (comprising of 7 entities) from the Hoist Group. This qualifies as a business as defined in IFRS 3 Business Combinations.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£000
Portfolio Investment	290,292
Financial assets	11,796
Property, plant and equipment	1,006
Identifiable intangible assets	243
Financial liabilities	(8,752)
Total identifiable assets acquired and liabilities assumed	294,585
Goodwill	47,256
Total consideration	341,841
Satisfied by:	
Cash	**341,841**
Total consideration transferred	**341,841**
Net cash outflow arising on acquisition:	
Cash consideration	**341,841**
Less: cash and cash equivalent balances acquired	**(9,285)**
	(332,556)

The fair value of the financial assets includes receivables with a fair value of £4.7m and a gross contractual value of £4.7m.

The goodwill of £47.3m arising from the acquisition consists of factors including the value associated with data assets and portfolio origination capabilities. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition related costs amount to £5.2m and are included in the SCI in other expenses.

Hoist UK contributed £1.8m revenue to the Group's revenue for the period between the date of acquisition and the reporting date.

If the acquisition of Hoist UK has been completed on the first day of the financial year, Group revenues for the year would have been £36m and Group profit would have been £4m.

Lowell

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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9. GOODWILL

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cost		
Opening balance	**172,747**	**172,747**
Addition on acquisition of subsidiary	47,256	-
At period end	**220,003**	**172,747**
Accumulated impairment		
Impairment charge	-	-
At end of year	**-**	**-**
Net book value		
At period end	**220,003**	**172,747**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to one CGU on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The one CGU identified is the Lowell Operations in the UK, which comprises of all subsidiary companies operated in the UK owned by Metis Bidco Limited, relating to the collection on owned debt portfolios; the collection of third-party debt has been deemed immaterial to the value of goodwill.

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

As the acquisition of the Group was more than a year ago and there is no external evidence of fair value currently available, the assessment of goodwill has focussed on value in use.

The addition on acquisition of subsidiary relates to the Hoist acquisition, as outlined in note 8.

The recoverable amount of the CGU is determined as the higher of fair value less cost to sell and value in use. The most significant assumptions for the value in use calculation are the level of portfolio acquisitions during the forecast period and the discount rate applied. Other key assumptions are those regarding the growth rates and expected changes to collections and direct costs during the forecast period. The Group uses cash flow forecasts from the latest budgets, prepared for the next four years and extrapolates these forecasts to an appropriate period to reflect the CGU's business model.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and as at 31 December 2022 the rate used was 9.7% (31 December 2021: 8.9%).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years, extrapolates cash flows out to an appropriate period to reflect the CGU's business model and then into perpetuity, using a growth rate of 1.5% (31 December 2021: 1.5%).

The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU. Each sensitivity has been performed independently.

The CGU has a carrying value of £1,846m. The CGU's recoverable amount exceeds its carrying amount by £41m. Based on the value in use a fall in the forecast cash flows to 97%, an increase in WACC of 0.2 percentage points to 9.8%, or a sustained increase in portfolio acquisitions of 14% would result in an impairment as at 31 December 2022.

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development Costs £000	Total £000
Cost			
At 1 January 2022	13,856	2,592	16,448
Additions	238	2,878	3,116
At 31 December 2022	**14,094**	**5,470**	**19,564**
Accumulated amortisation			
At 1 January 2022	**(10,319)**	-	**(10,319)**
Charge for year	(2,264)	-	(2,264)
At 31 December 2022	**(12,583)**	-	**(12,583)**
Net book value			
At 31 December 2022	**1,511**	**5,470**	**6,981**
At 31 December 2021	**3,537**	**2,592**	**6,129**

Intangible assets acquired through the acquisition of subsidiaries are included in the cost line above at their fair value at the time of the acquisition.

11. PROPERTY, PLANT AND EQUIPMENT

The following items are included within 'Property, plant and equipment' on the balance sheet:

Group

	31 December 2022 £000	31 December 2021 £000
Assets owned by the Group	3,097	3,351
Right-of-use assets (Note 12)	25,427	3,153
Total	**28,524**	**6,504**

Company

	31 December 2022 £000	31 December 2021 £000
Right-of-use assets (Note 12)	291	460
Total	**291**	**460**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets owned by the Group

	Fixture & Fittings £000	Leasehold Improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 January 2022	**1,038**	**2,917**	**6,380**	**888**	**11,223**
Additions	-	19	3	1,119	1,141
At 31 December 2022	**1,038**	**2,936**	**6,383**	**2,007**	**12,364**
Accumulated depreciation					
At 1 January 2022	**(826)**	**(1,889)**	**(4,522)**	**(635)**	**(7,872)**
Charge for year	(109)	(551)	(593)	(142)	(1,395)
At 31 December 2022	**(935)**	**(2,440)**	**(5,115)**	**(777)**	**(9,267)**
Net book value					
At 31 December 2022	**103**	**496**	**1,268**	**1,230**	**3,097**
At 31 December 2021	**212**	**1,028**	**1,858**	**253**	**3,351**

12. LEASES

The Group's leases

The Group's leases represent right-of-use assets and their corresponding lease liabilities in respect of its office properties and office equipment.

There were two main property leases, one which has been negotiated for a lease term of 15 years, commenced on 9 December 2013, and the other which has been negotiated for a lease term of 12 years, commenced on 1 July 2016. Both leases included the options to terminate in November 2023 and the group successfully negotiated the termination.

During 2020, the Group made the decision to plan for a relocation of office in 2023 to a new property and committed a new lease agreement as per which the new lease commenced in December 2022 and the Group has recognised a right of use and lease liability for the new leased property.

a) Right-of-use assets

Amounts recognised on the balance sheet
Group

	31 December 2022 £000	31 December 2021 £000
Leasehold Property	25,240	2,910
Office equipment	187	243
Total	**25,427**	**3,153**

12. LEASES (continued)

Company

	31 December 2022 £000	31 December 2021 £000
Leasehold Property	291	460
Total	**291**	**460**

Right-of-use assets are included within 'Property, plant and equipment' in the balance sheet.

Additions to right-of-use assets during the 2022 financial year is £22.3m (year ended 31 December 2021: £nil) for the Group and nil (year ended 31 December 2021: nil) for the Company. The addition relates to a new property lease as the Group moved its business into a new building in Q3 2023.

There was no evidence of impairment on right-of-use assets at 31 December 2022 (year ended 31 December 2021: nil).

b) Lease liabilities

Group

	31 December 2022 £000	31 December 2021 £000
Non-current	21,138	1,692
Current	3,151	1,583
Total	**24,289**	**3,275**

Company

	31 December 2022 £000	31 December 2021 £000
Non-current	131	393
Current	132	34
Total	**263**	**427**

Lease liabilities are included in the line item 'Other financial liabilities' in the consolidated statement of financial position.

c) Amounts recognised in the consolidated statement of comprehensive income

Group

	31 December 2022 £000	31 December 2021 £000
Depreciation charge for right-of-use assets		
Leasehold Property	1,665	1,662
Office equipment	-	13
Total	**1,665**	**1,675**

12. LEASES (continued)

c) Amounts recognised in the consolidated statement of comprehensive income (continued)

	31 December 2022 £000	31 December 2021 £000
Finance costs		
Interest expense	295	257

Company

	31 December 2022 £000	31 December 2021 £000
Depreciation charge for right-of-use assets		
Leasehold Property	168	13
Total	**168**	**13**

The total cash outflow for leases in 2022 was £2.0m (year ended 31 December 2021: £2.2m) for the Group and £130k (year ended 31 December 2021: £130k) for the Company.

d) Other commitments

Other than the information noted above for leases, the Group has no other outstanding commitments at 31 December 2022 (31 December 2021: none).

13. NON-CURRENT ASSET INVESTMENTS

Group
Subsidiary undertakings

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cost		
Opening balance	-	-
Additions	50	-
At period end	**50**	**-**

The addition relates to the share capital of Wolf Receivables Financing PLC issued in March 2022.

Company
Subsidiary undertakings

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cost		
Opening balance	**177,102**	**177,102**
Additions	45,204	-
At period end	**222,306**	**177,102**

The addition relates to the Hoist acquisition and the deconsolidation of the Wolf assets.

Lowell

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13. NON-CURRENT ASSET INVESTMENTS (continued)

The Company has investments in the following subsidiary undertakings:

Name	Ordinary shareholding % as at 31 December 2022	Ordinary shareholding % as at 31 December 2021
Fredrickson International Limited	100*	100*
Lowell Financial Ltd	100*	100*
Lowell Group Limited	100*	100*
Lowell Portfolio I Ltd	100*	100*
Lowell Portfolio IV Limited	100*	100*
Lowell Receivables Financing 1 Limited	100*	100*
Lowell Receivables Financing 2 Limited	100*	100*
Lowell Legal Limited (formerly Lowell Solicitors Limited)	100*	100*
Lowell UK Shared Services Limited	100*	100*
Overdales Legal Limited	100*	100*
Companies acquired or incorporated in the year:		
Wolf Receivables Financing Plc Limited [1]	100*	-
Lowell Receivables Financing 3 Limited [2]	100*	-
Hoist Finance UK Limited [3]	100*	-
Hoist Finance UK Holdings 1 Limited [3]	100	-
Hoist Finance UK Holdings 2 Limited [3]	100	-
Hoist Finance UK Holdings 3 Limited [3]	100	-
CL Finance Limited [3]	100	-
Robinson Way Limited [3]	100	-
MKDP LLP [3]	100	-
Dormant companies dissolved in the year:		
Interlaken Group Limited	-	100
Lowell Acquisitions Limited	-	100
Lowell Finance Holdings Limited	-	100
Lowell Finance Limited	-	100
Lowell Funding Limited	-	100
Lowell Group Financing Plc	-	100
Lowell Holdings Limited	-	100
Lowell Portfolio III Limited	-	100
SRJ Debt Recoveries Limited	-	100
Tocatto Limited	-	100

All companies are incorporated in the United Kingdom and have their registered office at, No1 The Square, Thorpe Park View, Thorpe Park, Leeds, West Yorkshire, United Kingdom LS15 8GH, unless indicated otherwise.

*Held directly by the Company.

[1] Wolf Receivables Financing Plc was incorporated on 2 March 2022 the registered office is 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.

13. NON-CURRENT ASSET INVESTMENTS (continued)

[2] Lowell Receivables Financing 3 Limited was incorporated on 14 January 2022, the registered office is 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.

[3] The Hoist UK business was acquired on 25 October 2022

14. PORTFOLIO INVESTMENTS

Group

	31 December 2022 £000	31 December 2021 £000
Non-current		
Portfolio investments - amortised cost	897,613	588,166
Portfolio investments - fair value	13,068	-
Current		
Portfolio investments - amortised cost	381,253	360,473
Total	**1,291,934**	**948,639**

The amortised cost value includes the £73m impact of the change in ERC from 84 months to 120 months.

The fair value portfolio investments relate to loan notes acquired.

The movements in acquired portfolio investments held at amortised cost were as follows:

	31 December 2022 £000	31 December 2021 £000
As at the year brought forward	948,639	948,947
Portfolios acquired during the year	235,285	168,515
Collections in the year (1)	(505,444)	(454,714)
Income from portfolio investments	260,961	246,892
Portfolio write up	46,047	38,999
Gain on derecognition of financial assets	3,086	-
Acquisition of subsidiary	290,292	-
As at the year end	**1,278,866**	**948,639**

(1) Includes £81.3m gross accelerated debt purchase cashflows relating to the deconsolidation of public rated ABS transaction

The carrying value as at 31 December 2022 represents discounted 120 month cash flows of £2,735m (31 December 2021: £2,169m). Of this amount, £597m (31 December 2021: £833m) has been provided as security in relation to the asset backed loan facilities.

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

14. PORTFOLIO INVESTMENTS (continued)

	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**	-

15. INVOLVEMENT WITH UNCONSOLIDATED SECURITISATION VEHICLES

Unconsolidated securitisation vehicles are all structured entities that the Group has an interest in, but does not control. The Group 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 Group 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
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 Group's holdings at the fact that no additional support has been provided or committed to the vehicles. Unconsolidated structured entities in which the Group 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.

16. TRANSFER OF FINANCIAL ASSETS

In the ordinary course of business, the Group 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 Groups continuing involvement or are derecognised in their entirety.

The Group transfers financial assets that are not derecognised in their entirety or for which the Group 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 Group result in the Group derecognising transferred assets in their entirety. This is the case when the Group transfers the ownership of the financial assets to the unconsolidated securitisation vehicle which the Group does not control. Where the financial assets are derecognised in their entirety, then the interest in the unconsolidated

16. TRANSFER OF FINANCIAL ASSETS (continued)

securitisation vehicles that the group receives as part of the transfer and the servicing arrangement represent continuing involvement with those assets.

In April 2022, the Group 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 Group classified the Junior Notes as measured at FVTPL.

During the year ended 31 December 2022, the group realised a gain of £3m on the sale of the loan receivables to the unconsolidated securitisation vehicle. During the year ended 31 December 2022, it recognised income of £1.0m in profit and loss on the 51% junior note holding. The cumulative income on the notes held on 31 December 2022 was £1.0m. Servicing contracts are discussed below.

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

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

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

As part of certain securitisation transactions that result in the Group derecognising the transferred financial assets in their entirety, the Group retains servicing rights in respect of the transferred financial assets. Under the servicing arrangements, the Group collects the cash flows on the transferred loan receivables on behalf of the unconsolidated securitisation vehicle. In return, the Group receives a fee that is expected to compensate the Group adequately for servicing the related assets. Consequently, the Group accounts for servicing arrangements as executory and has not recognised an asset/liability. The servicing fee is based on a fixed percentage of the cash flows that the Group collects as an agent on the transferred loan receivables. Potentially, a loss from servicing activities could occur if the costs that the Group incurs in performing the servicing activities exceed the fees receivable or if the Group does not perform in accordance with the servicing arrangements. The servicing arrangement do not give rise to the Group having control over the securitisation vehicle and the Group therefore acts as an agent.

In 2022 the Group transferred loan receivables (whilst retaining servicing rights) 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 £3m was recognised on the transfer as the loan receivables were measured at amortised cost.

The Group recognised income of £1.0m during the year ended 31 December 2022 in respect of servicing the loan receivables. The cumulative amount of such recognised income as at 31 December 2022 is £1.0m. On 31 December 2022, the fair value of the loan receivables that the Group still services amounted to £78.0m.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2022 £000	31 December 2021 £000
Derivative assets	14,514	-
	14,514	**-**

The Group entered Interest Rate Cap derivative contracts with a third-party provider to hedge against interest rate fluctuations on the SONIA 1-month index of the Senior Notes held within Lowell Receivable Financing 1 Limited, Lowell Receivable Financing 2 Limited and Lowell Receivable Financing 3 Limited.

18. TRADE AND OTHER RECEIVABLES

Group

	31 December 2022 £000	31 December 2021 £000
Trade receivables	8,228	2,562
Amounts owed by immediate parent undertaking	91,333	158,688
Other receivables	591	4,455
Prepayments and accrued income	23,353	7,817
Total	**123,505**	**173,522**

Increase in prepayments and accrued income largely relates to £6m of prepaid portfolios, £4m of deferred transaction costs relating to securitisation and £3m deferred consideration on the sale of the junior notes.

Company

	31 December 2022 £000	31 December 2021 £000
Amounts owed by Group undertakings (Note A)	1,579	287
Trade and other receivables	412	72
Total	**1,991**	**359**

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

19. DEFERRED TAX

Group

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

	Accelerated Capital Allowances £000	Short term timing differences £000	Deferred Tax on losses £000	Total £000
At 1 January 2021	**326**	**88**	**7,103**	**7,517**
Credited to the income statement*	71	(15)	998	1,054
Prior year adjustment	(9)	9	(17)	(17)
At 1 January 2022	**388**	**82**	**8,084**	**8,554**
Credited to the income statement*	(173)	(3)	1,432	1,256
At 31 December 2022	**215**	**79**	**9,516**	**9,810**

Company

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

	Deferred Tax on losses £000	Short term timing differences £000	Total £000
At 1 January 2021	**3,556**	**171**	**3,727**
Credited to the income statement*	641	-	641
Prior year adjustment	18	-	18
At 1 January 2022	**4,215**	**171**	**4,386**
Credited to the income statement*	459	(62)	397
Prior year adjustment	28	(28)	-
Rate change	-	(20)	(20)
At 31 December 2022	**4,702**	**61**	**4,763**

*See Note 7

The aggregate amount of unused tax credits for which no deferred tax asset is recognised at 31 December 2022, in respect of the Group was £1.7m (31 December 2021: £1.7m).

20. BORROWINGS

Group

	31 December 2022 £000	31 December 2021 £000
Non-current		
Unsecured borrowing at amortised cost		
Loan with immediate parent undertaking	431,760	431,759
Total Unsecured	**431,760**	**431,759**
Secured borrowing at amortised cost		
Senior Loan	385,009	345,555
Total borrowings due for settlement after 12 months	**816,768**	**777,314**
Current		
Unsecured borrowing at amortised cost		
Interest on loan with immediate parent undertaking	5,594	5,594
Loan Notes 2021 principal and interest	64,475	58,685
Total Unsecured	**70,069**	**64,279**
Secured borrowing at amortised cost		
Revolving credit facility - principal and interest	94,664	-
Senior Loan - principal and interest	138,835	33,006
Total Secured	**233,499**	**33,006**
Total borrowings due for settlement before 12 months	**303,568**	**97,285**

Company

	31 December 2022 £000	31 December 2021 £000
Current		
Unsecured borrowing at amortised cost		
Loan Notes 2021 principal and interest	64,475	58,685
Total borrowings due for settlement before 12 months	**64,475**	**58,685**

Loan Notes 2021

The Unsecured Loan Notes 2021 relate to a loan with the immediate parent undertaking. The interest rate was 15.25% non-compounding until 15 September 2016 and then 12% compounding annually until 15 September 2020. The principal and accrued interest as at 15 September 2020 have not yet been settled with the lender, therefore is treated as being repayable on demand.

As at 31 December 2022 the amount of Loan Notes 2021 outstanding including accrued interest was £64.5m (2021: £58.7m).

Loan with immediate parent undertaking

On the 13 October 2015 Lowell Portfolio I Ltd (a subsidiary undertaking of the Company) entered into a loan agreement with the parent undertaking of the Company. 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 Garfunkelux Group re-financing arrangement, on 5 November 2020, the contract for the outstanding loan of £391.8m between Lowell Portfolio I Ltd 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 amount outstanding principal as at 31 December 2022 was £391.8m (31 December 2021: £391.8m).

On 21 December 2020, Lowell Portfolio I Ltd entered into a further 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

20. BORROWINGS (continued)

of the loan were used to repay the RCF. The loan maturity date is 31 October 2025. The amount outstanding principal 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, Lowell Portfolio I Ltd 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)

In October 2021, Lowell Portfolio I Ltd 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 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 £170.0m, against which £155.0m was drawn down. The Senior Loan bears interest at a rate 3.9% + SONIA.

Revolving Credit Facility ("RCF")

The RCF in place in the year, for €455.0m, was set up for the benefit of the Group headed by Garfunkelux Holdco 2 S.A. The Metis Bidco Limited Group can directly draw on this facility.

The average interest rates during the year were as follows:

	31 December 2022	**31 December 2021**
Senior Loan	3.02%	3.39%
RCF	3.60%	3.09%
Loan Notes 2021	9.90%	12.00%
Loans with immediate parent undertaking	7.77%	7.77%

21. TRADE AND OTHER PAYABLES

Group	31 December 2022 £000	31 December 2021 £000
Trade payables	6,172	6,400
Amounts owed to group undertakings (Note A)	118,067	89,994
Other taxes and social security	197	-
Accruals and deferred income	23,712	13,949
Other payables	3,214	2,368
Tax payable	1,439	1
Total	**152,801**	**112,712**

Company

	31 December 2022 £000	31 December 2021 £000
Trade payables	-	35
Amounts owed to group undertakings (Note A)	52,719	5,637
Accruals and deferred income	528	-
Total	**53,247**	**5,672**

Note A: These balances are non-interest bearing and repayable on demand (see Note 28).

22. PROVISIONS

	Client payments £000	Dilapidations & Restoration £000	Unallocated Cash £000	Other £000	Total £000
At 1 January 2021	**9,992**	**2,678**	**481**	**1,228**	**14,379**
Provisions made during the year	-	62	23	605	690
Provisions reversed during the year	(4,399)	(1,173)	(135)	-	(5,707)
Provisions utilised during the year	(5,553)	-	-	(1,143)	(6,696)
At 1 January 2022	**40**	**1,567**	**369**	**690**	**2,666**
Provisions made during the year	-	1,410	-	-	1,410
Provisions reversed during the year	(40)	-	(233)	(690)	(963)
Provisions utilised during the year	-	-	-	-	-
At 31 December 2022	**-**	**2,977**	**136**	**-**	**3,113**

The Group recognises a provision for the dilapidation costs in respect of leased properties. The Group is committed to restoring the premises to their original state at the end of the lease term. During 2021, the Group surrendered the lease on one of its properties and the dilapidations provision was reversed accordingly. The Group relocated its remaining office in 2023 to a new property, using the termination option in November 2023 for the current main property lease.

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 in order to make sure the cash has been correctly accounted for.

Other provisions include liabilities that arise from the continued business process to review customer treatment. The review has identified some historic issues that, whilst having limited customer detriment, the technical treatment of customers has not been correct. The provision is for remediation costs in

22. PROVISIONS (continued)

certain instances and the costs associated with a further review to ensure consistency of the treatment of customers, which are anticipated to be paid in 2022.

23. SHARE CAPITAL

	31 December 2022 £	31 December 2021 £
Called up, allotted and fully paid:		
4 (2021: 4) A ordinary shares of £1.00 each	4	4
1 (2021: 4) T ordinary share of £0.01 each	-	-
Total	**4**	**4**

In December 2019, as part of a Group wide corporate simplification exercise, the Company underwent a capital reduction where the majority of ordinary shares and preference shares were cancelled. At 31 December 2019, all that remained were 4 A ordinary shares of £1.00 each and 1 T ordinary share of £0.01.

The rights of all classes of shares are set out below:

Voting

The Ordinary Shares did confer on each holder the right to receive notice of, and to attend, speak and vote at any general meeting of the Company except that, in respect of any general meeting at which a director is elected or removed, the holders of the Ordinary Shares were only entitled to exercise 75% of the total number of votes in respect of any resolution to elect or remove a director and for these purposes, each holder of Ordinary Shares did have one vote for each Ordinary Share.

The holders of the T Shares were not entitled to receive notice of, or attend and speak at or vote at any general meeting of the Company, except that the holders of the T Shares did:

a) have the right to receive notice of, and to attend, any general meeting of the Company at which a resolution to elect or remove a director was to be proposed, and

b) in respect of any such resolutions, had the right to speak and exercise 25% of the total number of votes and for these purposes, each holder of the T Shares did have one vote for each T Share.

Dividends

The profits of the Company available for distribution and resolved to be distributed would be distributed as follows:

a) the holders of the Ordinary Shares pro rata to the number of Ordinary Shares held by them, and

b) the holders of the T Shares receive dividends as and when declared by the board of directors.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution would be distributed among the holders of the Shares in the following priority:

a) first, paid to each holder of Shares, in respect of each Share a sum equal to the issue price, and

b) thereafter, of the balance remaining, to the holders of the Ordinary Shares only (and not to any holders of the T Shares) pro rata to the number of Ordinary Shares.

24. NOTES TO THE CASH FLOW STATEMENT

Group

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit for the year	**71,134**	**83,466**
Adjustments for:		
Depreciation of property, plant and equipment (Note 11,12)	3,060	3,252
Amortisation of intangible assets (Note 10)	2,264	2,217
Interest income (Note 5)	(4,669)	-
Loss on sale of property, plant and equipment	-	1,003
Surrender of property lease	-	(1,702)
Tax credit (Note 7)	(1,252)	(1,036)
Finance costs (Note 6)	70,418	48,523
Total	**140,955**	**135,723**
(Increase)/decrease in portfolio investments*	(53,003)	309
(Increase)/decrease in trade and other receivables	56,911	(158,046)
Increase/(decrease) in trade and other payables	(49,075)	37,017
(Increase)/decrease in derivatives	14,514	
(Increase)/decrease in other assets from acquisition	42,264	
Increase/(decrease) in other financial liabilities	2,029	-
Cash generated from operating activities	**154,592**	**15,003**
Income taxes (paid)/received	-	(2)
Net cash from operating activities	**154,592**	**15,001**

	31 December 2022 £000	31 December 2021 £000
Cash and bank balances	20,906	38,252
Restricted cash balances	39,062	22,521
Total cash and equivalents	**59,968**	**60,773**

*Includes:	
Income on portfolio investments (Note 14)	(260,961)
Net portfolio write up (Note 14)	(46,047)
Gain on derecognition of portfolio asset (Note 14)	(3,086)
Portfolio fair value gain (Note 14)	(1,161)
Collections on owned portfolios (Note 14)	506,034
Portfolios acquired	(247,782)
	(53,003)

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

24. NOTES TO THE CASH FLOW STATEMENTS (continued)

Company

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year	**(6,132)**	**(3,632)**
Adjustments for:		
Depreciation of property, plant and equipment	168	172
Finance costs	5,822	4,155
Tax credit	(377)	(658)
Total	**(519)**	**37**
Decrease/(increase) in trade and other receivables	(1,632)	1,658
(Decrease)/increase in trade and other payables	47,343	(1,527)
(Decrease)/increase in other financial liabilities	222	-
Net cash inflow from operating activities	**45,415**	**168**

	31 December 2022 £000	31 December 2021 £000
Cash and bank balances	**84**	**59**

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.

25. RECONCILIATION OF MOVEMENTS IN BORROWINGS TO FINANCING CASH FLOWS

Group

	Loan Notes £000	Shareholder loan £000	RCF £000	Asset backed loan £000	Total £000
Balance at 1 January 2022	**58,685**	**437,354**	**0**	**378,560**	**874,599**
Changes from financing cash flows					
Proceeds from loans and borrowings	-	-	144,500	314,892	459,392
Repayment of borrowings	-	-	(51,000)	(171,523)	(222,523)
Interest and fees paid	-	(32,474)	(56)	(21,062)	(53,592)
Total changes from financing cash flows	**-**	**(32,474)**	**93,444**	**122,307**	**183,277**
Changes from liabilities					
Interest expense	5,790	32,474	1,220	22,974	62,458
Total liability related changes	**5,790**	**32,474**	**1,220**	**22,974**	**62,458**
Balance at 31 December 2022 (Note 20)	**64,475**	**437,354**	**94,664**	**523,843**	**1,120,336**

Company

	Loan Notes £000	Total £000
Balance at 1 January 2022	**58,685**	**58,685**
Changes from financing cash flows		
Interest and fees paid	-	-
Total changes from financing cash flows	**-**	**-**
Changes from liabilities		
Interest expense	5,790	5,790
Total liability related changes	**5,790**	**5,790**
Balance at 31 December 2022 (Note 20)	**64,475**	**64,475**

26. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

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

The total cost charged to income of £1,460k (year ended 31 December 2021: £1,480k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

As at 31 December 2022, employer and employee contributions of £532k (31 December 2021: £253k) due in respect of the current reporting period had not been paid over to the schemes.

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2022

27. FINANCIAL INSTRUMENTS

Significant accounting policies

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

Categories of financial instruments

Group

	31 December 2022 £000	31 December 2021 £000
Financial assets		
Cash and cash equivalents	59,968	60,773
Portfolio investments	1,291,934	948,639
Trade and other receivables	123,505	173,522
Derivative asset	14,514	-
Financial liabilities		
Borrowings	(1,120,336)	(874,599)
Trade and other payables	(152,801)	(115,377)
Provisions	(3,113)	
Other financial liabilities	(24,289)	(3,275)

Company

	31 December 2022 £000	31 December 2021 £000
Financial assets		
Cash and cash equivalents	84	59
Trade and other receivables	1,991	359
Financial liabilities		
Borrowings	(64,475)	(58,685)
Trade and other payables	(53,247)	(5,672)
Other financial liabilities	(263)	(428)

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives

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

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

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

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

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

Credit risk

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

The 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 Group had 39.2m individual customer accounts (at 31 December 2021: 37.0m), 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 Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. 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.

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 Group 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.

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2022

27. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

Liquidity risk

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

The Company and the Garfunkelux Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 December 2022, the Garfunkelux Group, and as a result Metis Bidco Limited Group, had available undrawn committed borrowing facilities. See Note 20 for further details on banking facilities.

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

As at 31 December 2022

	Average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Revolving credit facility	3.60	94,664	94,664	94,664	-	-	-
Loan Notes 2021	9.90	64,475	64,475	64,475	-	-	-
Parent Loan	7.77	441,753	526,860	16,782	16,782	493,295	-
Senior Loan	3.02	523,843	620,231	8,292	39,934	572,005	-
Lease liabilities	6.04	24,289	31,540	988	435	10,883	19,234
Other liabilities	-	155,913	155,913	152,936	-	2,977	-
Total liabilities		**1,304,937**	**1,493,683**	**338,137**	**57,151**	**1,079,160**	**19,234**

As at 31 December 2021

	Average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Loan Notes 2021	12.00	58,685	58,685	-	58,685	-	-
Parent Loan	7.77	437,353	560,425	16,782	16,782	526,860	-
Senior Loan	3.02	378,561	426,716	13,114	21,286	392,316	-
Lease liabilities	-	3,275	3,443	908	908	1,620	7
Other liabilities	-	115,377	115,377	113,810	-	1,567	-
Total liabilities		**993,251**	**1,164,646**	**144,614**	**97,661**	**922,363**	**7**

Loan Notes 2021 and Loan Notes: Includes loan principal outstanding and accrued interest. For further details see Note 20.

Parent Loan: Includes loan principal outstanding and accrued interest. For further details see Note 20, caption "Amounts owed by immediate parent undertaking".

Senior Loan: Includes principal outstanding of £523.8m (31 December 2021: £379.1m).

27. FINANCIAL INSTRUMENTS (continued)

Other liabilities: this includes "Trade and other payables", "Provisions", "Other financial liabilities" and "Tax liabilities".

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

As at 31 December 2022

	Average interest rate	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-5 years	Over 5 years
	%	£000	£000	£000	£000	£000	£000
Loan Notes 2021	9.90	64,475	64,475	64,475	-	-	-
Lease liabilities	3.99	264	272	91	48	132	-
Other liabilities	-	53,247	53,247	53,247	-	-	-
Total liabilities		**117,986**	**117,986**	**117,813**	**48**	**132**	**-**

As at 31 December 2021

	Average interest rate	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-5 years	Over 5 years
	%	£000	£000	£000	£000	£000	£000
Loan Notes 2021	12.00	58,685	58,685	-	58,685	-	-
Loan Notes	-	-	-	-	-	-	-
Lease liabilities		428	465	93	93	280	-
Other liabilities	-	5,672	5,672	5,672	-	-	-
Total liabilities		**64,785**	**64,822**	**5,765**	**58,778**	**280**	**-**

Loan Notes 2021 and Loan Notes: see Note 20 for further details.

Other liabilities: includes "Trade and other payables" and "Other financial liabilities".

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

27. FINANCIAL INSTRUMENTS (continued)

Group financing facilities

	31 December 2022 £000	31 December 2021 £000
Securitisation facilities		
Amount used by the Group	521,298	382,480
Amount unused	48,702	22,338
RCF		
Amount used by the Group	93,500	-
Amount used by other members of the GH2 Group	270,089	14,300
Amount unused	39,066	382,200
Total	**972,655**	**801,318**

As at 31 December 2022, the accrued interest on the RCF was £1.2m (31 December 2021: £Nil). The RCF is a financing facility available to the Garfunkelux Holdco 2 S.A Group and the maximum amount that can be drawn down is €455.0m (£402.7m). The amount has been translated using the year end spot rate (€/£0.885).

At 31 December 2022 the Group had drawn down £521.3m (31 December 2021: £379.1m) on the securitisation facility, not including accrued interest, the maximum amount that can be drawn down is £570.0m (31 December 2021: £400.0m).

The Company has no separate financing 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 Group to expect a yield high enough to cover all costs of collection and to contribute to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through an Investment Committee, as described under Credit risk.

The Group manages the unpredictability of the market through a number of financing structures. As at 31 December 2022 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 back facility of £570.0m (see Note 20 for further details). At 31 December 2022 £270.1m had been drawn on the Group RCF, by another entity in the Garfunkelux Group, and £93.5m had been drawn by the Group. This RCF allows the Group the flexibility to bid on portfolios as and when they come to market and are not 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.

27. FINANCIAL INSTRUMENTS (continued)

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.

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 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. 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.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital and through a loan from its immediate parent and loan notes, which are of fixed interest rates for their whole terms. The Group's RCF and asset backed loan facilities are subject to a variable interest rate.

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 Group's movement in the profit for the year ended 31 December 2022 would be £15,463k (year ended 31 December 2021: loss £9,477k). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Capital management risk

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

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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27. FINANCIAL INSTRUMENTS (continued)

Capital management risk (continued)

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 20 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained deficit as disclosed in Note 23.

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

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

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

Group

	Carrying amount		Fair value	
	31 December 2022 £000	**31 December 2021 £000**	**31 December 2022 £000**	**31 December 2021 £000**
Financial assets				
Investments and receivables:				
Portfolio investments	1,291,934	948,639	1,291,934	948,639
Trade and other receivables	123,505	173,522	123,505	173,522
Derivative asset	14,514	-	14,514	-
Total financial assets	**1,429,953**	**1,122,161**	**1,429,953**	**1,122,161**
Financial liabilities				
Financial liabilities measured at amortised cost:				
RCF	(94,664)	-	(94,664)	-
Loan Notes 2021	(64,475)	(58,685)	(64,475)	(58,685)
Trade and other payables	(152,801)	(115,377)	(152,801)	(115,377)
Other financial liabilities	(24,289)	(3,275)	(24,289)	(3,275)
Amounts owed to parent	(437,353)	(437,353)	(437,353)	(437,353)
Senior Loan	(523,843)	(378,561)	(523,843)	(378,561)
Total financial liabilities	**(1,297,425)**	**(993,251)**	**(1,297,425)**	**(993,251)**

Company

	Carrying amount		Fair value	
	31 December 2022 £000	**31 December 2021 £000**	**31 December 2022 £000**	**31 December 2021 £000**
Financial assets				
Receivables:				
Trade and other receivables	1,991	359	1,991	359
Total financial assets	**1,991**	**359**	**1,991**	**359**
Financial liabilities				
Financial liabilities measured at amortised cost:				
Loan Notes 2021	(64,475)	(58,685)	(64,475)	(58,685)
Trade and other payables	(53,247)	(5,672)	(53,247)	(5,672)
Other financial liabilities	(264)	(428)	(264)	(428)
Total financial liabilities	**(117,986)**	**(64,785)**	**(117,986)**	**(64,785)**

27. FINANCIAL INSTRUMENTS (continued)

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- 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 120 month forecast cash flows as detailed above.

For the Group, the fair value of the portfolio investments is determined using a discounted cash flow 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.

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

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

In previous years, the fair value of the portfolios was calculated by discounting the net forecast cash flows. To determine the fair value a discount rate and service cost percentage were applied. These were 12% and 25% respectively for portfolios that are not deemed as "paying" at the point of acquisition and 9% and 10% for portfolios that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cash flows to net and is based on historical information on costs to collect.

In 2022 it has been assumed that the fair value of the portfolios is materially consistent with the carrying value of the portfolios, reflecting the weighted average EIR being consistent with a market discount rate.

28. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 2 S.A, which prepares consolidated financial statements. The consolidated financial statements of Garfunkelux Holdco 2 S.A. are available from the Company's registered office at 488, route de Longwy, L-1940, Luxembourg.

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

Group

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Transactions with related parties		
Interest charge on Loan Notes 2021 - immediate parent undertaking	(5,790)	(4,131)
Interest charge on Loan Notes - immediate parent undertaking	(33,565)	(37,199)
Expenses and costs recharged (from)/to Simon Bidco Limited	-	(8)
Expenses and costs recharged from Lowell Group Shared Services Ltd	(16,095)	(4,244)
Drawdown/(repayment) of loan with Simon Bidco Limited	-	(56,612)

All transactions are on an arm's length basis.

	31 December 2022 £000	31 December 2021 £000
Year end balances with related parties		
Loan Notes 2021 - principal (Note B)	(58,685)	(50,633)
Loan Notes 2021 - interest (Note B)	(5,790)	(4,131)
Loan principal with immediate parent undertaking	(431,759)	(431,759)
Loan interest with immediate parent undertaking	(5,594)	(5,594)
Simon Bidco Limited (trading) (Note A)	(42,705)	(43,320)
Simon Midco Limited	16,167	106,189
Simon Holdco Limited	21	15
Lowell Group Shares Services Ltd	5,176	1,940
Garfunkelux Holdco 3	-	(51)

Note A: This balance is non-interest bearing and repayable on demand (see Note 20).

Note B: These balances are due to the Company's immediate parent undertaking (see Note 20).

The Company also had the following transactions and year end balances with other related parties.

28. RELATED PARTY TRANSACTIONS (continued)

Company

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Transactions with related parties		
Immediate Parent Undertaking		
Interest charge on Loan Notes 2021 – immediate parent undertaking	(5,790)	(4,131)
Subsidiary Undertakings		
Expenses and costs recharged from Lowell UK Shared Services Ltd	-	152

All transactions are on an arm's length basis.

	31 December 2022 £000	31 December 2021 £000
Year end balances with related parties		
Immediate Parent Undertaking and Other Group Undertakings		
Simon Bidco Limited	(64,475)	(58,685)
Simon Midco Limited	(44,016)	-
Subsidiary Undertakings		
Lowell Portfolio I Ltd (trading) (Note C)	(7,741)	(5,654)
Lowell Financial Ltd (trading) (Note C)	192	17
Fredrickson International Limited (Note C)	10	-
Hoist UK	5,747	-
Lowell UK Shared Services Ltd (trading) (Note C)	109	287

Note C: These balances are non-interest bearing and repayable on demand (see Note 20).

Group

Remuneration of key management personnel

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

	Year Ended 31 December 2022 £000	Year Ended 31 December 2021 £000
Short-term employee benefits	2,194	1,407

The above details relate to eight key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by subsidiary companies for their

28. RELATED PARTY TRANSACTIONS (continued)

services to the Group. Emoluments of directors of the Company, who provide services as directors to the Company and the Group, but are paid by the Company or by a subsidiary company are set out in Note 4b.

Company

Remuneration of key management personnel

No remuneration of key management personnel of the Company is provided by the Company.

29. SUBSEQUENT EVENTS

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 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.

30. WALK FROM CASH COLLECTIONS TO CASH EBITDA (UNAUDITED)

Cash collections to Cash EBITDA	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Collections on Owned Portfolios	14	506,034	454,708
Service revenue		2,143	119
Other income		21	133
Total cash income		**508,197**	**454,960**
Total operating expenses		(177,787)	(155,190)
Add Back:			
Depreciation	11,12	3,060	3,252
Amortisation	10	2,264	2,217
Non-Recurring Costs		8,594	10,775
Consolidated Cash EBITDA		**344,327**	**316,014**

31. 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.