Classification: Public

Company No. B197497

Garfunkelux Holdco 2 S.A.

Report and Consolidated Financial Statements

For The Year Ended 31 December 2024

Lowell

GARFUNKELUX HOLDCO 2 S.A.
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YEAR ENDED 31 DECEMBER 2024

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GARFUNKELUX HOLDCO 2 S.A.
OFFICERS, PROFESSIONAL ADVISORS AND AUDITORS
YEAR ENDED 31 DECEMBER 2024

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Lowell

GARFUNKELUX HOLDCO 2 S.A.
MANAGEMENT REPORT
YEAR ENDED 31 DECEMBER 2024

The Directors present their annual report and the audited consolidated financial statements of Garfunkelux Holdco 2 S.A. ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2024. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards" or "IFRS") as adopted by the European Union.

BUSINESS AND GENERAL CONDITIONS

The Company was incorporated on 1 June 2015. The Group acquired Lowell Financial Services GmbH (formerly GFKL Financial Services AG) and its subsidiaries ("DACH") on 30 June 2015 and Metis Bidco Limited and its subsidiaries ("UK") on 13 October 2015.

On 31 May 2016, the Group acquired a 100% share in IS Group Management GmbH and its subsidiaries ("IS Inkasso") through Lowell Financial Services GmbH (formerly GFKL Financial Services GmbH), an indirect subsidiary of the Company.

On 30 September 2016, the Group acquired a 100% share in DC Holding GmbH and its subsidiaries ("Tesch") through Lowell Financial Services GmbH (formerly GFKL Financial Services GmbH), an indirect subsidiary of the Company.

On 20 March 2018, the Group acquired a 100% share in Lindorff Sverige AB, Fair Pay Please AS and subsidiaries through Lowell Nordics Oy (formerly Hansa Bidco Oy, formerly Pofidax Oy), an indirect subsidiary of the Company, together the "Carve-Out Business" ("Nordics").

On 25 October 2022, the Group acquired a 100% share in Hoist Finance UK Limited and subsidiaries ("Hoist UK") through Metis Bidco Limited, an indirect subsidiary of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of credit management services: the acquisition and collection of non-performing consumer debt portfolios ("DP"); and the provision of third-party collection services ("3PC").

FINANCIAL PERFORMANCE

GROUP OVERVIEW

Lowell Group is one of the largest Credit Management Service ("CMS") providers in Europe, by revenue and Estimated Remaining Collections ("ERC"), and has leading positions across the UK, DACH and Nordic regions; three of the largest consumer credit markets in Europe.

The Group deployed approximately £384m of capital on non-performing loans across its regions in 2024, in line with guidance to deploy at levels above its internally calculated ERC Replacement Rate; sustainably deploying capital from cash flow generated. Investments have continued at attractive returns, with the 2024 vintage priced increasing from a 20.4% net Internal Rate of Return ("IRR") (gross expected collections net of variable collection costs) to in excess of 22.5% net IRR. Lowell Group continues to benefit strongly from its long-standing, and mutually beneficial forward flow agreements, which accounted for 87% of its 2024 purchases.

Collection performance on assets owned has been stable across 2024, delivering at 100% of the Group's balance sheet expectation at Dec-23 for the next 12 months. This reflected strong and resilient collection performance across all three regions:

- UK, which is the Groups largest in terms of debt purchase, delivered at 100% across 2024 when comparing to its balance sheet expectation at Dec-23 for the next 12 months;

- DACH, collections performance adjusted for the assets sold during the year totalled 100% of Dec-23 for the next 12 months expectation; and
- Nordics, collection performance remained consistent, delivering at 99% in 2024.

Alongside the consistent backbook performance in the group, new assets purchased in 2024 delivered ahead of initial pricing expectation achieving a collection rate of 105%.

The Group's underlying Cash EBITDA margin remained flat at 51% YoY when adjusting for Balance Sheet Velocity proceeds. This reflected strong cost control in the context of servicing revenues significantly increasing as a proportion of total Cash Income (15% in FY24 vs 11% in FY23), benefitting from specific cost reduction actions taken at the end of FY23During 2024, the Group completed a number of additional transactions;

- Q1 2024: the Nordic region completed the three Resurs transactions, whereby Resurs Bank AB transferred some of its non-performing loans into 3 separately SPVs domiciled in Sweden. Lowell Danmark A/S, Lowell Suomi Oy and Lowell Sverige AS each provided Junior funding (representing 9.5% of overall funding) to an SPV and entered into an ongoing servicing arrangement. The Group will earn interest from the Junior loan as well servicing fees through the arrangement.

- Q2 2024: the UK region entered into a co-investment agreement whereby Lowell Portfolio Investments I Ltd agreed to provide funding to an SPV, which the SPV used to purchase non-performing loans from the market. The SPV issued one tranche of notes totalling c.£26m which the Group co-subscribed to 51%. The Group entered into an ongoing servicing arrangement over the portfolio of assets with the SPV. The SPV is 100% consolidated in the accounts due to the Group having ultimate control over the relevant activities of the SPV and exposure to variable returns.

- In addition, in the DACH region the Group sold a significant portion of the back book for cash proceeds of £157m (€186m), with a further £9.6m (€15.5m) held for sale at 31 December 2024.

These transactions are a clear demonstration of Lowell's strength in rehabilitating consumer accounts from non-paying to generating stable reperforming cash flows which support investment grade Notes. Such activity allows Lowell to recycle capital from assets held on the balance sheet at a faster rate, allowing capital generated to by deployed into new assets.

Further to these, the Group was able to announce the extension of one of its securitisation warehouse facilities by sixteen months which included a £50m upsize and has also received agreement in principle for a 24-month extension on one of its other securitisation facilities. These amendments will help to provide continued funding and liquidity diversification for the Group.

FINANCIAL ANALYSIS

Performance in 2024 was strong and resilient with the Group committed to sustainably, growing the business. Strong collections performance has enabled 2024 to be in line with balance sheet expectations. Whilst reported Cash EBITDA has reduced YoY given the quantum and timing of Balance sheet velocity actions, underlying performance (excl. BSV proceeds) has been encouraging.

The Group continued to deploy capital across all regions and a variety of sectors during 2024 including home retail, telecommunications, retail and with the majority of spend being on assets originating from the financial services sector.

As at 31 December 2024, 120-month ERC decreased to £3.6bn from £3.8bn on 31 December 2023. This being a result of the assets sales completed in DACH across H1-24, more modest levels of capital deployment and some adverse FX movements.

Our diversified service offering also continues to facilitate the further embedding of strategic client relationships through the management of collection of debt on behalf of over 350 clients through our 3PC offering.

Total income for the year increased to £620.7m from £580.6m for the same period in 2023. This was mainly driven by increases in the portfolio valuation writeups and 3PC service revenue offset by declines in income from portfolio investments as a result of the reduced asset base in year, following BSV activity across the last 24 months.

The Group made an operating profit of £2.2m in the year ended 31 December 2024 (2023: (£247.1m)). Including interest related to the Group's funding structure, taxation and impairment in goodwill of £74.1m (2023: £283.6m) the loss for the year ended 31 December 2024 was £358.5m (2023: (£475.9m)).

The UK region holds the largest proportion of the Group's total portfolio investments. The UK region reported an operating profit of £165.3m (2023: £146.2m) with consistent performance across the majority of channels.

The DACH region made an operating loss of £109.6m in the year ended 31 December 2024, compared with an operating loss of £349.1m in the prior period. The current period includes an impairment charge to goodwill of £74.1m (2023: £283.6m). Excluding this, the region made an operating loss of £35.5m (2023: £65.5m).

The Nordics region achieved an operating profit of £36.1m in the year ended 31 December 2024, an increase from the prior period operating profit of £24.2m. This increase reflects ongoing efficiency improvements and increase in returns and growing servicing revenue.

At 31 December 2024 the Group had £371.8m drawn on its RCF (31 December 2023: £377.7m) and an unutilised amount of £5.3m (31 December 2023: £16.9m). The Group had £572.1m drawn on its securitisation facilities at 31 December 2024 (31 December 2023: £397.8m). The Group continues to monitor and manage its liquidity as disclosed in note 1.

The Group benefits from its ability to generate strong cash flows from operating activities before portfolio acquisitions. In the year to 31 December 2024, the Group generated £577.7m of cash from operating activities before portfolio acquisitions, with these cash flows available to service or pay down debt, pay income taxes and discretional deployment of capital into new portfolio acquisitions for growth. This has declined from FY23, principally due to the lower quantum of BSV activity in FY24, which was £130m less YoY.

ERC and Cash EBITDA are non-IFRS Accounting Standards financial measures but are widely used by investors to measure a company's asset base, ability to generate cash flow and operating performance. Analysts and investors use ERC and Cash EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry. Both measures are used by management to understand business performance and indeed are key required disclosures under the terms of the Group's Notes. Cash EBITDA is reconciled to operating profit on page 88.

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 before exceptional items, depreciation, amortisation and impairment of non-performing loans. Cash EBITDA for the year ended 31 December 2024 was £601.8m, compared to £771.9m for the year ended 31 December 2023.

Cash income in the table below is defined as cash collections on acquired portfolios plus income from 3PC services.

These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's Notes. Reference to these non-IFRS Accounting Standards financial measures should be considered in addition to IFRS Accounting Standards financial measures but should not be considered a substitute for results that are presented in accordance with IFRS Accounting Standards.

OUTLOOK

During 2024 the Group continued to demonstrate its financial and operational resilience, whilst deploying capital to acquire non-performing loans to support the growth of the Group. The Group benefits from good cash flow visibility. The Group's ERC forecast has historically been highly accurate, and forecasts future collections from portfolios currently owned of £3,602m for the 120 months from 31 December 2024 (31 December 2023: £3,792m) for the combined UK, DACH and Nordic businesses. Of this, some £678m and £562m are forecast to be collected across the next 12 and 24 months respectively, before accounting for collections from portfolio purchases made across these future periods.

The Group expects to continue its focus on cost control, with ambition to improve collection efficiency whilst leveraging its overhead base further to reduce or maintain costs as the topline grows.

Focus on balance sheet strength remains a key priority and the Group aims to maintain leverage at a sustainable level through capturing attractive portfolio returns on levels of spend supported from cash generated alongside increasing margin efficiency. These actions, together with the Group's expectations and track record of delivery on collections, strongly position Lowell for sustainable and balanced growth.

The Group intends to continue to develop all its regions and service lines, leveraging its competitive advantage with regards to diversification of origination, scale of data assets and use of forward flow arrangements. In a regional context, the Group expects growth in its core markets, investing in-line with its calculated ERC replacement rate, on-boarding new servicing clients and increasing its share of wallet with existing clients.

On a regional basis the Group expects to continue to reduce its focus on debt purchase in the DACH region as the Group looks to capture the more attractive returns on debt purchase available in its other regions and focus on the growth in its well-respected servicing franchise in the DACH region.

The Group anticipates the continuation of the strong inflow in volume of DP opportunities across the UK and Nordics, consistent with wider macro developments. This continuation of flow alongside wider market conditions provides a healthy backdrop to the DP market where the Group can deploy capital at returns it believes are both attractive and accretive to the business.

Originators continue to manage balance sheets tightly owing to regulatory and liquidity pressures and as a trusted CMS partner, Lowell is well placed across Europe's largest credit markets to provide CMS solutions and participate in anticipated significant market flows.

The Group expects to maintain its market leading positions across its geographies and continue to develop the business for the long-term and in the best interests of all its stakeholders.

Underlying growth in our markets is expected to continue, driven by key trends:

- Macroeconomic impact from cost of living pressures on consumers across Europe. This is expected to lead to an increase in consumer defaults, alongside growth in consumer finance should drive an increase in NPLs brought to market from originators.
- Structural change in the landscape of financial services whereby new offerings for financial products are coming to market from non-traditional financial services providers using digital and innovative distribution channels and who regularly outsource their debt servicing to service

providers like Lowell. Such structural change already serves as a growth driver for our business and will continue to do so as the new entrants win market share in a growing market.

- Regulatory changes, together with credit originators viewing credit management as a non-core activity, will increase pressure to outsource or sell to trusted partners. This will lead to increased use of debt management and debt purchase services.

Lowell

GARFUNKELUX HOLDCO 2 S.A.
MANAGEMENT REPORT
YEAR ENDED 31 DECEMBER 2024

KEY PERFORMANCE INDICATORS (KPIs)

	31 December 2024	31 December 2023
Amortised cost portfolio investments acquired	£383.1m	£332.5m
Fair value portfolio investments acquired [(1)]	£7.4m	£17.3m
Gross collections (in total)	£2,130.6m	£2,193.4m
Gross collections (DP)	£878.9m	£1,092.5m
Gross collections (3PC)	£1,251.7m	£1,100.9m
Service Revenue	£154.6m	£143.6m
Yield income from portfolio investments	£416.2m	£446.1m
Fair value gain	£6.6m	£5.7m
Cash income	£1,033.5m	£1,232.7m
Cash EBITDA[(2)]	£601.8m	£771.9m
UK cash EBITDA	£347.9m	£475.9m
DACH cash EBITDA	£211.2m	£99.2m
Nordics cash EBITDA	£98.7m	£252.2m
Holding companies cash EBITDA	£(56.0)m	£(55.4)m
Operating profit/(loss)	£2.2m	£(247.1)m
Loss for the year[(3)]	£(358.5)m	£(475.9)m
120-month ERC	£3,602.0m	£3,792m

(1) Fair value portfolio investments acquired is the net acquisition amount (acquisitions less disposals).
(2) 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 before exceptional items, depreciation, amortisation and impairment of non-performing loans.
(3) Inclusive of goodwill impairment charge for the DACH region (2024: £74.1m; 2023: £283.6m).

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of its normal business activities, the Group has exposure to the principal risks outlined below. For further detail on the financial risks, as well as mitigation and controls, please refer to note 30.

The Group continues to operate within the same risk framework, underlying processes and overall governance structure in accordance with the three lines of defence model. The Group operates a common risk framework across its markets to achieve a consistent approach to risk management, whilst allowing for local operating practices, and to ensure compliance with local legal and regulatory requirements.

The core objectives of the risk framework are to: (i) support the achievement of strategic objectives, (ii) enable effective oversight and governance, (iii) promote a strong risk and ethics culture based on customer care, conduct principles and integrity; and (iv) ensure compliance with our obligations to regulators, customers, clients, investors and other stakeholders.

The first line of defence (Operational Management) owns, manages and is accountable for the risk associated with its activities. The 1st line is responsible for identifying, measuring, assessing, controlling, mitigating and reporting on current and emerging risks, issues or incidents associated with its activities.

The second line of defence (Risk & Compliance functions) oversees risk management. It establishes, implements and maintains an effective risk management programme under the direction of the Investor Board, Regional Boards, Senior Management and Risk Committees.

The third line of defence (Internal Audit) acts as an independent assurance function in accordance with the Institute of Internal Auditors Standards. This assurance covers how effectively the organisation assesses and manages its risks including the effectiveness of the 1st and 2nd lines of defence.

Governance and risk oversight are provided across the Group through legal entity Boards with shareholder oversight through the Investor Board and its Board sub-committees: (i) Group Risk Committee, (ii) Group Audit Committee and (iii) Group Remuneration Committee. In 2023, the Group had established a new Board sub-committee for Sustainability.

The Investor Board sets the strategic aims of the Group, ensures that the necessary resources are in place for the Group to meet its obligations, and is responsible for the allocation and raising of capital, setting and monitoring of risk appetite alongside reviewing business and financial performance.

Its sub-committees provide oversight and advice to the Investor Board within their specific remits. For the Group Risk Committee on risk exposure, adherence to risk appetite and effectiveness of the risk management framework. For the Group Audit Committee on accounting policies, financial reporting and the internal control framework in conjunction with the Group Risk Committee. For the Group Remuneration Committee on remuneration policies designed to support long term business strategy and promote effective risk management. For the Group Sustainability Committee on matters relating to Environment, Social and Governance strategy, goals and related activities.

Executive Management further strengthens the overall oversight through key management committees; nominally the Regional Risk Committees & the Group Asset & Liability Committee (“ALCO”).

Strategic risk

There is a risk to earnings resulting from poor or lack of clear strategy and execution, adverse business decisions, and inadequate anticipation of emerging changes in the broader business, economic, regulatory and political environment, including changing competitive threats and disruptive innovations.

The Group continues to pursue its growth and change agenda but is also mindful of the existing economic conditions that require an increased focus on maintaining collection performance and financial discipline. There remains a risk that the Group will not be able to execute on these strategies and a failure to do so could place it at a competitive disadvantage to its peers.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Strategic risk (continued)

Whilst the Group has chosen to operate within markets that it believes to be economically stable, the global impact of macro-economic factors creates volatility in both customer affordability and capital markets.

Whilst Group analysis shows no evident correlation between individual economic trends and collections performance, there remains a risk that significant collective economic and societal stresses can impact collection performance.

The Group recognises that whilst the Group hybrid working model is now well established, there remain broader economic and social trends that have led to tight labour markets and some skill shortages. This may create emerging risks, such as employee engagement and retention, which the Group continues to monitor.

The Group has chosen to operate in well-regulated and mature credit markets as it believes this fosters good practices and portfolio stability, as well as barriers to entry. These risks are actively monitored and managed within the individual regions and at a Group level through Risk Committees with senior management ownership identified for key risks.

Financial risk

There is a risk to earnings arising from the inability to meet contractual or contingent financial obligations and/or refinance at a reasonable cost; from decisions made based on incorrect models; and economic loss from changes in market risk factors such as interest rates, foreign currency exchange rates, credit ratings, counter-parties, market liquidity dynamics (including a lack of liquidity sufficient to allow for new investment) and other potential impacts to solvency.

Notwithstanding the current refinance considerations, there also remains a risk the Group may not be able to access such capital markets in the medium term if it fails to deliver on its strategic objectives, deploys significant capital ineffectively or if its financial performance deteriorates materially.

The Group continues to monitor its funding requirements and has established alternative funding initiatives such as securitisations to build wider diversification of options. Alongside this, capital allocation, underwriting discipline and ongoing portfolio reviews continue to maintain a strong focus on portfolio profitability & returns.

The Group is exposed to market risk both through floating rate and non-Sterling denominated debt. The Group performs scenario planning as part of its budgeting process and these exposures are monitored and mitigated through the ALCO and Board Committees on an ongoing basis.

Compliance risk

There is a risk of legal or regulatory sanctions (including permissions being revoked or the suspension of the Group's ability to trade), financial loss or reputation damages resulting from failure to comply with laws, regulations, ethical standards, prescribed practices, internal policies and procedures and from fraud, corruption or bribery.

The Group operates in regulated markets and with regulated clients and consumer protection remains an area where regulation is subject to change across European markets. The Group takes its regulatory commitments extremely seriously and actively seeks to engage with both regulators and policy makers.

The EU Directive on Credit Servicers and Credit Purchasers and amendments to credit management Directives apply to non-performing loans (NPLs) transferred on and after the entry into force and/or service arrangements for such transferred NPLs. The legislation affects the Group both as a credit acquirer and as a credit servicer. The legislation introduces requirements to be licensed by country regulators including Nordic's FSAs and German Bafin with additional requirements to ensure a high level of compliance within technology, security, information, data privacy, outsourcing, and consumer protection risk management.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Compliance risk (continued)

Denmark, Sweden and Germany have received the required licenses. Austria, Finland and Norway are awaiting the delayed but expected legislation.

In the UK, the main regulatory oversight bodies are the Financial Conduct Authority (FCA), overseeing the debt purchase and debt collection activities; and the Solicitors Regulation Authority (SRA), overseeing litigation activities. The ultimate penalty would be the withdrawal of authorisation to provide financial services.

There is a risk that as governments consider their legislative agenda in a period where affordability and inflationary pressures are evident, then there may be changes to laws or regulations to help consumers deal with weaker economic circumstances, their personal debt and associated collection fees.

Consequently, there remains the risk that regulations will change and could negatively impact the Group's operations or that the Group could fail to comply with existing regulations and face increased scrutiny or eventual sanction.

Regulatory compliance and horizon scanning for regulatory changes are continually analysed and monitored through both Regional and Group Risk Committees.

Operational risk

There is a risk arising from inadequate or failed internal systems, processes, controls, people or from internal or external events affecting the operation of our business.

The Group maintains a register of operational risks and controls, which are subject to regular assessment and testing. Complete elimination of operational risk is unlikely and economically prohibitive. When incidents occur, they are promptly reported in our risk system of record, ensuring impacts and root causes are addressed, impacted customers or stakeholders receive clear communications, and reoccurrence is minimised by the actions taken.

The Group pursues a strategy of using reliable third parties to provide specialist services but there remains a residual third-party risk should these suppliers fail to provide the relevant services. Performance and conduct of key suppliers is monitored through its third-party risk framework and associated procedures.

While operational performance has not been materially impacted through third party performance weaknesses or failures, there remains the risk that the Group's processes do not prove resilient or third-party processes fail and expose the Group to a failure in business continuity or operational losses.

Certain regulated companies in the UK have a requirement to comply with operational resilience rules introduced by the FCA before the end of the transition period in April 2025. The FCA may increase the speed and severity of penalties for failing to maintain resilient operations if customers do experience intolerable harm following the end of the transition period.

The Digital Operations Resilience Act (DORA) came into force in January 2023 and applies to EU banks, insurance companies and investment firms from January 2025. Although DORA does not directly apply to the Lowell Group, our clients may include our services in scope for their third-party risk management requirements, increasing our costs to meet their requirements or leading to loss of business from clients if we are unable or unwilling to meet those requirements.

Information and data risk

There is a risk of financial loss, litigation, reputation damage or regulatory sanctions resulting from poor data management, failure to implement appropriate data protection measures, inadequate management of records and information lifecycle, inability to protect data, systems and information from unauthorised access management, threats, cyber-attacks and security vulnerabilities.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Information and data risk (continued)

The information and data risks are greatest in the case of a security or privacy breach as well as a failure to comply with GDPR or similar regulations.

Cyber threats are continuously evolving and the risk of cyber-attacks is increasingly material due to the rise in the volume and complexity of external threats. We continue to take proactive steps to manage security and enhance our cyber and technology controls.

RISK MANAGEMENT

The Group has an active risk management programme in place which is overseen by the Investor Board and Group Risk Committee and driven forward by the Group Chief Risk Officer, Group Chief Executive Officer and the Group Executive team.

Risk management in the Group is intended to:

- Support senior Management in achieving strategic objectives and priorities;
- Enable board members to carry out risk oversight responsibilities and governance duties;
- Promote a strong risk and ethics culture based on customer care and conduct principles; and
- Ensure compliance with our obligations to customers, regulators, investors and other stakeholders.

This is achieved throughout the Group via the following, all underpinned by an effective "three lines of defence" model:

- A strong risk culture, values and ethics;
- A clear risk strategy and objectives;
- A defined and embedded Risk Appetite Statement;
- A comprehensive risk governance structure; and
- An effective risk framework.

Lowell's Corporate Governance arrangements are based on best practices as defined in the UK Corporate Governance Code 2018 and the Wates Corporate Governance Principles for Large Private Companies 2018 and the Group does this in the following ways:

Investor Board: Group oversight and strategy is provided by an Investor Board that comprises our Chairman, Executive Directors and Non-Executive Directors and our ultimate equity holders. Beneath this Board sit Group Risk and Audit Committees, the Group Remuneration Committee, the Group Sustainability Committee and a Group Executive Committee. The Investor Board has overall accountability for risk management.

Group Risk Committee: The Group Risk Committee provides oversight and advice to the Investor Board in relation to: (i) current and potential future risk exposures of the Group and future risk strategy, including determination of risk appetite; and (ii) the effectiveness of the risk management framework and, in conjunction with the Group Audit Committee, internal controls required to manage risk. Furthermore, the Group Risk Committee assists on such other matters as may be referred to it by the Investor Board and promotes a risk awareness culture across the Group. The Group Risk Committee meets quarterly.

Group Audit Committee: The Group Audit Committee provides oversight to the Investor Board regarding the completeness and accuracy of financial statements and effectiveness of internal control systems. The Group Audit Committee also ensures an independent, objective and effective Internal Audit function is in place. The Group Audit Committee meets at least quarterly.

Lowell

GARFUNKELUX HOLDCO 2 S.A.
MANAGEMENT REPORT
YEAR ENDED 31 DECEMBER 2024

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Governance and oversight (continued)

Group Remuneration Committee: The Group Remuneration Committee provides oversight and advice to the Investor Board relating to remuneration policies and practices, considering equity and promoting the long-term success of the Group.

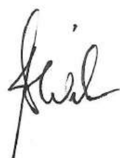
Group Sustainability Committee: The Group Sustainability Committee provides oversight and advice to the Investor Board relating to Lowell's Environment, Social and Governance strategy, goals and related activities to ensure we are adhering to regulation, managing ESG risks and advancing opportunities.

Group Executive Committee: The Group Executive Committee is responsible for the delivery of strategy as agreed by the Investor Board. The Group Executive Committee is provided with monthly reports on the development of earnings, liquidity and the key performance indicators. On the basis of this management information, the Group Executive Committee monitors the business development of all companies within the Group on an ongoing basis and regularly discusses the current business situation with the directors of the subsidiaries.

RESEARCH AND DEVELOPMENT

Development costs capitalised during the year total £14.2m, which includes work on internally generated software (31 December 2023: £101.0m).

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



Jamie Wilson
Director
02 May 2025

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of Garfunkelux Holdco 2 S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Qualified Opinion

In 2022, the Group experienced a significant amount of change in terms of both the volume of corporate activity and business change. This has increased both the complexity of the accounting in the Group, the volume of transactional activity and financial reporting considerations; it continued also in 2023 and 2024. Also, the Group was subject to a cyber-attack in the DACH region (being the Lowell Financial Services GmbH company and its subsidiaries) in March 2022, which resulted in a temporary pause in the access to accounting and transactional records for approximately four to six months which the Group was still recovering from in 2024.

These are circumstances which, combined with time constraints related to the financial reporting, prevented management from compiling all required information to support balances in the consolidated financial statements. This in turn prevented us from obtaining sufficient appropriate evidence over the below financial statement captions included in the consolidated financial statements for the year ended 31 December 2024, namely:

- *Trade and other receivables (DACH region)* in amount of GBP 98.3 million as at 31 December 2024;
- *Trade and other payables (DACH region)* in amount of GBP 12.1 million as at 31 December 2024;
- *Service revenue (DACH region)* in amount of GBP 11.5 million for the year ended 31 December 2024*;*

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- *Collection activity costs (DACH region)* in amount of GBP 33.7 million for the year ended 31 December 2024*;*
- *Other expenses (DACH region)* in amount of GBP 30.4 million for the year ended 31 December 2024*;* and
- *Deferred Tax assets and deferred tax liabilities (DACH region)* of GBP 0.3 million and 14.2 million respectively.

We were also unable to confirm or verify the above amounts and related tax impacts, if any, by alternative means.

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

As described in the "Basis for Qualified Opinion" section above, we were unable to obtain sufficient appropriate evidence regarding the amounts shown in the consolidated financial statements as at and for the year ended 31 December 2024 for *Trade and other receivables, Trade and other payables, Service revenue, Collection activity costs, Other expenses and Deferred Taxes (all related to the DACH region),* as a result of the matter described in this section. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 2 May 2025

KPMG Audit S.à r.l.
Cabinet de révision agréé

Ruslan TUMANSHIN

R. Tumanshin

Partner

Lowell

GARFUNKELUX HOLDCO 2 S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2024

	Note	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Income			
Income from portfolio investments	15	416,173	446,148
Service revenue		154,625	143,572
Net portfolio write up/(down)	15	38,089	(16,492)
Fair value gain	16	6,586	5,678
Other revenue		5,200	1,657
Total income		**620,673**	**580,563**
Operating expenses			
Collection activity costs[1]		(263,975)	(299,777)
Other expenses	5	(280,476)	(244,203)
Goodwill impairment	10	(74,068)	(283,634)
Total operating expenses		**(618,519)**	**(827,614)**
Operating profit (loss)		**2,154**	**(247,051)**
Finance income	6	1,684	17,464
Finance costs	7	(295,414)	(311,325)
Loss for the year, before tax		**(291,576)**	**(540,912)**
Tax (expense)/credit	8	(66,919)	65,033
Loss for the year		**(358,495)**	**(475,879)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension plans		316	(1,474)
Deferred tax on actuarial gains/(losses) on pension plans		-	(24)
		316	**(1,498)**
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		26,919	46,005
Fair value gain on Asset backed securities		1,419	-
Other comprehensive (expenditure) / income, net of tax		**28,654**	**44,507**
Total comprehensive loss for the year		**(329,841)**	**(431,372)**

[1] Refer to Note 1 for reclassification of comparatives

The notes on pages 21 to 85 form part of these consolidated financial statements.

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GARFUNKELUX HOLDCO 2 S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 2024

	Note	31 December 2024 £000	31 December 2023 £000
Assets			
Non-current assets			
Goodwill	10	779,014	865,314
Intangible assets	11	69,513	99,267
Property, plant and equipment	12	73,498	49,527
Portfolio investments	15	1,251,953	1,125,764
Asset backed securities	16	26,105	39,197
Other financial assets	20	1,204	22,888
Deferred tax assets	9	84,776	147,963
Total non-current assets		**2,286,063**	**2,349,920**
Current assets			
Portfolio investments	15	492,861	510,131
Asset backed securities	16	20,372	2,236
Trade and other receivables	19	109,608	101,398
Other financial assets	20	22,249	14,743
Derivatives	30	1,390	7,759
Assets for current tax		22,121	2,398
Cash and cash equivalents	21	216,003	143,083
Assets classified as held for sale	22	9,623	181,742
Total current assets		**894,227**	**963,490**
Total assets		**3,180,290**	**3,313,410**
Equity			
Share capital	27	4,385	4,385
Share premium and similar premiums		1,109,586	1,109,586
Reserves	28	(107,516)	(136,170)
Retained deficit		(1,344,507)	(986,012)
Total equity		**(338,052)**	**(8,211)**
Liabilities			
Non-current liabilities			
Borrowings	23	1,240,419	2,461,701
Provisions for pension	33	5,300	7,241
Provisions	25	4,903	7,084
Other financial liabilities	13,26	60,157	39,738
Deferred tax liabilities	9	30,069	30,146
Total non-current liabilities		**1,340,848**	**2,545,910**
Current Liabilities			
Trade and other payables	24	109,619	120,135
Provisions	25	6,865	15,217
Borrowings	23	1,984,371	585,586
Other financial liabilities	13,26	58,325	35,450
Current tax liabilities		18,314	19,323
Total current liabilities		**2,177,494**	**775,711**
Total equity and liabilities		**3,180,290**	**3,313,410**

The notes on pages 21 to 85 form part of these consolidated financial statements.

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GARFUNKELUX HOLDCO 2 S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2024

	Share Capital	Share premium & similar premiums	Capital Reserve	Translation reserve	Valuation reserve	Retained deficit	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2023	**4,385**	**1,109,586**	**(8,291)**	**(174,455)**	**2,068**	**(510,133)**	**423,160**
Loss for the year	-	-	-	-	-	(475,879)	(475,879)
Actuarial gain on pension	-	-	-	-	(1,474)	-	(1,474)
Exchange differences	-	-	-	46,006	-	-	46,006
Deferred tax on pension	-	-	-	-	(24)	-	(24)
Total comprehensive income/(expenditure) for the year	-	-	-	46,006	(1,498)	(475,879)	(431,371)
Balance at 31 December 2023	**4,385**	**1,109,586**	**(8,291)**	**(128,449)**	**570**	**(986,012)**	**(8,211)**
Loss for the year	-	-	-	-	-	(358,495)	(358,495)
Actuarial gain on pension	-	-	-	-	316	-	316
Exchange differences	-	-	-	26,919	-	-	26,919
Fair value movement on Asset backed securities	-	-	-	-	1,419	-	1,419
Total comprehensive income/(expenditure) for the year	**-**	**-**	**-**	26,919	1,735	(358,495)	(329,841)
Balance at 31 December 2024	**4,385**	**1,109,586**	**(8,291)**	**(101,530)**	**2,305**	**(1,344,507)**	**(338,052)**

The notes on pages 21 to 85 form part of these consolidated financial statements.

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GARFUNKELUX HOLDCO 2 S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Net cash generated by operating activities	**31**	**162,699**	**438,978**
Investing activities			
Purchase of property, plant and equipment	**12**	(2,962)	(17,499)
Purchase of intangible assets	**11**	(15,127)	(22,535)
Proceeds from disposal of property, plant and equipment		913	7,016
Proceeds from disposal of intangible assets	**11**	-	(14,832)
Net cash used in investing activities		**(17,176)**	**(47,850)**
Financing activities			
Proceeds from loans and borrowings	**32**	3,062,995	2,057,030
Repayment of borrowings	**32**	(2,885,170)	(2,209,575)
Payment of lease liabilities		(41,264)	(8,774)
Derivative settlement		6,367	(428)
Interest paid		(215,872)	(218,251)
Net cash from/(used in) financing activities		**(72,944)**	**(379,998)**
Net (decrease)/increase in cash and cash equivalents		**72,579**	**11,130**
Cash and cash equivalents at beginning of period		143,083	133,499
Effect of movements in exchange rates on cash held		341	(1,546)
Cash and cash equivalents at end of period*	**20**	**216,003**	**143,083**

*Cash and cash equivalents at 31 December 2024 contains £91.0m of restricted cash (31 December 2023: £75.1m). See note 21 for further details.

The notes on pages 21 to 85 form part of these consolidated financial statements.

1. Material accounting policies

Corporate information

The consolidated financial statements of Garfunkelux Holdco 2 S.A. ("the Company") and its subsidiaries (together "The Group") for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of Directors on [ ] 2025. Under Luxembourg Law, the consolidated financial statements are approved by the shareholder at the Annual General Meeting. Garfunkelux Holdco 2 S.A. (the Company or the parent) is incorporated as an S.A. (Société Anonyme) and domiciled in Luxembourg. The registered office is located at 488 Route de Longwy, L-1940 Luxembourg.

The Group is principally engaged in the provision of credit management services. Information regarding the Group structure is presented in note 14. Information on other related party transactions is presented in note 34.

General information and basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("IFRS Accounting Standards" or "IFRS") . The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, certain portfolio investments that have been measured at fair value and assets held for sale that have been measured at the lower of their carrying value and fair value less costs to sell. Those standards have been applied consistently to the historical periods. The financial year equates to the calendar year.

Basis of consolidation

The Group consolidated financial statements consolidate the financial statements of Garfunkelux Holdco 2 S.A. and all its subsidiary undertakings for the year ended 31 December 2024.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable return from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

Generally, there is a presumption that holding majority voting rights results in control. To support its presumption and when the Group has less than majority of such voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangements with the other investee;
- Rights arising from the contractual arrangements; and
- The Group voting rights and potential voting rights.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1. Material accounting policies (continued)

New accounting pronouncements to be adopted on or after 1 January 2024

The following amendments have been issued by the IASB, are effective for annual periods beginning on or after 1 January 2024.

- Amendments to IAS 1 (Presentation of Financial Statements) – Classification of liabilities as current or non-current liabilities with covenants.

  This amendment clarifies that categorisation of liabilities into current or non-current is determined by the rights held by the reporting entity. If the reporting entity complies with all its obligations and meets the operating conditions imposed by the liability and has a right under the agreement to defer settlement for a period exceeding 12 months, such balances will be classified as non-current at the reporting date irrespective of the settlement profile.

- Amendments to IFRS 16 (Leases) – Lease liability in a sale and leaseback

  Where a seller-lessee transfers and asset to a buyer-lessor and leases that asset back, the amendment mandates the seller-lessee reporting entity not to recognise a gain/loss to accompany the rights effectively retained under the leaseback.

- Amendments to IAS 7 (Statement of cash flows) and IFRS 7 (Financial instruments: disclosures supplier finance arrangements)

  The changes require the reporting entity to provide additional disclosures about its supplier finance arrangements to enable users of its financial statements to assess how supplier finance arrangements affect its liabilities, its cash flows and its exposure to liquidity risk.

No impact ensues from the adoption of the amendments to IAS 1, IFRS 16, IAS 7 and IFRS 7.

New and revised IFRS Accounting Standards in issue but not yet effective.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Endorsed:

- Amendments to IAS 21 (Lack of exchangeability) – effective 1 January 2025

Not Endorsed:

- IFRS 18 (Presentation and disclosures in financial statements) – effective 1 January 2027
- IFRS 19 (Subsidiaries without public accountability: disclosures) – effective 1 January 2027
- Amendments to the Classification and Measurement of Financial instruments (IFRS 9 and IFRS 7) – effective 1 January 2026
- Annual improvements to IFRS Standards – Volume 11 – effective 1 January 2026

The directors have not fully assessed the impact of adoption of these, but do not expect them to have a material impact on the financial statements of the Group in future periods.

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GARFUNKELUX HOLDCO 2 S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2024

1. Material accounting policies (continued)

Functional and presentation currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its "Functional Currency"). For the purposes of these consolidated financial statements, the results are prepared in GBP Sterling, (the Group's "Presentational Currency"). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

The Group's business and activities are set out in the Consolidated Statement of Comprehensive Income ("SCI") and Consolidated Statement of Financial Position ("SFP") on pages 17 and 18 respectively. In addition, note 30 to these consolidated 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 Group's result for the year ended 31 December 2024 was an operating profit of £2.2m (year ended 31 December 2023: operating loss of £247.1m) and a net liability position of £338.1m at 31 December 2024 (31 December 2023: net liability position of £8.2). Taking finance income and costs into consideration the Group's loss before tax for the year ended 31 December 2024 was £291.6m (31 December 2023: loss £540.9m). Removing the goodwill impairment charge of £74.1m (2023: £283.6m) for the year, the loss before tax in 2024 was £217.5m (2023: loss £257.3m).

The business as a whole is cash generative before portfolio acquisitions, portfolio disposals, interest and tax, generating cash of £577.7m in the year to 31 December 2024 (year ended 31 December 2023: £799.0m), with operating cash flow after portfolio acquisitions and tax being £163.0m (year ended 31 December 2023 £439.0m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Given the expected successful completion of the £1.6bn recapitalisation program in H1 2025, the Group expects the business to continue to grow overall during the next 12 months, with further sustainable levels of portfolio purchases and a focus on driving efficiency improvement and leveraging its market leader position in order to pursue sustainable growth. Operating cash flow generation is expected to be stable during this period with amendments to all three existing facilities having been negotiated or agreed in principle. The Group expects to continue with its wider Balance Sheet Velocity programme, to further diversify and strengthen its funding sources. In assessing whether the going concern basis is appropriate to adopt, management 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 Group's historical performance through periods of stress and external events, for example the cost of living crisis, which may negatively impact a customer's ability to pay. The scenarios consider the impact of cash flow reductions of 10% across all regions, a reduction in purchases of 10% in the UK, 20% in the Nordics and nil in DACH (as this is no longer a material purchaser), and a combination of both with the Group expected to maintain liquidity levels of £207m in FY25 and £43m in FY26 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 Group maintains sufficient liquidity and cash reserves to continue as a going concern.

The Group continues to have three main sources of funding at 31 December 2024. €630m, £440m and €795m of Senior Secured notes ("notes"), a £378m Revolving Credit Facility ("RCF") and three securitisation facilities, where amendments have been re-negotiated or agreed in principle during H1 2025 through maturity extensions and increased commitment. As detailed in note 23, at 31 December 2024 £372m was drawn on the RCF and there were £572.1m of outstanding borrowings in total across the three

securitisation facilities. Covenants are detailed in note 23. No covenants have been breached, or are expected to be breached, during the going concern forecast period. As at 1 May 2025 the Group reached more than 98% Noteholder support for the recapitalisation of its Senior Secured notes, and an agreement with approximately 83% of revolving credit facility ("RCF") lenders regarding an amendment and extension of the RCF until August 2028. Upon completion of the refinancing, the Group's new funding structure will include £1,228m of High Yield Notes with the earliest maturity horizon being November 2028. The Group continues to monitor its funding requirements in light of the debt maturity horizon following the recent financing activity and re-negotiation of existing facilities, and the Directors will explore new funding arrangements as appropriate.

At the balance sheet date, management assessed that the combined operating cash flows of the Group, together with the cash resources and borrowings under the 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 fits 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. However, based on the above the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Reclassification of comparatives

The following figures from the previous year were adjusted with the aim to achieve a more relevant presentation:

Consolidated statement of comprehensive income for the year ended 31 December 2023

	Notes	31.12.2023 as previously reported	Reclassification	31.12.2023 After adjustment
Collection activity costs		(313,377)	13,600	(299,777)
Other expenses	5	(230,603)	(13,600)	(244,203)

1. Material accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the respective Functional Currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the Functional Currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the SCI. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the Functional Currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to GBP Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Foreign Currency Translation Reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a non-Sterling denominated subsidiary whilst retaining control, the relevant proportion of the accumulated exchange difference is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a non-Sterling denominated operation whilst retaining significant influence or joint control, the relevant proportion of the cumulative amount of exchange difference is reclassified to profit or loss.

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 completion) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. At acquisition, non-controlling interest (“NCI”) is measured at fair value. 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. Changes in fair value or measurement period adjustments may change the fair value of the assets recognised (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 IFRS Accounting Standards. 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 (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

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

1. Material accounting policies (continued)

Business combinations

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 at 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 allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. 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 at least annually. If there is evidence of impairment in any 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, future portfolio acquisitions and an appropriate discount rate. If the recoverable amount of the CGU 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 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

Income from portfolio investments and asset backed securities held at amortised cost

Income from portfolio investments, including asset backed securities, represents the yield from acquired portfolio investments, net of VAT where applicable. 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 the day one 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). These estimated future cash receipts are reflective of the estimated remaining life of the portfolios of 120 months.

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 EIR, reflect the expected lifetime credit losses within each portfolio.

Increases in portfolio carrying values can and do occur should forecasted cash flows be deemed greater 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 net portfolio write up line item within income, with subsequent reversals also recorded in this line. This line represents the net impairment gains or losses on portfolio investments.

The portfolio fair value release represents the unwinding of this fair value uplift (see note 15). This uplift is being unwound in line with the standard profile of a gross ERC curve of these portfolios.

1. Material accounting policies (continued)

Revenue recognition and effective interest rate method (continued)

Fair value gains on acquired portfolio investments and asset backed securities at Fair Value Through Profit and Loss ("FVTPL")

Fair value gains on portfolio investments at FVTPL represents all the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Financial assets measured at Fair Value Through Other Comprehensive Income ("FVOCI")

Financial assets that are held to collect contractual cash flows and for subsequent sale where those cash flows represent solely payments of principal and interest are recognised in the balance sheet at their fair value, inclusive of transaction costs. Interest calculated using the effective interest method and foreign exchange gains and losses on assets denominated in foreign currencies are recognised in the income statement. All other gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the financial asset is either sold or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. The cumulative revaluation amount in respect of equity shares is transferred directly to retained profits. As the asset is measured at fair value, the charge does not adjust the carrying value of the asset, and this is reflected in other comprehensive income

Service revenue

Service revenue represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third party clients including collection lawyers, net of VAT where applicable. Performance obligations within service contracts are the collection of cash and hence these are satisfied when the Group collects on debt. Payment is due from clients shortly after cash is collected on their behalf. Revenue is recognised when performance obligations are satisfied.

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 represents changes to carrying values, discounted at the EIR, of the portfolio investments because 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

1. Material accounting policies (continued)

Financial instruments

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, FVTPL, or FVOCI.

Classification

Amortised cost financial assets

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

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

Portfolio investments held at amortised cost 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 EIR method.

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.

The portfolio investment 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 EIR method, less any impairment. Interest income would be recognised by applying the effective interest rate, however the Group only holds short-term receivables for which the recognition of interest would be immaterial.

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. Material accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss or fair value through other comprehensive income, are required to have an ECL allowance recognised at initial recognition. ECLs are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Group at the point of default after taking into account the value of any collateral held, repayments, or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition of the financial asset, an allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, an allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3. An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. Should an asset be deemed unrecoverable, it would be written-off to the P&L as an impairment.

The Group does not have a large exposure to non-POCI amortised cost instruments and the ECL model is proportionate to its requirements.

Other financial assets are impaired where there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered POCI. The only material assets in this category are the portfolio investments held at amortised cost. The lifetime ECL is incorporated into the estimated future cash flows on initial recognition, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets.

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 Other Comprehensive Income ("OCI") is recognised in profit or loss.

1. Material accounting policies (continued)

Financial instruments (continued)

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 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 economic hedging. As of the balance sheet date, they relate to hedges taken out to mitigate the risk of variability in cash flows.

Derivatives are initially recognised at fair value on the date which the derivative instrument is contracted 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.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in note 30.

1. Material accounting policies (continued)

Assets held for sale

The Group classified non-current assets as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate it is unlikely that significant changes to the plan will be made.

Non-current assets held for sale

Held for sale assets are measured at the lower of their carrying value and fair value less costs to sell. If the carrying value of the non-current asset is greater than the fair value les costs to sell, an impairment loss for any initial or subsequent write-down is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement.

Management judgement is required in determining whether the IFRS 5 held for sale criteria are met.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because 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, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows.

When some or all 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.

Pensions

Defined benefit pensions

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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 can control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

1. Material accounting policies (continued)

Deferred tax (continued)

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.

VAT

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

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

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

1. Material accounting policies (continued)

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 costs. Costs are recognised when they are incurred.

Current versus non-current classification

The Group presents assets and liabilities in the SFP based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no substantive right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

Consolidation

When an entity is controlled by the Group, it is consolidated. The assessment of control requires judgement of factors including having power over the entity, if it is exposed to, or has rights to, variable returns from its involvement with the entity, and can affect those returns through its power over the entity. The Group consolidates an entity only when all the above three elements of control are present.

Structured entities in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the entity. 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. A structured entity established as part of securitisation or co-investment transaction is not consolidated by the Group in cases where third party investors have the exposure, or rights, to all of the variability of returns from the performance of the entity.

1. Material accounting policies (continued)

Share-based payments

Some employees (including senior executives) of the Group receive remuneration in the form of share-based payments settled by the main shareholder of the Group as described in note [29].

IFRS 2 Share-based Payment requires an entity to account for a transaction in which it either:

- Receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction; or
- Has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services;

unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

Equity-settled transactions

To the extent a cost is recognised, the cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the SCI for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In the consolidated financial statements of the Group, the share-based payment arrangements described in note [29] have been classified as equity settled transaction because the Group has no obligation to settle the transaction with the employees for services it receives.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

The Group holds cash on behalf of third parties as part of its collection activities and its securitisation facilities. This restricted cash is shown within cash with a corresponding liability recognised in other payables.

1. Material accounting policies (continued)

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:

Hardware	3 to 5 years
Office equipment	3 to 15 years
Leasehold improvements	Life of lease (1 to 15 years)

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.

Borrowing costs are added to the costs of an asset provided it is a qualifying asset pursuant to IAS 23.

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

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

Software	3 to 5 years	Straight line
Licences	1 to 5 years	Straight line
Trademarks	15 years	Straight line
Customer relationships	5 to 10 years	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.

1. Material accounting policies (continued)

Leases and Right-of-use assets

The Group leases various properties, equipment and cars. 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.

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 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 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 present value, discounted at the incremental borrowing rate, and includes fixed payments, variable lease payments linked to an index or rate and the exercise price under a purchase option that the Group is reasonably certain to exercise. 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 against the lease liability. A finance cost is charged to profit or loss over the lease period using the incremental borrowing rate, 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 and leases of low-value assets 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. Low-value assets comprise IT-equipment and small items of office furniture with a market value, when new, of less than £/€5,000.

2. Significant 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. IFRS requires 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.

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

2. Significant accounting estimates and judgements (continued)

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, known as ERCs. These ERCs 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 the reporting date, 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.

The ERC of the portfolio investments has been assessed at the period-end on a regional basis. Management have considered the observable information available in forming judgements for each region.

At 31 December 2024, 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.

This key judgement and the associated assumptions regarding cash flow forecasts are management's best estimate of future performance based on current market status and customer insights available. Management continues to monitor collections performance and customer behaviour considering cost-of-living pressures and other macroeconomic factors.

Non-current assets held for sale classification

During 2023, management reviewed the portfolios within the DACH region and determined its intention to sell a significant portion of the book during H1 24, reclassifying these assets to held for sale at 31 December 2023. The majority of these assets were sold in H1 2024.

The remaining portfolios that were not sold in 2024 were classified as held for sale at 31 December 2024 and subsequently sold in January 2025.

Consolidation and Joint arrangements

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

2. Significant accounting estimates and judgements (continued)

Consolidation and Joint arrangements (continued)

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.

A structured entity in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the entity. The Group is exposed to variability of returns from the entity through its holding of various securities in the entity. 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.

In assessing whether the Group is party to a joint arrangement, the Group determines whether the parties are bound by a contractual arrangement and whether the contractual arrangement gives two or more parties joint control of the arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

Information about the Group’s structured entities is set out in notes 14 and 16.

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 Non-Controlling Interest (“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.

2. Significant accounting estimates and judgements (continued)

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 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.

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 along with 3PC revenue for the CGUs.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from each CGU after a suitable discount rate has been applied to calculate present value. This inherently involves several 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 are presented in Note 10.

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.

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

3. Segmental reporting

Segmentation

IFRS 8 requires operating segment reporting to be based on information provided to the chief operating decision maker which, in this case, is the Group Executive Committee. Information is presented to the Group Executive Committee based on the three main regions within which the Group operates – the UK, DACH (Germany, Austria and Switzerland) and Nordic (Sweden, Norway, Denmark and Finland) regions. This is in line with the management of the Group. Holding company costs include amounts recognised in relation to holding companies introduced to the Group on the acquisitions of the UK, DACH and Nordic regions.

The UK, DACH and Nordic operating segments derive revenues from the acquisition and collection of consumer debt portfolios and receivables management.

All revenues are derived from external customers.

Segmental results

Year ended 31 December 2024	**UK**	**DACH**	**NORDICS**	**Holding companies**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Total income	350,953	127,962	141,759	-	620,673
Collection activity costs	(133,121)	(71,665)	(58,743)	(446)	(263,975)
Other operating expenses	(39,009)	(47,761)	(48,040)	(87,020)	(221,830)
Operating profit before depreciation, amortisation and impairment	**178,822**	**8,536**	**34,975**	**(87,466)**	**134,868**
Depreciation, amortisation and asset impairment	(6,140)	(39,486)	(13,019)	-	(58,646)
Goodwill impairment	-	(74,068)	-	-	(74,068)
Operating profit / (loss)	**172,680**	**(105,016)**	**21,956**	**(87,466)**	**2,154**
Finance income					1,684
Finance costs					(295,414)
Loss before tax					**(291,576)**
Income tax					(66,919)
Loss for the year					**(358,495)**

3. Segmental reporting (continued)

Segmental results (continued)

Year ended 31 December 2023	UK	DACH	NORDICS	Holding companies	Total
	£000	£000	£000	£000	£000
Total income	325,691	106,221	149,275	(624)[1]	580,563
Collection activity costs	(139,947)	(101,075)	(72,355)	-	(313,377)
Other operating expenses	(30,588)	(47,374)	(36,701)	(67,662)[2]	(182,325)
Operating profit before depreciation, amortisation and impairment	**155,156**	**(42,228)**	**40,219**	**(68,286)**	**84,861**
Depreciation, amortisation and asset impairment	(9,003)	(23,231)	(16,044)	-	(48,278)
Goodwill impairment	-	(283,634)	-	-	(283,634)
Operating profit / (loss)	**146,153**	**(349,093)**	**24,175**	**(68,286)**	**(247,051)**
Finance income					17,464
Finance costs					(311,325)
Loss before tax					**(540,912)**
Income tax					**65,033**
Loss for the year					**(475,879)**

[1] Total income in Holding companies relates to the fair value step up on acquisition of Metis Bidco by Simon Bidco.
[2] Other operating expenses in Holding companies relate to central costs.

	Year Ended 31 December 2024	Year Ended 31 December 2023
	£000	£000
Non-current assets		
UK	637,603	645,709
DACH[1]	52,558	123,385
Nordics	231,864	245,014
Total non-current assets	**922,025**	**1,014,108**

[1] DACH non-current assets have reduced by £74m following the goodwill impairment charge in the year to 31 December 2024. Refer to Note 10 for further details.

Non-current assets above exclude portfolio investments, other financial assets and deferred tax assets.

3. Segmental reporting (continued)

Segmental results (continued)

Secondary segment

In addition to the primary geographical segment on which the chief operating decision maker reviews the performance of the Group, data is also reviewed on a business line basis. These principally comprise:

- The acquisition and collection of non-performing consumer debt portfolios ("DP"); and
- The provision of third-party collection services ("3PC").

	Year Ended 31 December 2024 £000	Year Ended 31 December 2023 £000
Income		
DP	460,848	435,334
Service Revenue	154,625	143,572
Other	5,200	1,657
Total income	**620,673**	**580,563**

4. Loss before tax

	Year Ended 31 December 2024 £000	Year Ended 31 December 2023 £000
Loss for the period is after charging:		
Depreciation and impairment of property, plant and equipment (note 12 & 13)	14,944	17,811
Amortisation and impairment of intangible assets (note 11)	43,702	30,467
Staff costs (note 5c)	204,038	203,040

5. Staff costs and other operating expenses

a) Other operating expenses

	Year Ended 31 December 2024	Year Ended 31 December 2023
	£000	£000
Staff costs (note 5c)[1]	97,725	106,025
Depreciation of property, plant and equipment (note 12 & 13)	14,944	12,793
Amortisation of intangible assets (note 11)	43,702	30,467
Impairment of assets	-	5,018
Loss on disposal of property, plant and equipment and intangible assets	102	-
Licences and maintenance for IT equipment	41,699	22,551
Building and facility costs	11,739	4,412
Other operating expenses	70,565	62,937
Total other operating expenses	**280,476**	**244,203**

[1] refer to Note 1 for reclassification of comparatives

Other operating expenses include primarily office costs, consultancy, professional fees and change programme costs.

b) Auditor's remuneration

	Year Ended 31 December 2024	Year Ended 31 December 2023
	£000	£000
Audit fees of Parent Company and consolidated financial statements	713	688
Audit fees of financial statements of subsidiaries	2,658	4,823
Other services	3,213	54
Total auditor's remuneration	**6,584**	**5,565**

Other services comprise interim review fees and assurance fees in connection with financing.

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

5. Staff costs and other operating expenses (continued)

c) Staff costs

	Year Ended 31 December 2024	Year Ended 31 December 2023
	£000	£000
Collection activity costs	106,313	97,015
Other expenses	97,725	106,025
Total staff costs	**204,038**	**203,040**

	Year ended 31 December 2024	Year ended 31 December 2023
	£000	£000
Wages and salaries	171,187	169,638
Social security costs	22,683	24,071
Pension costs to defined contribution schemes	9,537	8,345
Pension costs to defined benefit schemes	631	986
Total staff costs	**204,038**	**203,040**

The average number of employees during the period was:

	Year ended 31 December 2024	Year ended 31 December 2023
	Number	Number
Operational staff	3,057	2,684
Business support	891	1,143
Total average number of employees	**3,948**	**3,827**

The period end number of employees during the period was:

	Year Ended 31 December 2024	Year Ended 31 December 2023
	Number	Number
Operational staff	2,951	2,728
Business support	880	1,087
Total number of employees at period end	**3,831**	**3,815**

5. Staff costs and other operating expenses (continued)

d) Directors' remuneration

The directors are not paid by any Company that forms part of the Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in note 34. Seven employees are paid by subsidiary undertakings of the Company for their services as directors to the Group.

6. Finance income

	Year ended 31 December 2024	Year ended 31 December 2023
	£000	£000
Bank interest	61	15,619
Other interest income	1,623	1,845
Total finance income	**1,684**	**17,464**

7. Finance costs

	Year ended 31 December 2024	Year ended 31 December 2023
	£000	£000
Interest payable on the Senior Secured Notes	132,508	132,868
Fees payable on borrowings	9,899	14,449
Interest and fees payable on Revolving Credit Facility	25,244	28,106
Interest payable on shareholder loan	57,988	52,644
Interest payable on securitisation	46,423	50,537
Other interest payable	4,842	4,092
Interest expense from lease liabilities	3,476	2,630
Net FV loss on derivative instruments	5,834	8,388
Foreign exchange loss	9,200	17,611
Total finance costs	**295,414**	**311,325**

Lowell

8. Income tax

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Current taxation		
Corporation tax	3,762	5,732
Adjustment in respect of previous periods	47	-
Total current tax charge	**3,809**	**5,732**
Deferred tax		
Origination and reversal of temporary differences	73,943	(70,765)
Change in estimate of recoverable deferred tax	(10,833)	-
Total deferred tax charge/(credit) (note 9)	**63,110**	**(70,765)**
Total tax charge/(credit)	**66,919**	**(65,033)**

b) Reconciliation of effective tax rate

The standard average effective rate of corporation tax in Luxembourg is 24.94%. However, as the Group is located in different countries, the standard average effective rate of corporation tax for the Group is 25% (2023: 22%). The tax credit assessed for the period is lower than this and the differences are explained below:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Loss on ordinary activities before tax	**(291,576)**	**(540,912)**
Tax credit on loss on ordinary activities at a combined countries rate of 25% (2023: 22%)	(72,894)	(119,000)
Effects of:		
Net of expenses not deductible and income not taxable	80,585	67,033
Adjustment in respect of prior years deferred taxes	(10,833)	-
Change in recognition of deferred tax	80,689	-
Adjustment in respect of prior years current taxes	47	-
Tax rate differences	(10,675)	(13,066)
Total tax charge/(credit)	**66,919**	**(65,033)**

9. Deferred tax

Deferred tax assets and liabilities are attributable to the following as at 31 December 2024 and 31 December 2023.

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Recognised in profit or loss		
Intangible assets	(15,264)	(23,469)
Portfolio investments	(24,663)	(24,663)
Tax losses carried forward	89,028	143,451
Other	5,606	22,498
Net tax assets	**54,707**	**117,817**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The movement in deferred tax balances throughout the period are as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
SCI effect	63,110	70,765
Movement in the period	**63,110**	**70,765**

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Deferred tax asset	84,776	147,963
Deferred tax liability	(30,069)	(30,146)
Net deferred tax asset	**54,707**	**117,817**

At 31 December 2024 deferred tax assets of £55.7m (31 December 2023: £13.0m) have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the losses can be utilised. Tax losses recognised are expected to be offset against future taxable profits.

10. Goodwill

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Cost		
Opening balance	1,248,948	1,254,758
Effect of currency translation	(12,232)	(5,810)
At period end	**1,236,716**	**1,248,948**
Accumulated impairment		
Opening balance	(383,634)	(100,000)
Impairment charge	(74,068)	(283,634)
At end of year	**(457,702)**	**(383,634)**
Net book value		
At period end	**779,014**	**865,314**

During the years ended 31 December 2024 and 2023, the Company recorded the FY23 and 24 impairment losses through Goodwill impairment on the consolidated statement of comprehensive income for the DACH cash generating unit.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to three aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes. The CGUs identified are:

- UK, comprising of all subsidiary companies operated in the UK owned by Simon Holdco Limited;
- DACH, consisting of all subsidiary companies operated in DACH owned by Lowell Holding GmbH;
- Nordics, consisting of all subsidiary companies operated in the Nordic region owned by Lowell Nordics Oy.

Foreign currency denominated goodwill is retranslated at each balance sheet date and gives rise to the currency translation effect shown above.

Impairment testing

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

10. Goodwill (continued)

Impairment testing (continued)

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The Group's goodwill impairment review at 31 December 2024 determines value in use as the CGUs recoverable amount. 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 two years and extrapolates these forecasts to an appropriate period to reflect the CGU's business model. A terminal value is calculated into perpetuity, using the following growth rates:

Growth rate	**UK**	**DACH**	**Nordics**
2024	2.0%	2.0%	2.0%
2023	2.0%	1.5%	2.0%

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The forecast cash flows for each of the CGU's are discounted using a rate specific to that CGU's weighted average cost of capital ('WACC') and using inputs from sector peers and the broader market, as set out in the table below:

Pre-tax WACC rate	**UK**	**DACH**	**Nordics**
2024	10.01%	9.90%	11.29%
2023	9.90%	14.50%	9.20%

The Group prepares cash flow forecasts derived from the latest budget, as approved by the Board of Directors in February 2025. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

	UK	**DACH**	**Nordics**
Value-in-use	2,039,547	87,374	856,977
Carrying amount of CGU	1,675,866	259,451	636,765
Headroom/(impairment)	**363,681**	**(172,077)**	**220,212**

The recoverable amount of the UK and Nordics CGUs exceed their carrying amounts. As such, no impairment has been recognised. However, for DACH the recoverable amount is below the carrying amount and therefore an impairment has been recognised. This impairment charge was fully allocated to goodwill resulting in the full write-down of the goodwill balance in the DACH CGU. The Group further analysed the other assets held and concluded that no further impairment was required.

10. Goodwill (continued)

Impairment testing (continued)

Sensitivity analysis

The Group has conducted a sensitivity analysis on the impairment test of the UK and Nordics CGU's carrying value. A severe-but-plausible downside scenario has been prepared assuming a 10% reduction in net cashflow. Several sensitivities have been performed independently, keeping other parameters constant.

Under the severe-but-plausible downside scenario the value in use of both the UK and Nordics CGUs continues to exceed the respective carrying amounts. In order to determine whether the sensitivity analysis performed could indicate that an impairment was required for the UK and Nordics CGUs further analysis has been performed to identify the breakeven point for each of the CGUs.

The following table summarises the break-even values of the key inputs stressed individually:

	UK	Nordics
Pre-tax WACC rate	11.57%	11.29%
Forecasted cashflows	84%	74%
EBITDA growth rate	0.3%	0.3%

11. Intangible assets

	Software and licences £000	Development costs £000	Customer relationships £000	Trademarks £000	Total £000
Cost					
At 1 January 2024	50,808	87,160	80,120	9,734	227,822
Additions	971	14,156	-	-	15,127
Reclassification	89,853	(89,853)	-	-	-
Currency exchange differences	-	-	(2,034)	(16)	(2,050)
Disposals	(10,343)	(475)	-	-	(10,818)
At 31 December 2024	**131,289**	**10,988**	**78,086**	**9,718**	**230,081**
Accumulated amortisation					
At 1 January 2024	(48,152)	(46,610)	(28,296)	(5,497)	(128,555)
Charge for the year	(17,956)	(3,518)	(21,602)	(618)	(43,694)
Reclassification	(60,871)	60,871	-	-	-
Disposals	10,311	210	-	-	10,521
Currency exchange differences	-	-	1,146	14	1,160
At 31 December 2024	**(116,668)**	**10,953**	**(48,752)**	**(6,101)**	**(160,568)**
Net book value					
At 31 December 2024	**14,621**	**21,941**	**29,334**	**3,617**	**69,513**
At 31 December 2023	**2,656**	**40,550**	**51,824**	**4,237**	**99,267**

Reclassifications: Development costs are generally “Software and licences”. When projects go live and development costs are reclassified, they are transferred to “Software and licences”.

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

12. Property, plant and equipment

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Assets owned by the Group	10,113	11,888
Right-of-use assets (note 13a)	63,385	37,639
Total	**73,498**	**49,527**

Assets owned by the Group

	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost				
At 1 January 2024	1,382	6,888	21,757	30,027
Additions	-	1,977	985	2,962
Exchange rate	107	(1,832)	(247)	(1,972)
Disposals	-	(2,020)	(2,738)	(4,758)
At 31 December 2024	**1,489**	**5,013**	**19,757**	**26,259**
Accumulated depreciation				
At 1 January 2024	(1,048)	(4,196)	(12,895)	(18,139)
Charge for the year	(126)	(1,115)	(1,661)	(2,902)
Exchange rate	(108)	1,589	(331)	1,150
Disposals	-	1,881	1,864	3,745
At 31 December 2024	**(1,282)**	**(1,841)**	**(13,023)**	**(16,146)**
Net book value				
At 31 December 2024	**207**	**3,172**	**6,734**	**10,113**
At 31 December 2023	**334**	**2,692**	**8,862**	**11,888**

Property, plant and equipment acquired through the acquisition of subsidiaries are included in cost at their fair value at the time of the acquisition.

13. Leases

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

a) Right-of-use assets

Amounts recognised on the balance sheet

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Leasehold Property	39,802	35,124
Cars	721	38
Office equipment	22,862	2,476
Total	**63,385**	**37,638**

Included within 'Property, plant and equipment' in the balance sheet.

Additions to right-of-use assets during the 2024 financial year was £9.5m to Leasehold Property and £28.8m to Cars and Office equipment. (2023: £nil).

During 2024 there were total impairments of £nil (2023: £5m). In 2023, an onerous lease provision was recognised in respect to a leasehold property that no longer provide any economic benefit to the Group.

b) Lease liabilities

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current	60,157	39,738
Current	8,708	6,922
Total	**68,865**	**46,660**

Included in the line item 'Other financial liabilities' in the consolidated statement of financial position.

13. Leases (continued)

c) Amounts recognised in the consolidated statement of comprehensive income

Depreciation and impairment charge for right-of-use assets	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Leasehold Property	6,303	12,259
Cars	1,058	274
Office equipment	4,681	1,998
Total	**12,042**	**14,531**

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Finance costs		
Interest expense	3,476	2,630
Other expenses		
Expense relating to short-term leases (included in other expenses)	19	246
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	1	26
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	308	362

The total cash outflow for leases in 2024 was £14.4m (2023: £8.8m) of which £3.7m (2023: £2.6m) relates to interest expense and £10.7m (2023: £6.2m) relates to the payment of lease liabilities.

14. Group structure

The Group includes the following subsidiary undertakings. All subsidiaries, except for Wolf Receivables Financing Plc, Wolf Receivables Financing 3 Plc in the UK and Lowell Portfolio Investment DK S.à r.l. in Luxembourg are included in the consolidation:

Name	Principal place of business	Ordinary share holding % as at 31 December 2024	Ordinary share holding % as at 31 December 2023
Garfunkelux Holdco 3 S.A.	Luxembourg	100	100
Lowell Holding GmbH	Germany	100	100
Lowell Financial Services GmbH	Germany	100	100
Zyklop Inkasso Deutschland GmbH	Germany	100	100
GFKL PayProtect GmbH	Germany	100	100
GFKL Collections GmbH	Germany	100	100
Deutsche Multiauskunftei GmbH	Germany	100	100
Lowell Service Center GmbH	Germany	100	100
Sirius Inkasso GmbH	Germany	100	100
Inkasso Becker Wuppertal Gmbh & Co. KG	Germany	100	100
IBW Verwaltungsund - und Beteiligungs GmbH	Germany	100	100
Simon Holdco Limited	Jersey	100	100
Simon Midco Limited	UK	100	100
Simon Bidco Limited	UK	100	100
Hansa Holdco Limited	UK	100	100
Metis Bidco Limited	UK	100	100
Lowell Group Limited	UK	100	100
Lowell Financial Limited	UK	100	100
Lowell Portfolio I Limited	UK	100	100
Lowell UK Shared Services	UK	100	100
Lowell Group Shared Services Limited	UK	100	100
Lowell Portfolio IV Limited	UK	100	100
Fredrickson International Limited	UK	100	100
Overdales Legal Limited	UK	100	100
Wolf Receivables Financing Plc	UK	100	100
Lowell Group Management GmbH	Austria	100	100
Lowell Inkasso Service GmbH	Austria	100	100
Lowell Portfoliomanagement GmbH	Austria	100	100
Lowell Inkasso Service GmbH	Switzerland	100	100
Tesch Inkasso Forderungsmanagement GmbH	Germany	100	100
Tesch Service GmbH	Germany	100	100
Lowell Financial Limited	UK	100	100

14. Group structure (continued)

Name	Principal place of business	Ordinary share holding % as at 31 December 2024	Ordinary share holding % as at 31 December 2023
DC Portfolien GmbH	Germany	100	100
Tesch Inkasso Finance GmbH	Germany	100	100
Apontas GmbH & Co KG	Germany	100	100
Apontas Verwaltungs GmbH	Germany	100	100
Lowell Investment GmbH	Germany	100	100
Lowell Digital Hub GmbH	Germany	100	100
Proceed Collection Services GmbH	Germany	100	100
Lowell Service Centre GmbH	Germany	100	100
Lowell Nordics Oy	Finland	100	100
Lowell Sverige AB	Sweden	100	100
Lowell AS	Norway	100	100
Lowell Norge AS	Norway	100	100
Lowell Finans AS	Norway	100	100
Lowell Danmark A/S	Denmark	100	100
Lowell Finans A/S	Denmark	100	100
Lowell Suomi Oy	Finland	100	100
Lowell Treasury Co. Limited	UK	100	100
Lowell Receivables Financing 1 Limited	UK	100	100
Lowell Receivables Financing 2 Limited	UK	100	100
Lowell Receivables Financing 3 Limited	UK	100	100
Hoist Finance UK Limited	UK	100	100
Lowell Finance UK Holdings 1 Limited	UK	100	100
Lowell Finance UK Holdings 2 Limited	UK	100	100
Lowell Finance UK Holdings 3 Limited	UK	100	100
CL Finance Limited	UK	100	100
Robinson Way Limited	UK	100	100
MKDP Limited	UK	100	100
Lowell Portfolio Investment DK S.à r.l.	Luxembourg	100	100
Wolf Receivables Financing 3 Plc	UK	100	100
Lowell Receivables Financing 4 DAC	UK	100	-
Lowell Legal Limited	UK	100	100
Proceed Credit & Collections Services GmbH	Germany	100	100

15. Portfolio investments

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current	1,251,953	1,125,764
Current	492,861	510,131
Total	**1,744,814**	**1,635,895**

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
At start of year	**1,635,895**	**2,172,883**
Portfolios acquired during the year	383,078	326,581
Collections in the year	(712,616)	(1,092,466)
Income from portfolio investments	416,173	446,148
Net portfolio write (down)/up	38,089	(16,492)
Net foreign exchange movement	(15,805)	(19,017)
Reclassification of portfolio investments from amortised cost to assets held for sale	-	(181,742)
At end of year	**1,744,814**	**1,635,895**

The DACH back book sale in H1 24 met the definition of held for sale assets and consequently, the assets were reclassed from portfolio assets to a separate line item in the SFP (see note 22). The cash proceeds from this sale of £157m (€186m) was therefore not included in portfolio collections.

16. Asset backed securities

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current		
Amortized cost	2,429	3,740
Fair value through PL (FVTPL)	17,185	27,207
Fair value through OCI (FVOCI)	6,491	8,250
Total non-current	**26,105**	**39,197**
Current		
Amortized cost	1,692	2,236
Fair value through PL (FVTPL)	18,680	-
Total current	**20,372**	**2,236**
Total	**46,477**	**41,433**

16. Asset backed securities (continued)

Amortised cost:

The movements in amortised cost Asset Backed Security ("ABS") investments were as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
At start of year	**5,975**	**-**
ABS acquired during the year	-	5,959
Collections in the year	(2,270)	-
Income from ABS investment	416	16
At end of year	**4,121**	**5,975**

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

Fair value through P&L:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
At start of year	**27,207**	**12,958**
Portfolios acquired during the year	7,393	37,584
Collections in the year	(7,275)	(513)
Net foreign exchange movement	1,954	-
Fair value gain	6,586	5,678
Disposal	-	(28,500)
At end of year	**35,865**	**27,207**

Fair value through OCI:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
At start of year	**8,250**	**-**
Portfolios acquired during the year	-	8,228
Collections in the year	(3,178)	-
Interest income from FVOCI instrument	-	22
Fair value gain	1,419	-
At end of year	**6,491**	**8,250**

17. Involvement with Unconsolidated structured entities

Unconsolidated structured entities are 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 market rates, on terms normal for the industry, and are 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:

	UK	Luxembourg	Nordics	UK	Luxembourg
	2024	**2024**	**2024**	**2023**	**2023**
Number of entities at 31 December	2	1	3	2	1
ABS Portfolio investments					
Amortised cost	£4.1m	-	-	£6.0m	-
Fair value through the P&L	£19.4m	£8.7m	£5.7m	£18.8m	£8.4m
Fair value through OCI	£6.5m	-	-	£8.2m	-
Total assets at 31 December	£30.0m	£8.7m	£5.7m	£33.0m	£8.4m

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings and 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.

During 2024, the Group entered into a securitisation transaction in the Nordic regions with Resurs Bank AB. Assets were transferred from Resurs Bank AB with both Resurs Bank AB and the Group providing funding to the structured entities, and the Group acting as servicer.

18. 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 1, the transferred financial assets continue to be recognised in their entirety or to the extent of the Group's continuing involvement or are derecognised in their entirety.

Transferred financial assets that are not derecognised in their entirety

Sales to consolidated structured entities
During the year, the Group sold additional assets to Lowell Receivables Financing 1 Ltd and Lowell Receivables Financing 2 Ltd in the UK. The assets sold were not derecognised by the Group, and the structured entities are consolidated by the Group.

18. Transfer of financial assets (continued)

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

The Group did not sell any assets to an unconsolidated securitisation vehicle that resulted in a profit or loss during the year ended 31 December 2024 (2023: loss of £28m).

During the year ended 31 December 2024, the Group recognised income of £6.6m (2023: £5.7m) in profit or loss on its junior note holdings. The cumulative income on the notes held on 31 December 2024 was £12.3m (2023: £6.8m). 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	2024	2023
Securitisations	£46.5m	£35.0m

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 derecognizing 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 does not give rise to the Group having control over the securitisation vehicle and the Group therefore acts as an agent.

19. Trade and other receivables

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Trade receivables	23,550	43,583
Prepayments and accrued income	7,484	11,357
Other receivables	73,695	42,774
Tax receivable	4,879	3,684
Total	**109,608**	**101,398**

Trade receivables are primarily made up of amounts due from clients for services provided. This figure includes gross receivables of £28.3m (2023: £45.8m), and an allowance for bad debt of £2.3m (2023: £2.2m).

20. Other financial assets

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current		
Receivables from affiliated companies	41	41
Other	1,163	22,847
Total non-current	**1,204**	**22,888**
Current		
Other	22,249	14,743
Total current	**22,249**	**14,743**
Total other financial assets	**23,453**	**37,631**

Receivables from affiliated companies relate to loans made to Garfunkelux Nominee S.à r.l. and Garfunkelux Holdco 1 S.à r.l. together with accrued interest

21. Cash and cash equivalents

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Cash and bank balances	125,003	67,938
Restricted cash balances	91,000	75,145
Total cash and equivalents	**216,003**	**143,083**

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 on behalf of third parties as part of its collection activities, and in relation to its securitisation facilities. These restricted cash balances are shown within cash.

22. Assets held for sale

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Fair value of assets transferred to held for sale	9,623	181,742
Assets held for sale	**9,623**	**181,742**

During 2023, management reviewed the portfolios within the DACH region and determined its intention to sell a proportion; these assets were reclassed to 'assets held for sale' in 2023.

During 2024, management completed the sale of the majority of these assets of net proceeds totalling c.€186m. Subsequent to the year end, the Group completed the sale of the remaining assets held for sale as at 31 December 2024 for c.£12m.

23. Borrowings

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current		
Unsecured borrowings at amortised costs		
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	657,759	598,969
Total unsecured	**657,759**	**598,969**
Secured borrowings at amortised cost		
Senior Secured Notes	521,336	1,662,453
Prepaid costs on Senior Secured borrowings	(1,972)	(10,561)
Securitisation loans	63,296	210,840
Total secured	**582,660**	**1,862,732**
Total borrowings due for settlement after 12 months	**1,240,419**	**2,461,701**
Current		
Unsecured borrowings at amortised cost		
Other interest payable	3,656	6,276
Total unsecured	**3,656**	**6,276**
Secured borrowings at amortised cost		
Senior Secured Notes	1,104,716	22,568
Prepaid costs on Senior Secured borrowings	(4,656)	(7,916)
Revolving credit facility	371,823	377,667
Securitisation loans	508,832	186,991
Total secured	**1,980,715**	**579,310**
Total borrowings due for settlement before 12 months	**1,984,371**	**585,586**
Total borrowings	**3,224,790**	**3,047,287**

23. Borrowings (continued)

All borrowings are measured at amortised cost using the effective interest rate method. The other principal features of the Group's borrowings are as follows:

The interest on the aggregate €630m floating rate notes is payable quarterly on 1 February, 1 May, 1 August and 1 November, commencing on 1 February 2021. The notes will mature on 1 May 2026, though the Group may redeem some or all the notes at an earlier date as per details set out in the Offering Memorandum issued on 23 October 2020.

The interest on the aggregate €795m and £440m fixed rate notes is payable semi-annually on 1 May, and 1 November, commencing on 1 May 2021. The notes will mature on 1 November 2025, though the Group may redeem some or all the notes at an earlier date as per details set out in the Offering Memorandum issued on 23 October 2020.

There are two covenant measures under the terms of the Senior Secured Notes; Fixed Charge Coverage Ratio, which must be at least 2:1 and Consolidated Senior Secured Leverage Ratio, which cannot exceed 3.75:1. These are incurrence covenants only, which would only need to be satisfied should the Group intend to raise additional senior secured financing.

The Senior Secured Notes are secured on the assets, share pledges and intra-group receivables of the Group and are listed on The International Stock Exchange (TISE).

The Group repurchased £Nil in 2024 (2023: £17m of Senior Secured Notes) which reduced the notional amounts of the notes by £Nil (2023: €4.0m, €3.3m and £10.7m respectively).

Revolving Credit Facility ("RCF")

The Group has an RCF commitment of €455m (2023: €455m) which was extended to 1 August 2025 as part of the Group's refinancing in November 2020. The RCF has a variable interest rate linked to SONIA/EURIBOR (subject to a 0% floor) and a quarterly commitment fee calculated on the undrawn facility. Any material company or other member of the Group, which becomes a guarantor of the RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favour of the Security Agent.

There is one covenant measure under the terms of the RCF additional to the covenant measures under the Senior Secured Notes as follows: if the aggregate amount of all loan utilisations exceed an amount equal to 30% of the total commitments, the Group is required to confirm whether or not the Leverage Ratio exceeds 7:1. This is a maintenance covenant and if breached prevents further drawdown on the facility.

Securitisation Loans

On 22 November 2018 the Group entered a £255m securitisation facility through its subsidiary Lowell Receivables Financing 1 Limited. On 11 April 2019 the facility was re-negotiated with an option to reset in future periods. On 17 June 2021 the facility was again re-negotiated. The amendments to the facility reduced the total commitment to £175m, extended the maturity to July 2025 and revised the margin to 3.28% + 1M SONIA.

23. Borrowings (continued)

On 17 June 2021 the Group entered a £225m securitisation facility through its subsidiary Lowell Receivables Financing 2 Limited. The facility has a five-year legal maturity and a margin of 3.5% + 1M SONIA.

In August 2022 the Group entered a £170m securitisation facility through its subsidiary Lowell Receivables Financing 3 Limited. The facility has a five-year legal maturity and a margin of 3.9% + 1M SONIA. In December 2023, LRF3 repaid the outstanding senior note and entered negotiations to extend the facility.

Shareholder Loan

The Group entered into a loan facility in October 2015 for €260.4m with its holding company Garfunkelux Holdco 1 S.à r.l.. The Group increased this facility in May 2016 to €287.4m. A further loan was issued in March 2018 of €28.9m as part of the acquisition of the Carve-out Business from Intrum.

On 5 November 2020 the aggregate amount outstanding on the Shareholder Loans was €490.4m. On this date the Shareholder Loans were re-denominated into £447.3m and continue to accrue interest at a rate of 9.66% (2022: 9.66%), which can be paid or capitalised on an annual basis.

The shareholder loan has a maturity date that falls six months following the maturity of the latest maturing of any outstanding Senior debt of the Company.

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

	Year ended 31 December 2024	Year ended 31 December 2023
Notes	7.85%	8.15%
RCF	7.46%	7.24%
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	9.66%	9.66%
Securitisation loans	8.47%	8.70%

24. Trade and other payables

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Trade payables	10,205	14,195
Other taxes and social security	3,691	4,202
Accruals and deferred income	54,750	58,449
Other payables	40,973	43,289
Total	**109,619**	**120,135**

Other payables includes amounts due of £7.7m in respect of portfolios purchased but not yet paid for at 31 December 2024 (31 December 2023: £5.1m) and £65.3m of 3PC collections due to be transferred to clients (31 December 2023: £23.8m).

25. Provisions

	Tax provision £000	Site restoration provision £000	Employee related provision £000	Other provision £000	Total £000
At 1 January 2024	**5,082**	**4,579**	**7,811**	**4,829**	**22,301**
Provisions made during the year	-	273	906	1,459	**2,638**
Provisions utilised during the year	(4,119)	(2,463)	(3,321)	(3,440)	**(13,343)**
Provisions reversed during the year	-	172	-	-	**172**
At 31 December 2024	**963**	**2,561**	**5,396**	**2,848**	**11,768**
Non-current	-	2,561	773	1,569	**4,903**
Current	963	-	4,623	1,279	**6,865**
Total	**963**	**2,561**	**5,396**	**2,848**	**11,768**

Other provisions contain onerous contract provisions of £Nil as at 31 December 2024 (31 December 2023: £0.7m).

The remaining amounts provided for relate to several individually immaterial provisions.

26. Other financial liabilities

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Non-current		
Lease liabilities	60,157	39,738
Total non-current other financial liabilities	**60,157**	**39,738**
Current		
Lease liabilities	8,708	6,922
Other financial liabilities	49,617	28,528
Total current other financial liabilities	**58,325**	**35,450**

27. Share capital

	£000
In issue at 31 December 2023 and 31 December 2024	**4,385**

	Number
Called up, allotted and fully paid – par value €0.01 each	**500,000,005**

The rights attached to the ordinary shares are as follows:

Voting

Each Shareholder shall have one vote for every share held. Each Shareholder and Beneficiary Unit ("BU") holder (note 28), where applicable, may vote through voting forms in the manner set out in the convening notice in relation to a Shareholders' Meeting. The Shareholders and the BU holders may only use voting forms provided by the Company and which contain at least the place, date and time of the meeting, the agenda of the meeting, the proposal submitted to the decision of the meeting, as well as for each proposal three boxes allowing the Shareholder and the BU holder to vote in favour, against, or abstain from voting on each proposed resolution by ticking the appropriate box.

Return of Capital

In the event of a dissolution and liquidation of the Company, any liquidation surplus shall be distributed in the following order:

- The holders of the BUs shall receive an amount corresponding to: a) the Issue Price of the BUs held by them plus; b) the amount of any accrued but unpaid BU Entitlement; and
- Subject to the terms of any Arrangement, any remaining liquidation surplus shall be distributed to Shareholders pro-rata to the number of shares held by them.

Distributions

From net profits of the Company determined in accordance with Luxembourg Law, 5% shall be deducted and allocated to a legal reserve fund. That deduction will cease to be mandatory when the amount of the legal reserve fund reaches one tenth of the Company's nominal capital.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Company may by Shareholders' Resolution declare distributions to Shareholders pro rata to the number of shares held by them.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Board of Directors may pay interim dividends to Shareholders pro rata to the number of shares held by them.

The Shareholders and the BU holders, where applicable, are entitled to participate in a Shareholders' Meeting by videoconference or by telecommunications means allowing their identification and are deemed to be present for the calculation of quorum and majority conditions and voting.

28. Reserves

Capital reserve

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
At start of year	**(8,291)**	**(8,291)**
At end of year	**(8,291)**	**(8,291)**

Beneficiary Units

The issue price of any Beneficiary Unit shall be allocated to a special reserve (the "BU reserve") within the capital reserve. The BU and the BU reserve shall not form part of the share capital of the Company and shall carry those rights set out below.

The BU reserve shall be distributable only upon repurchase or redemption of the BUs or upon liquidation of the Company.

At 31 December 2024 and 31 December 2023, there were 333m beneficiary units in issue and the BU reserve totalled €25,000 (£21,250).

Rights

The BUs shall not carry voting rights except that each BU carries one vote at any shareholders' meeting called to resolve the appointment or removal of Director(s) of the Company.

Each holder of BUs shall be entitled to receive an annual distribution corresponding to 0.1% of the Issue Price of the BUs held (the "BU Entitlement") payable annually upon decision of the Shareholders' Meeting, at repurchase or redemption of the BUs or upon liquidation of the Company. Any BU Entitlement not paid in a year, shall continue to accrue until it is paid.

Subject to the terms of any arrangement, the Company, through its Board of Directors, shall have the right to redeem the BUs by providing written notice to the holder(s) of the BUs that within one business day (or such time as the notice may specify, including, without limitation, immediately), all of the BUs shall be fully redeemed by the Company for a price equal to the Issue Price of the BUs plus any accrued but unpaid BU entitlement.

Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Valuation reserve

The valuation reserve comprises the actuarial gains/losses and deferred tax movements on the Group's defined benefit pension schemes.

29. Share-based payments

On 13 October 2015 and 4 November 2020, the main shareholder of the Company – Garfunkelux Holdco 1 S.à r.l. entered share-based payment arrangements with certain managers of the Group (the "Garfunkelux Group managers").

Under these agreements, the Garfunkelux Group managers entered into nominee agreements with Garfunkelux Nominee S.à r.l. ("Nominee"), pursuant to which the Nominee is the registered shareholder of the shareholder instruments as nominee for the Garfunkelux Group managers and these managers are the beneficial owners of the shareholder instruments held by Nominee. The Garfunkelux Group managers subscribed for shares in Garfunkelux Holdco 1 S.à r.l. at prices that approximated the market price of the underlying shares at the dates of grant.

The Garfunkelux Group managers further agreed, in the same agreement, to sell back to Garfunkelux Invest S.à r.l., the main shareholder of Garfunkelux Holdco 1 S.à r.l., the shares owned in Garfunkelux Holdco 1 S.à r.l. in the event they cease to be an employee and/or a corporate officer of the Group. The selling price of the shares is determined on the basis of a number of conditions including the service period and whether the Garfunkelux Group manager qualifies as a good leaver or a bad leaver. The sale price of the shares in Garfunkelux Holdco 1 S.à r.l. owned by the Garfunkelux Group managers will be settled in cash.

In the consolidated financial statements of the Group, this arrangement has been classified as equity settled transaction because the Group has no obligation to settle the transaction with the Garfunkelux Group managers. However, since amounts paid by the Garfunkelux Group managers for the subscription of the shares in Garfunkelux Holdco 1 S.à r.l. are at fair value, the awards have no material fair value at grant date and therefore there is no expense recognised in the SCI for the year or previous year.

30. Financial instruments

Categories of financial instruments

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Financial assets		
Cash and cash equivalents	216,003	143,083
Portfolio investments	1,744,814	1,635,895
Asset backed securities	46,477	41,433
Other	133,061	139,030
Derivatives	1,390	7,759
Financial liabilities		
Borrowings – Notes	1,626,052	1,685,021
Borrowings – RCF	371,823	377,666
Borrowings – Shareholder loan	657,759	598,969
Borrowings – Securitisation loan	572,128	397,832
Borrowings – other	3,656	6,276
Trade and other payables	109,619	120,135
Other financial liabilities	118,482	75,188

30. Financial instruments (continued)

Material accounting policies

Details of the material 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.

Financial risk management objectives

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

- **Strategic risk** (including Major Initiatives risk, Strategic Planning risk, Investor Relations risk, Market Dynamics risk, Mergers & Acquisitions risk and Pricing & Modelling risk);
- **Financial risk** (including Credit & Counterparty risk, Liquidity & Capital risk, Market risk (including Interest Rate risk and Foreign Exchange risk), Insurance risk, Tax risk and Reporting & Forecasting risk);
- **Compliance risk** (including Regulatory risk, Financial Crime risk, Legal risk and ESG & Ethics risk); and
- **Operational risk** (including IT risk, People risk, Conduct risk, Third Party risk, Business Operations & Processes risk, Business Continuity risk and Physical Security risk);
- **Information & data risk** (including Information Security & Cyber Crime risk, Data Management risk and Data Privacy risk).

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

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

Strategic risk management

Strategic risk is the risk to earnings resulting from poor or lack of clear strategy and execution, adverse business decisions, and inadequate anticipation of emerging changes in the broader business, economic and political environment, including changing competitive threats and disruptive innovations, internal or external. This includes 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.

In bidding for consumer debt portfolios, the Group seeks to achieve a sufficient yield to cover both the cost of collection and overhead costs, thereby minimising the risk of not recovering the cost of these portfolios. The Group uses sophisticated pricing models along with extensive market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through Investment Committees (subsets of the Executive Committee).

30. Financial instruments (continued)

Strategic risk management (continued)

The Group manages the unpredictability of the market through various financing structures. The Group has in place €630m, £440m and €795m of Senior Secured loan Notes, £377m RCF facility and securitisation facilities totalling £585m. At 31 December 2024 the UK securitisation and RCF facilities were £882m drawn (31 December 2023: £775m). These facilities allow the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints. The Group is also able to jointly purchase portfolios with another party through its co-investment strategic partnership.

Financial risk management

Credit and counterparty risk management

Credit and counterparty risk is the risk to earnings, financial loss arising from a counterparty default on contractual obligations or risk to earnings, financial loss or capital impact from a customer failure to meet a contractual repayment schedule.

The risk from the concentration of debtor credit risk is limited due to the high number of individual customer balances and the relatively low value of each of the individual's debts.

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. Carrying values are impaired when and if the underlying performance indicates that future cash flows will not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from information on debt types and customers into pricing assumptions and models.

An Investment Committee is in place which is attended by members of the Executive Committee as well as other key individuals from across the business.

This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and compliance risk through to the financial assumptions and maximum bid price.

The carrying amount of financial assets recorded in the consolidated financial statements, which are net of impairment losses, represents the Group's exposure to credit risk.

The Group's most significant exposure to credit risk is to portfolio investments.

The carrying value by geography is shown below:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
UK[1]	1,240,672	1,131,783
DACH[2]	110,688	83,684
Nordics	393,454	420,428
Total	**1,744,814**	**1,635,895**

[1]UK portfolio as at 31 December 2024 included a Fair Value Through Profit and Loss instrument of £30.7m (2023: £27.0m) which is now presented separately. Refer to Note 15.
[2]DACH portfolio assets have reduced by £182m following the transfer to Held for Sale assets. Refer to Note 22 for further details.

30. Financial instruments (continued)

Financial risk management (continued)

Liquidity and capital risk management

Liquidity risk refers to the potential inability (or at excessive funding costs) to meet contractual or contingent financial obligations as they arise and could potentially impact the Group's condition or overall safety and soundness. Capital risk relates to the risk of holding insufficient capital to absorb unexpected loss. The approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2024, the Group had available undrawn committed borrowing facilities, including available cash at bank, of £216.0m (31 December 2023: £261m). See note 23 for further details on borrowings.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the Statement of Financial Position ("SFP") date:

As at 31 December 2024

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes[1]	7.85	1,626,052	1,772,640	63,317	1,166,916	542,407	-
RCF	7.46	371,823	371,823	371,823	-	-	-
Shareholder loan[2]	9.66	657,759	657,759	-	-	657,759	-
Securitisation loans	8.47	572,128	604,966	51,982	51,618	501,366	-
Lease liabilities	5.95	68,865	82,442	6,240	5,962	41,047	29,193
Total liabilities		**3,296,627**	**3,489,630**	**493,362**	**1,224,496**	**1,742,579**	**29,193**

30. Financial instruments (continued)

Financial risk management (continued)

Liquidity and capital risk management (continued)

As at 31 December 2023

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes[1]	8.15	1,685,021	1,956,078	67,861	68,325	1,819,892	-
RCF	7.24	377,666	377,666	377,666	-	-	-
Shareholder loan[2]	9.66	598,969	598,969	-	-	598,969	-
Securitisation loans	8.70	397,832	434,636	86,178	109,801	238,657	-
Lease liabilities	-	46,660	46,907	2,816	2,699	21,394	19,998
Total liabilities		3,106,148	3,414,256	534,521	180,825	2,678,912	19,998

[1] Includes Loan principal outstanding and accrued interest (note 23).
[2] Interest can either be paid or capitalised on an annual basis.

Other liabilities include "Trade and other payables", "Derivatives", "Other financial liabilities" and "Other interest payable".

Ultimate responsibility for liquidity risk management rests with the Group Executive Committee, which has established an appropriate liquidity risk management approach for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by monitoring 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.

Group financing facilities

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
RCF[1]		
Amount used	371,823	377,667
Amount unused	5,306	16,899
Total	**377,129**	**394,566**

[1] RCF capacity unchanged. Movement in total is due to facilities being denominated in Euros and GBP.

30. Financial instruments (continued)

Financial risk management (continued)

Capital risk management

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 23 after deducting cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity ("SOCIE").

Interest rate risk management

Interest rate risk is the risk to earnings, income, and valuation arising from changes in interest rates. The Group has minimised its risk against changes in interest rates by following a balanced approach to funding by using fixed rate Notes, floating rate Notes and share capital.

The Group's RCF has a variable interest rate and as at 31 December 2024 this was £372m drawn down (31 December 2023: £379m). Interest is payable on the RCF at a maximum of 3.5% + SONIA/EURIBOR. The Group also had one floating rate note issuance in place as at 31 December 2024 with an outstanding principal of €626m (2023: €626m), and an interest rate of 6.25% + EURIBOR (subject to a 0% floor).

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the SFP date. A 2.5 percentage point increase or decrease represents Management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5 percentage points higher for the full year and all other variables were held constant, the Group's losses would increase for the year ended 31 December 2024 by £35.1m (2023: £29.4m). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign exchange derivative contracts

The derivatives recognised at 31 December 2024 and 31 December 2023 relate to OTC ("Over the Counter") foreign exchange and interest rate derivatives that the Group transacts with its banking partners. To recognise the fair value of these derivatives, the fair value calculation performed by the Group as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculations provided by the counter parties. The fair value of foreign exchange forwards is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

30. Financial instruments (continued)

Financial risk management (continued)

Foreign exchange risk management

The Group has exposure to foreign exchange risk through its investments in overseas operations which have functional currencies other than Sterling and foreign currency denominated assets/liabilities and transactions. The Group is principally exposed to Euro (EUR), Swedish krona (SEK), Norwegian krone (NOK) and Danish krone (DKK) and minimises its foreign currency risk by having both assets and liabilities in functional currencies other than Sterling. As the assets and liabilities are matched where practical, the Group monitors and manages its exposure. The carrying values of the Group's principal foreign currency denominated net assets are as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Net assets		
EUR	(1,957,292)	(1,900,523)
SEK	129,058	127,504
NOK	32,660	66,350
DKK	102,610	125,345
Total	**(1,692,964)**	**(1,581,324)**

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase against Sterling exchange rates. This represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the year-end only for a change in foreign currency rates, holding all other variables constant.

	2024 £000	2023 £000
(Increase) / decrease in loss before tax		
EUR	(23,401)	(30,974)
SEK	130	(58)
NOK	(213)	(2)
DKK	(53)	(8)
(Decrease) / increase in equity		
EUR	(195,729)	(190,052)
SEK	12,906	12,750
NOK	3,266	6,635
DKK	10,261	12,535

30. Financial instruments (continued)

Insurance risk management

The Group has a full programme of insurance coverage in place, this includes polices for Directors and Officers, Professional Indemnity and Cyber. Coverage is assessed and updated as required on an annual basis.

Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss or reputation damages resulting from failure to comply with laws, regulations, ethical standards, prescribed practices, internal policies and procedures and from fraud, corruption or bribery. The Group faces regulations which are subject to ongoing change. The Group has an active compliance programme in place with dedicated compliance teams in each region. Compliance risk is overseen by the Group Executive Committee, Regional and Group Risk Committees and the Investor Board.

In the UK, some entities are regulated by the Financial Conduct Authority ("FCA"). If the FCA deems the Group's conduct and customer interaction to be poor or non-compliant it can impose a financial penalty and/or financial redress for customers. The ultimate penalty would be the withdrawal of that company's authorisation to provide financial services. The Directors are not aware of any indication that this is a possibility and seek to minimise the risk by adopting all the requirements of the Consumer Duty Regulations in the UK in providing good customer outcomes in the Group's day-to-day activity.

Separately, in the Nordic region, one entity is regulated by the Financial Supervisory Authority ("FSA"), promoting solid financial institutions with good risk awareness, management and control. In particular, the FSA supervises debt collection agencies with reference to treatment of client funds and debt collection practices. The FSA also has powers to impose financial penalties on the Group or remove the Group's licence to provide specific services.

Operational risk

Operational risk is defined as the risk arising from inadequate or failed internal systems, processes, controls, people or resulting from internal/external events affecting the operation of our business. The Group has an active programme in place to identify, assess and manage operational risks in line with the defined risk management framework. Day to day operational risk containment resides with management whilst risk teams in each region oversee risk management activities. Operational risk is overseen by management, Executive Committee, Regional and Group Risk Committees and the Investor Board.

Information and data risk

Information and data risk is defined as the risk of financial loss, litigation, reputation damage or regulatory sanctions resulting from poor data management, inappropriate data privacy, inadequate management of records and information lifecycle and inability to protect data, system and information from unauthorized access management, threats, cyber-attacks and security vulnerabilities.

30. Financial instruments (continued)

Information and data risk (continued)

The introduction of General Data Protection Regulation ("GDPR") across the EU in May 2018 has led to significant changes in compliance requirements for all firms that process data. The Group has enhanced its data privacy controls to achieve compliance via a Group wide GDPR programme. Information and data risk is overseen by the Executive Committee, Regional and Group Risk Committees and the Investor Board.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Financial assets		
Investments and receivables	1,924,352	1,813,235
Cash and cash equivalents	216,003	143,083
Derivative financial instruments	1,390	7,759
Total financial assets	**2,141,745**	**1,964,077**
Financial liabilities		
Financial liabilities measured at amortised cost	3,452,891	3,263,496
Total financial liabilities	**3,452,891**	**3,263,496**

Derivatives with positive and negative fair values

As of 31 December 2024, foreign exchange forwards with a total negative fair value of £Nil were held (31 December 2023: £Nil). As of 31 December 2024, foreign exchange forwards with a total positive fair value of £Nil were held (31 December 2023: £0.7m). They were not designated as hedges for hedge accounting purposes (IFRS 9).

As of 31 December 2024, interest rate caps with a total positive fair value of £1.4m were held (31 December 2023: £10.0m). They were not designated as hedges for hedge accounting purposes (IFRS 9).

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 to their fair values, with Senior Secured Notes being the only exceptions.

30. Financial instruments (continued)

	Carrying amount		Fair Value	
	31 December 2024 £000	31 December 2023 £000	31 December 2024 £000	31 December 2023 £000
Financial assets				
Cash and cash equivalents	216,003	143,083	216,003	143,083
Investments and receivables:				
Portfolio investments and ABS	1,791,291	1,677,328	1,791,291	1,677,328
Other financial assets	155,182	141,428	155,182	141,428
Total financial assets	**2,162,476**	**1,961,839**	**2,162,476**	**1,961,839**
Financial liabilities				
Financial liabilities measured at amortised cost:				
Senior Secured Notes[1]	1,626,052	1,685,021	1,084,684	1,312,143
RCF	371,823	377,666	371,823	377,666
Shareholder loan	657,759	598,969	657,759	598,969
Securitisation loan	572,128	397,832	572,128	397,832
Other financial liabilities	228,101	197,732	228,101	197,732
Total financial liabilities	**3,455,863**	**3,257,220**	**2,914,495**	**2,884,342**

[1]Includes loan principal outstanding and accrued interest (note 23).

For the Group, the fair value of the acquired portfolios is determined using a discounted cash flow model with unobservable inputs which are classified as level 3 measurements. The Senior Secured Notes are publicly traded instruments whose value can be obtained from public sources; as a result, these are classified as level 1.

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

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of the portfolios is calculated by discounting the net forecast cash flows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage which differ for portfolios that are not deemed as "paying" at the point of acquisition and those 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 benchmarking.

30. Financial instruments (continued)

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.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Foreign exchange swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

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

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Level 2		
Non-current assets measured at fair value less costs to sell		
Assets held for sale	9,623	181,742
Financial assets at fair value:		
Derivatives not designated as part of a hedge relationship	1,390	7,759
Asset backed securities held at fair value through profit or loss	35,865	27,207
Asset backed securities held at fair value through OCI	6,491	8,250
Total	**53,369**	**224,958**

There were no financial assets or financial liabilities at fair value measured under Level 1 or Level 3.

31. Note to the statement of cash flows

	Note	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Loss for the year		(358,495)	(475,879)
Tax (charge) / credit	**8**	(66,919)	65,033
Loss for the year, before tax		(291,576)	(540,912)
Adjustments for:			
Income on portfolio investments	**15**	(416,173)	(446,148)
Net portfolio write up	**15**	(38,089)	16,492
Fair value gain	**15**	(6,586)	(5,678)
Collections on owned portfolios	**15**	897,458	1,092,466
Depreciation and amortisation	**11 & 12**	58,638	43,260
Impairment of goodwill and right of use asset	**5a & 10**	74,068	288,652
Loss on disposal of PPE and intangible assets		102	34,550
Finance income	**6**	(1,684)	(17,464)
Finance costs	**7**	295,414	311,325
Unrealised gain/(loss) from foreign exchange		54,248	58,439
Decrease in trade and other receivables		(8,210)	(14,158)
Increase/(Decrease) in trade and other payables		(10,516)	(106,112)
Movement in other net assets		(29,384)	84,312
Cash generated by operating activities before portfolio acquisitions		**577,710**	**799,024**
Portfolios acquired[1]		(390,471)	(352,838)
Income taxes paid		(24,540)	(7,208)
Net cash generated by operating activities		**162,699**	**438,978**

[1] Portfolios acquired represents the amount paid for portfolio purchases in the year, after considering timing differences.

32. Reconciliation of movements in borrowings to financing cash flows

	Senior Notes	Shareholder loan	Prepaid costs on borrowings	RCF	Securitisation loans	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2024	**1,685,021**	**598,969**	**(18,477)**	**377,667**	**397,831**	**6,276**	**3,047,287**
Changes from financing cash flows							
Proceeds from loans and borrowings	-	-	-	2,837,016	225,979	-	3,062,995
Repayment of borrowings	-	-	-	(2,834,156)	(51,014)	-	(2,885,170)
Interest paid	(133,439)	-	-	(27,880)	(47,091)	(7,463)	(215,873)
Total changes from financing cash flows	**(133,439)**	**-**	**-**	**(25,020)**	**127,874**	**(7,463)**	**(38,048)**
The effect of changes in foreign exchange rates	**(58,038)**	**802**	**-**	**(6,068)**	**-**	**-**	**(63,304)**
Changes from liabilities:							
Interest expense	132,508	57,988	-	25,244	46,423	4,843	267,006
Prepaid cost release	-	-	11,849	-	-	-	11,849
Total liability related changes	**132,508**	**57,988**	**11,849**	**25,244**	**46,423**	**4,843**	**278,855**
Balance at 31 December 2024	**1,626,052**	**657,759**	**(6,628)**	**371,823**	**572,128**	**3,656**	**3,224,790**

33. Employee benefits

a) Defined benefit schemes

The Group has defined benefit pension obligations through its DACH and Nordic businesses.

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Defined benefit pension net liabilities		
DACH	4,345	4,692
Nordics	955	1,542
Total	**5,300**	**6,234**

DACH

The German defined benefit pension obligations in relation to the DACH business are provided through the Group's German subsidiary, Lowell Financial Services GmbH. Pension obligations were calculated in accordance with the requirements set out in IAS 19.

An interest rate of 3.35% (2023: between 2.9% and 3.2%, depending on the group of beneficiaries) was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19. The calculations considered estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1% to 2.2% (2023: 1.0 to 2.2%), salary increases at 2.2% (2023: 2.2%), and the employee turnover rate in a range from 0% to 2% (2023: 0.0% to 2.0%). The employee turnover rate depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2018 G Heubeck mortality tables.

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

33. Employee benefits (continued)

a) Defined benefit schemes (continued)

DACH (continued)

The net liability is calculated as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Present value of unfunded defined benefit obligation	7,548	7,807
Plan assets	(3,203)	(3,115)
Net liability	**4,345**	**4,692**

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Opening balance of defined benefit obligation	7,807	6,677
Interest expense	237	235
Pension payments	(249)	(248)
Current service cost	67	74
Actuarial losses/(gains)	(314)	1,183
Currency translation adjustments	-	(114)
Closing balance of defined benefit obligation	**7,548**	**7,807**

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Opening balance of plan assets	3,115	3,049
Net interest income	88	84
Contributions	88	109
Payments	(88)	(75)
Currency translation adjustments	-	(52)
Closing balance of plan assets	**3,203**	**3,115**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by the Group. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to £84k (£110k at 31 December 2023).

33. Employee benefits (continued)

a) Defined benefit schemes (continued)

DACH (continued)

Movements in the year on provision for pensions were as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Opening balance	4,692	3,629
Payments arising from pension obligations	(248)	(282)
Allocation to defined benefit obligation	215	226
Actuarial (gains)/losses	(314)	1,183
Currency translation adjustments	-	(64)
Closing balance	**4,345**	**4,692**

A quantitative sensitivity analysis of the key assumptions as of 31 December 2024 is as shown below:

	Year ended 31 December 2024 £000
Interest rate	
Increase 0.5%	(521)
Decrease 0.5%	585
Salary trend	
Increase 0.5%	124
Decrease 0.5%	(112)
Benefits trend	
Increase 0.5%	443
Decrease 0.5%	(404)

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation because of realised changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses change key assumptions in isolation. As it is unlikely that changes in assumptions will occur individually, the results above may not be representative of the actual change in defined benefit obligation.

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Within the next 12 months	280	269
Between 1 and 5 years	1,316	1,237
Between 5 and 10 years	1,893	1,868
More than 10 years	10,993	11,494
Total expected payments	**14,482**	**14,868**

33. Employee benefits (continued)

a) Defined benefit schemes (continued)

DACH (continued)

The average duration of the defined benefit obligation at the end of the reporting period is 16 years (31 December 2023: 20 years).

Nordics

The defined benefit scheme in the Nordics is in the Norwegian subsidiary Lowell Norge AS.

The net liability is calculated as follows:

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Present value of unfunded defined benefit obligation	6,228	6,725
Plan assets	(5,273)	(5,183)
Net liability	**955**	**1,542**

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Opening balance of defined benefit obligation	6,725	7,945
Interest expense	197	192
Pension payments	(112)	(973)
Current service cost	183	189
Payroll tax of employer	(81)	(41)
Actuarial gains	(13)	(59)
Currency translation adjustments	(671)	(528)
Closing balance of defined benefit obligation	**6,228**	**6,725**

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

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Opening balance of plan assets	5,183	5,621
Net interest income	142	142
Actuarial losses	15	(337)
Contributions	654	334
Payroll tax of employer	(81)	(41)
Payments	(112)	(106)
Currency translation adjustments	(529)	(430)
Closing balance of plan assets	**5,272**	**5,183**

33. Employee benefits (continued)

b) Defined contribution schemes

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

The total cost charged to income of £6.4m (2023: £5.4m) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

As at 31 December 2024, contributions of £493k (31 December 2023: £218k) due in respect of the current reporting period had not been paid over to the schemes.

34. Related party transactions

Parent and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 1 S.à r.l., the registered office of which is at 488 route de Longwy, L-1940, Luxembourg.

The ultimate parent company is Garfunkelux S.à r.l., incorporated in Luxembourg, which is itself held by funds advised by Permira, an international private equity fund.

The Company is the largest group in which results are consolidated.

Year end balances with related parties

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Balances with immediate parent undertaking		
Shareholder loan with Garfunkelux Holdco 1 S.à r.l. (note 23)	(657,759)	(598,969)
Balances with other related parties		
Loan owed from Garfunkelux Nominee S.à r.l.	41	111
Permira Beteiliqunqsberatung GmbH (trading)	-	(12)
Klarna Bank AB (trading)	-	94
Klarna (trading)	-	(64)
Senior member of management	92	-

34. Related party transactions (continued)

Transactions with related parties

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Transactions with immediate parent		
Shareholder loan interest with Garfunkelux Holdco 1 S.à r.l.	(57,988)	(52,644)
Transactions with other related parties		
Loan to Garfunkelux Nominee S.à r.l.	-	48
Permira Beteiligungsberatung GmbH (trading)	(4)	(67)
Teamviewer GmbH (trading)	(5)	(5)
Genesys Telecommunication Laboratories B.V. (trading)	(568)	(464)
P&I Personal und Informatik AG (trading)	-	(2)
Klarna Bank AB (trading)	-	20
Klarna (trading)	-	(20)
Informatica Software Limited	(344)	(402)
Motus ehf	-	(1)
SonarSource SA	(6)	(5)
Senior member of management	(468)	-
Svensk Inkasso	(19)	-

The shareholder loan with Garfunkelux Holdco 1 S.à r.l. is priced on an arm's length basis and is unsecured.

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 as specified in IAS 24 (Related Party Disclosures):

	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Short-term employee benefits	**7,319**	**3,035**

The above details relate to seven key management personnel (2023: seven) who are Directors and/or senior executives of subsidiary undertakings of the Company. They are paid emoluments by multiple entities for their services to the Group. The Directors of the Company are not paid by any company that forms part of the Group, see note 5d.

At 31 December 2024 and 31 December 2023, there were no loans outstanding with key management personnel.

35. Subsequent events

During 2024, there was a phased sale of the DACH back book, totalling €186m with a further €15.5m sold in January 2025.

Lowell

GARFUNKELUX HOLDCO 2 S.A.
CASH EBITDA WALKS (UNAUDITED)
YEAR ENDED 31 DECEMBER 2024

Cash EBITDA Walks (Unaudited)

Cash EBITDA is a non-IFRS measure. It 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 before exceptional items, depreciation, amortisation and impairment of non-performing loans.

The three walks below show reconciliations from the IFRS balances in the accounts to the Group's Cash EBITDA number and are unaudited.

	Year ended 31 December 2024 £'000
Loss for the year to Cash EBITDA	
Loss for the year	(358,495)
Net finance costs	293,730
Taxation credit	66,919
Operating profit	**2,154**
Portfolio amortisation	462,989
Net portfolio write (up)/down	(38,089)
-Fair value gain	(6,586)
Non-recurring costs/exceptional items, net of exceptional income	48,600
Depreciation, amortisation and impairment	132,717
Cash EBITDA	**601,785**
Cash collections to Cash EBITDA	
Cash collections (DP)	879,162
Other income	159,825
Operating expenses	(618,519)
Non-recurring costs/exceptional items, net of exceptional income	48,600
Depreciation, amortisation and impairment	132,717
Cash EBITDA	**601,785**
Net cash flow to Cash EBITDA	
Increase in cash in the year	73,167
Movement in debt	(177,825)
Purchases of loan portfolios	390,471
Disposal of loan portfolios	(136,137)
Interest paid net of interest received	215,872
Income taxes paid	24,541
Capital expenditure and financial investment	29,605
Other comprehensive expenditure	117,841
Derivative settlements	(6,369)
Payment of lease liabilities	29,222
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**560,388**
Working capital adjustments	(7,203)
Non-recurring costs/exceptional items, net of exceptional income	48,600
Cash EBITDA	**601,785**