Lowell

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements
Year ended 31 December 2020

METIS BIDCO LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
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METIS BIDCO LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
OFFICERS AND PROFESSIONAL ADVISERS

Directors

J P Flaherty
D R Gagie (resigned 28 January 2021)
J S Pears

Company secretary

B Flynn (resigned 30 April 2020)

Registered office

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9 Savannah Way
Leeds Valley Park West
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LS10 1AB

Banker

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

Solicitors

DAC Beachcroft LLP
100 Fetter Lane
London
EC4A 1BN

Pinsent Masons LLP
30 Crown Place
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London
EC2A 4ES

Auditor

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

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METIS BIDCO LIMITED
DIRECTORS' REPORT
Year ended 31 December 2020

The directors present their annual report and the audited consolidated financial statements of Metis Bidco Limited (the "Company") and its subsidiaries in the UK (together the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Group.

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

GOING CONCERN

The directors remain confident that the Group will continue to grow as a result of further investment in non-performing debt portfolios in the UK and the provision of wider credit receivable management on behalf of third parties. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Company's business activities are set out in the principal activities section and the Company is part of the wider Garfunkelux Holdco 2 S.A. group (the 'Garfunkelux Group'). At 31 December 2020 the Company had access to funds as part of the wider Garfunkelux Group to which it belongs. At 31 December 2020, the Garfunkelux Group had available undrawn committed borrowing facilities by way of a Group Securitisation and a Revolving Credit Facility (RCF) of £418.6m (2019: £198.4m).

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2020 and the outlook for the Company, and also the going concern position of the Garfunkelux Group as a whole. This is due to the integrated nature of the companies across the Garfunkelux Group and the reliance of the Company on the Garfunkelux Group's going concern position. In assessing whether the going concern basis is appropriate to adopt, the directors have undertaken a review of forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these financial statements. These scenarios have been subject to stress testing, and downside scenarios have been considered, taking into account both the Garfunkelux Group's and the Company's performance since the beginning of the COVID-19 pandemic and the possibility of both further spikes in infections and continued government lockdown restrictions in 2021. They consider a range of cash flow reductions including reductions in collections. These scenarios are considered to be reasonable.

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (year ended 31 December 2019: £nil).

EMPLOYEES

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The members of the executive team conducted a number of staff briefings throughout the year that kept our people fully informed and updated on business activities. The Group's intranet is used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Further details on how the Group has engaged with employees throughout the COVID-19 pandemic are included in the Section 172 Statement in the Strategic Report.

DIRECTORS

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

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METIS BIDCO LIMITED
DIRECTORS' REPORT (continued)
Year ended 31 December 2020

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £137,278 (year ended 31 December 2019: £68,057).

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

	Year ended 31 December 2020
UK Greenhouse gas emissions and energy usage	
Energy consumption used to calculate emissions (kWh)	1,347,335
Scope 1 – emissions in metric tonnes CO2e	
Gas consumption	36.80
Scope 2 – emissions in metric tonnes CO2e	
Purchased electricity	267.46
Total gross emissions in metric tonnes CO2e	**304.26**
Intensity ratio – Tonnes CO2e per m^2 of building space	**0.04**

Quantification and reporting methodology

The Group has followed the 2019 HM Government Environmental Reporting Guidelines. The Group has also used the GHG Reporting Protocol – Corporate Standard and the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

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

Measures taken to improve energy efficiency

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

SECTION 172 STATEMENT

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

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

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

AUDITOR

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

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

J P Flaherty
Director
17 March 2021

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METIS BIDCO LIMITED
STRATEGIC REPORT
Year ended 31 December 2020

OBJECTIVES & STRATEGY

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

In the year to 31 December 2020 the Group's key objectives were to achieve profitable collections in a manner that is customer and compliance centric, to provide a first class service to our clients, to maximise efficiency and reduce cost, and to manage our risks with effective governance.

THE BUSINESS MODEL

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

PRINCIPAL RISKS AND UNCERTAININITIES

COVID-19

The directors have undertaken a review of forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these financial statements. These scenarios have been subject to stress testing, and downside scenarios have been considered, taking into account both the Garfunkelux Group's and the Company's performance since the beginning of the COVID-19 pandemic and the possibility of both further spikes in infections and continued government lockdown restrictions in 2021. They consider a range of cash flow reductions including reductions in collections. These scenarios are considered to be reasonable by management and, after taking management actions as required, the Garfunkelux Group maintains sufficient liquidity and cash reserves to continue as a going concern.

Details of the Group's financial risk management policies are set out in Note 23.

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

FINANCIAL PERFORMANCE

It is estimated that the Group, through its subsidiaries, was invited to bid upon over £3.7bn face value of consumer debt in 2020 (31 December 2019: £3.6bn) of which the Group decided to bid on £2.1bn (31 December 2019: £2.3bn). The business acquired portfolios from 28 vendors during the year (year ended 31 December 2019: 31) across a wide range of industry sectors, including Financial Services, Utilities, Communications and Home Shopping.

The overall carrying value of portfolio investments stood at £948.9m at 31 December 2020 (31 December 2019: £971.4m).

The Group benefits from a Revolving Credit Facility ("RCF") of €455.0m which benefits the wider Garfunkelux Group and is contracted with Garfunkelux Holdco 3 S.A. As at 31 December 2020, £16.0m was drawn on the RCF. The Group also benefits from an asset backed securitisation facility whereby assets with an 84 month Estimated Remaining Collections ("ERC") of £510m were used as security for an asset backed loan of £255.0m. During 2019, the Group amended the facility to further increase its liquidity and maturity date, and during 2020 further assets were put into the facility. Details of which can be found in Note 16.

The Group has performed strongly in the year, with cash income for the year ended 31 December 2020 of £426.3m (year ended 31 December 2019: £456.5m). In addition the Group has an 84 months ERC (Estimated Remaining Collections) of £1,751.5m at 31 December 2020 (31 December 2019: £1,719.2m), an increase of 1.9%. 120 month ERC was £2,128.6m at 31 December 2020 (31 December 2019: £2,054.5m), an increase of 3.6%.

The Group defines ERC as the expected collections on acquired portfolios over a defined period, based on the proprietary valuation model and management judgement, which incorporates a collections forecast overlay.

Cash EBITDA is defined as collections on acquired portfolios plus other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs, depreciation and amortisation. Cash EBITDA in the year ended 31 December 2020 was £269.5m (year ended 31 December 2019: £270.5m), remaining stable.

METIS BIDCO LIMITED
STRATEGIC REPORT (continued)
Year ended 31 December 2020

FINANCIAL PERFORMANCE (continued)

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

Cash collections to Cash EBITDA	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Collections on Owned Portfolios	13	426,030	455,400
Other revenue		265	1,089
Other income		132	51
Total income		**426,427**	**456,540**
Total operating expenses		(175,703)	(207,310)
Add Back:			
Depreciation	10,11	3,683	3,276
Amortisation	9	1,049	1,233
Non-Recurring Costs		14,005	16,715
Consolidated Cash EBITDA		**269,461**	**270,454**

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

The Group's loss before tax for the year was £8.8m (year ended 31 December 2019: profit £27.9m). The loss is reflective of the Group's performance during a year with an uncertain backdrop and unfolding COVID-19 pandemic. The lower net portfolio write-up reflects the expected delay in collections from the Group's decision to pause litigation activity. This action has since recommenced but the delay in collections has an impact on the discounted portfolio value due to the time value of money impact from collections being deferred into later periods.

The Group's net assets at 31 December 2020 were £300.2m (at 31 December 2019: £306.2m).

KEY PERFORMANCE INDICATORS ("KPIs")

	31 December 2020	31 December 2019
Cumulative face value of debt acquisitions	£24.4bn	£23.0bn
Cumulative number of accounts	35.1m	32.6m
Collections on acquired portfolios	£426.0m	£455.4m
Portfolio investments (Book value)	£948.9m	£971.4m
Purchase of portfolio investments in the year	£173.1m	£233.6m
ERC (Estimated Remaining Collections)	£1,751.5m	£1,719.2m
Operating profit	£55.1m	£97.3m
Consolidated Cash Adjusted EBITDA	£269.5m	£270.5m
Drawdown on RCF* (Revolving Credit Facility) as at year end date	£16.0m	£225.0m
Loans with immediate parent undertaking	£542.9m	£472.9m
Securitisation facility - principal outstanding	£229.5m	£178.0m

*Facility available under the RCF as at 31 December 2020 is €455.0m (31 December 2019: €455.0m), (see Note 16 for further details).

KEY PERFORMANCE INDICATORS ("KPIs") (continued)

There is a significant tail of cash flow forecast inherent in our portfolios past the 84 months ERC period not reflected in our ERC at 31 December 2020. Our forecast tail of cash flow from month 84 to month 120 is £377.1m (31 December 2019: £335.3m), which is in addition to the £1,751.5m (31 December 2019: £1,719.2m) ERC. Additional cash flows are also expected beyond month 120.

OUTLOOK

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

The need for regulatory compliance in the consumer debt industry is expected to continue with ongoing client requirements and those stipulated by various bodies. We believe we are well placed to continue to collect debt in a customer and compliance centric manner, not least because culturally, our customers are at the heart of our business. (See Note 23, Conduct Risk for more details). Our risk management structure has been significantly enhanced and improvements continue to be made to the governance structure. All of the required entities within the Group are FCA regulated, further details of other regulators can be found in the Section 172 Statement below.

The consumer debt investor and debt management industries are expected to consolidate around a smaller number of trusted partners. Clients are increasingly reducing their auction panel sizes as they seek to maintain relationships with those investors who can demonstrate customer focus, while economies of scale give competitive advantage in terms of cost of collection and indeed funding. We benefit from a strong record in being customer focussed and already have relationships with the majority of key clients.

We also believe that our data asset will aid the business in terms of both our investment ambitions and our servicing offerings, leveraging the knowledge that comes from owning over 35 million accounts to help our clients from underwriting to contact through to responsible collection.

The Group anticipates an increase in the volume of debt purchase opportunities following the COVID-19 pandemic, supported by continued consumer credit growth and the requirement from originators to manage balance sheets. The Group can benefit from these opportunities given its reputation as a trusted partner to credit originators, who in turn have a greater incentive to sell non-performing loans due to regulatory and liquidity pressures.

The UKs departure from the European Union on 1 January 2021 has not had any material adverse impact on consumer payment behaviours, however the Group continues to keep this and any other emerging risk factors under constant review.

Section 172 Statement

We have developed a strategy for the future, which is described using the five strategic priorities outlined below:

1. Our Customers

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

We know that every customer's story is different, and we seek to put their needs first. We seek to engage with customers through a variety of channels and will help find a solution for each customer's debt that suits them and helps them meet their goals.

- COVID-19 brought hardships for people around the world and our customers were no exception, so we acted by:
    - utilising our customer feedback tool to collect insights and giving real time feedback to our agents
    - carrying out an extensive customer support programme
    - carrying out qualitative research with our customers to understand more deeply the reasons for engagement and non-engagement and encouraged customers to share their feedback online through Trustpilot, the world's largest consumer review website

Section 172 Statement (continued)

2. *Our People*

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

Our colleagues remain our foundation and how they work to deliver the right customer outcomes on a daily basis is critical to the success of the Group. Engagement with our colleagues is through a variety of methods, from regular face-to-face meetings with managers, colleague surveys, and regular 'town-hall' style meetings for communicating key messages.

> During COVID-19 we quickly and effectively supported our colleagues as they began working from home by supplying the equipment necessary to carry out their roles, weekly communication sessions to maintain the flow of information in a dynamic environment and investment in welfare and training support to help colleagues embrace a new way of working

> We have also agreed a landmark deal to relocate our UK head office. The new building is being purpose-built and will be designed to reflect how we expect to work in the future and be a great space for colleagues to meet, collaborate and connect with each other

3. *Our Clients*

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

We believe that an open partnership with our clients based on trust is necessary to ensure what is best for the customer, our clients and us. We seek to build long-term sustainable relationships that allow us to help our clients manage customers who have moved into arrears. This has allowed us to build partnerships with leading businesses, particularly in our key sectors of e-Commerce, Financial Services, Telecommunications and Utilities.

> We demonstrated our commitment to our clients, including signing a significant multi-year deal with a key client despite the uncertainty caused by COVID-19, and continuing to support clients through the pandemic

> We have initiated client surveys that have ranked us as 'top quartile' across a wide range of businesses, endorsing our partnership approach. We have also used the results from the initial survey to shape actions throughout the year, leading to improved feedback in subsequent surveys

4. *Our Operations*

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

To meet the long-term aspirations of our key stakeholders, we continue to invest in improving our operational capabilities, building additional functionality and resilience into everything that we do.

> To support customers and our commitment to them we enhanced our call flow to include COVID-19 and discuss the impacts of the pandemic.

> We invested in new technology changes to significantly improve our efficiency, customer and agent experiences by deploying seamless transition for agents between inbound and outbound calls. Development of intelligent inbound routing to connect our customers directly with the appropriately skilled agents and improving our self-serve options on the inbound channel.

> Ongoing development of our digital capabilities, including a re-launch and ongoing improvements to both websites, including live chat capability, has improved the ease with which customers can contact us. This has resulted in as many plans now being set up directly via the websites as through our engagement centre

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METIS BIDCO LIMITED
STRATEGIC REPORT (continued)
Year ended 31 December 2020

Section 172 Statement (continued)

5. Financial Strength

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

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

> As part of the wider Garfunkelux Group the Group now benefits from the new capital structure delivered in November 2020 through the refinancing of existing borrowings of £2.2bn (including a £600m equity contribution and issuance of £1.6bn Senior Secured notes maturing 2025/2026), placing a further £100m in December and extending the maturity of a €455m revolving credit facility to 2025, improving leverage to 3.8x and liquidity to £400m

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

a. Regulators

The main regulatory bodies are the Financial Conduct Authority (FCA), overseeing the debt purchase and debt collection activities; and the Solicitors Regulation Authority (SRA), overseeing litigation activities. Our client base means we also operate within the oversight of a number of other regulatory, authority and industry bodies, including the Information Commissioners Office (ICO), the Credit Services Association (CSA), the Office of Communications (Ofcom), the Office of Gas and Electricity Markets (Ofgem) and Water Services Regulation Authority (Ofwat). We encourage an active dialogue with each of our regulators and engage in a range of activities and sharing of documentation to enhance greater communication and understanding between all parties.

b. Our Suppliers

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

c. Our Investors

The Group is a regional subsidiary, responsible for the Lowell operations in the UK. Engagement with Investors is predominately led by the wider Garfunkelux Group with the key engagement channel being the presentation of the quarterly results.

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

J P Flaherty
Director
17 March 2021

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METIS BIDCO LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS
Year ended 31 December 2020

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Opinion

We have audited the financial statements of Metis Bidco Limited ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

> Considering remuneration incentive schemes and performance targets for directors.

> Using analytical procedures to identify any usual or unexpected relationships.

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

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

We also identified a fraud risk related to the valuation of portfolio investments, the valuation of goodwill and provisions for liabilities in response to the risk of bias in accounting estimates and judgements.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

> Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

> Assessing significant accounting estimates for bias.

> Critically assessing management's ERC forecasts against historical collections experience, including taking account of the potential impacts of the COVID-19 pandemic.

> Critically assessing management's ERC forecasts using our sector knowledge, market data and external economic forecasts, and corroborating to evidence provided by management.

> Critically assessing and challenging management's assumptions and judgements used in the value in use ("VIU") calculation prepared for the goodwill impairment testing, specifically focusing on the reasonableness of the cash flow forecasts with reference to historical accuracy and challenging the discount rate used.

> Assessing the accuracy of data underlying management's provision calculations by vouching these to source documentation.

> Assessing the completeness of the population of accounts identified by management as being in scope of its provisions by assessing the existence of relevant criteria on a selection of accounts identified by management as being out of scope of the matters giving rise to the provision.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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

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

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

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

A Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

17 March 2021

Lowell

METIS BIDCO LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue			
Income from portfolio investments	1,13	234,232	217,269
Portfolio write (down)/up	1,13	(3,796)	86,240
Finance revenue on acquired portfolio investments		**230,436**	**303,509**
Other revenue	1	265	1,089
Other income		132	51
Total revenue		**230,833**	**304,649**
Operating expenses			
Collection activity costs	1,4	(95,174)	(118,581)
Other expenses	4	(80,529)	(88,729)
Total operating expenses		**(175,703)**	**(207,310)**
Operating profit		**55,130**	**97,339**
Interest income	5	36	99
Finance costs	6	(63,994)	(69,509)
(Loss)/profit before tax	**3**	**(8,828)**	**27,929**
Income tax credit	7	2,792	979
(Loss)/profit for the year attributable to equity shareholders		**(6,036)**	**28,908**
Other comprehensive income		-	-
Total comprehensive (expenditure)/income for the year attributable to equity shareholders		**(6,036)**	**28,908**

The notes on pages 20 to 57 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Assets			
Non-current assets			
Goodwill	8	172,747	172,747
Intangible assets	9	6,478	3,811
Property, plant and equipment	10	11,721	21,167
Deferred tax asset	15	7,517	4,713
Portfolio investments	13	613,912	595,804
Total non-current assets		**812,375**	**798,242**
Current assets			
Portfolio investments	13	335,035	375,588
Trade and other receivables	14	15,477	35,447
Cash and cash equivalents	20	17,330	18,214
Total current assets		**367,842**	**429,249**
Total assets		**1,180,217**	**1,227,491**
Equity			
Share capital	19	-	-
Share premium	19	-	-
Foreign exchange reserve		10	1
Retained surplus		300,158	306,194
Total equity attributable to shareholders		**300,168**	**306,195**
Liabilities			
Non-current liabilities			
Borrowings	16	636,832	577,087
Provisions	18	2,678	1,982
Other financial liabilities	11	4,854	14,917
Total non-current liabilities		**644,364**	**593,986**
Current Liabilities			
Trade and other payables	17	64,268	18,229
Provisions	18	11,701	499
Borrowings	16	157,014	306,480
Other financial liabilities	11	2,702	2,102
Total current liabilities		**235,685**	**327,310**
Total equity and liabilities		**1,180,217**	**1,227,491**

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 17 March 2021.

Signed on behalf of the Board of Directors by:

J P Flaherty
Director
17 March 2021

The notes on pages 20 to 57 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	10	330	362
Investments	12	177,102	177,102
Deferred tax asset	15	3,727	2,257
Total non-current assets		**181,159**	**179,721**
Current assets			
Trade and other receivables	14	2,017	1,783
Cash and cash equivalents	20	21	4
Total current assets		**2,038**	**1,787**
Total assets		**183,197**	**181,508**
Equity			
Share capital	19	-	-
Share premium	19	-	-
Retained surplus		121,213	125,301
Total equity attributable to shareholders		**121,213**	**125,301**
Liabilities			
Non-current liabilities			
Borrowings	16	50,633	45,208
Other financial liabilities	11	197	214
Total non-current liabilities		**50,830**	**45,422**
Current Liabilities			
Trade and other payables	17	7,120	6,755
Borrowings	16	3,921	3,921
Other financial liabilities	11	113	109
Total current liabilities		**11,154**	**10,785**
Total equity and liabilities		**183,197**	**181,508**

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 17 March 2021.

Signed on behalf of the Board of Directors by:

J P Flaherty
Director
17 March 2021

The notes on pages 20 to 57 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

Group

	Share Capital £000	Share Premium £000	Foreign Exchange Reserve £000	Retained Surplus £000	Total £000
Balance at 1 January 2019	**274,138**	**69**	**-**	**3,080**	**277,287**
Profit for the year	-	-	-	28,908	28,908
Capital contribution	(274,138)	-	-	-	(274,138)
Capital reduction	-	(69)	-	-	(69)
P&L reserve adjustment	-	-	-	274,206	274,206
Movement in the year	-	-	1	-	1
Balance at 31 December 2019	**-**	**-**	**1**	**306,194**	**306,195**
Loss for the year	-	-	-	(6,036)	(6,036)
Movement in the year	-	-	9	-	9
Balance at 31 December 2020	**-**	**-**	**10**	**300,158**	**300,168**

Company

	Share Capital £000	Share Premium £000	Retained Surplus/ (deficit) £000	Total £000
Balance at 1 January 2019	**274,138**	**69**	**(146,539)**	**127,668**
Loss for the year	-	-	(2,366)	(2,366)
Capital contribution	(274,138)	-	-	(274,138)
Capital reduction	-	(69)	-	(69)
P&L reserve adjustment	-	-	274,206	274,206
Balance at 31 December 2019	**-**	**-**	**125,301**	**125,301**
Loss for the year	-	-	(4,088)	(4,088)
Balance at 31 December 2020	**-**	**-**	**121,213**	**121,213**

The notes on pages 20 to 57 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net cash inflow/(outflow) from operating activities	**20**	**158,816**	**(1,036)**
Investing activities			
Investment in subsidiary, net of cash received		-	(3,022)
Interest received		36	99
Purchase of property, plant and equipment		(914)	(1,389)
Proceeds for sale of property, plant and equipment		-	2
Purchase of intangible assets		(3,736)	(1,872)
Net cash outflow from investing activities		**(4,614)**	**(6,182)**
Financing activities			
Payment of lease liabilities		(2,943)	(2,768)
New borrowings		787,579	444,038
Repayment of borrowings		(880,470)	(376,295)
Interest paid		(59,173)	(58,944)
Net cash (used in)/from financing activities		**(155,007)**	**6,031**
Net decrease in cash and cash equivalents		**(805)**	**(1,187)**
Cash and cash equivalents at beginning of year		18,214	19,468
Exchange differences		(79)	(67)
Cash and cash equivalents at end of year		**17,330**	**18,214**

The notes on pages 20 to 57 form part of these financial statements.

Lowell

METIS BIDCO LIMITED
COMPANY STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net cash inflow/(outflow) from operating activities	**20**	**121**	**(131)**
Net cash from investing activities		**-**	**-**
Financing activities			
Payment of lease liabilities		(98)	(140)
Net cash outflow from financing activities		**(98)**	**(140)**
Net increase/(decrease) in cash and cash equivalents		**23**	**(271)**
Cash and cash equivalents at beginning of year		4	276
Exchange differences		(6)	(1)
Cash and cash equivalents at end of year		**21**	**4**

The notes on pages 20 to 57 form part of these financial statements.

1. ACCOUNTING POLICIES

General information and basis of preparation

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

Basis of consolidation

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

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

Financial support

The Company may be required to provide Fredrickson International Limited (subsidiary of the Company) financial support in the form of a contribution, a loan or other form of support, so as to enable the business to operate as a going concern.

Going concern

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2020 and the outlook for the Company, and also the going concern position of the Garfunkelux Group as a whole. This is due to the integrated nature of the companies across the Garfunkelux Group and the reliance of the Company on the Garfunkelux Group's going concern position. In assessing whether the going concern basis is appropriate to adopt, the directors have undertaken a review of forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these financial statements. These scenarios have been subject to stress testing, and a downside scenario has been considered, taking into account both the Garfunkelux Group's and the Company's performance since the beginning of the COVID-19 pandemic and the possibility of both further spikes in infections and continued government lockdown restrictions in 2021. They consider a range of cash flow reductions including reductions in collections. These scenarios are considered to be reasonable by the Directors and, after taking management actions as required, the Garfunkelux Group maintains sufficient liquidity and cash reserves to continue as a going concern.

In November 2020 the Garfunkelux Group issued three tranches of Senior Secured notes ("notes") being €600m floating rate notes due in May 2026, €740m fixed rate notes and £400m fixed rate notes both due in November 2025. Together with an equity contribution of £600m from the Garfunkelux Group's parent, the proceeds were used to redeem all of the Garfunkelux Group's outstanding Senior Secured and Senior notes. In December 2020 the Garfunkelux Group issued additional notes, being €30m floating rate notes due in May 2026, €55m fixed rate notes and £40m fixed rate notes both due in November 2025. The maturity of the Garfunkelux Group's RCF has extended to September 2025.

As a result of the refinancing activity, the Garfunkelux Group now has three main sources of funding at 31 December 2020, €630m, £440m and €795m, of Senior Secured notes ("notes"), a €455m RCF and a securitisation facility with an option to reset of £255m. At 31 December 2020, £16.0m was drawn on the RCF and £229.2m drawn on the securitisation facility. There are covenants on the funding which are detailed in Note 20 of the Garfunkelux Group's financial statements. No covenants have been breached, or are expected to be breached, during the going concern period. The earliest debt maturity horizon is 10 April 2024 and the latest is 1 May 2026, being the Securitisation Loan and the €630m senior secured notes respectively. The Garfunkelux Group continues to monitor its funding requirements and the Directors believe, given the debt maturity horizon and recent refinancing activity, there is sufficient time to extend or re-negotiate existing facilities, or explore new funding arrangements as appropriate.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

At the balance sheet date management assessed that the combined operating cash flows of the Garfunkelux Group, together with the cash resources and borrowings under the RCF, will be sufficient to fund the Garfunkelux Group's debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases. However, the Garfunkelux Group's ability to obtain funding in the future from these sources will depend on its performance and prospects, as well as other factors beyond its control, such factors may include weak economic and capital market conditions.

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages 14 and 15. In addition, Note 23 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

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

The Cash Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cash flow generation. The Group's Cash Adjusted EBITDA during the year ended 31 December 2020 was £269.5m (year ended 31 December 2019 Cash Adjusted EBITDA £270.5m).

The business as a whole is cash generative before portfolio investments, recording £426.0m in gross cash collections (see Note 13) for the year ended 31 December 2020 (year ended 31 December 2019: £455.4m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Management believe collections have generally shown good resilience since the onset of the COVID-19 pandemic, during Q2 the Group experienced a reduction in back-book collections compared to the Estimated Remaining Collections ("ERC") forecast at 31 December 2019. This reduction was largely driven by management decisions to temporarily reduce outbound consumer contact activity and pause new litigation activity, of which both activities have resumed in the second half of 2020. Consequently, collections performance has improved and as at 31 December 2020 is ahead of the Group's June 2020 collections forecasts. Management have significant control over the Group's cash flow principally relating to control over the level of portfolio acquisitions, together with cost mitigations, delaying a number of change projects and reducing other discretionary spend.

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

Business combinations

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

Goodwill

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

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

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

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

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

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

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

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

The effective interest rate (EIR) is the rate that exactly discounts 84 months, being the expected life of estimated future cash receipts of the acquired portfolio asset, to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset).

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

Increases 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 portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, an impairment is recognised in the SCI, also recorded in the portfolio write up line.

Other revenue

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

1. ACCOUNTING POLICIES (continued)

Impairment of acquired portfolio investments

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

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

Financial instruments

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

Amortised cost financial assets

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

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

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

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

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

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

Impairment of financial assets

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

Derecognition of financial assets

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

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 23.

Provisions

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

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

Non-current asset investments

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

Pensions

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

Collection activity costs

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

Cash and cash equivalents

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, 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.

1. ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

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

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

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

Leases

Leases and Right-of-use assets

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

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

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

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

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

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

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

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Portfolio investment valuation

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

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

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

The ERC of the portfolio investments has been assessed at the year end. Management have considered the observable information available in forming judgements, noting that collections, despite the COVID-19 pandemic, have remained resilient during 2020, albeit reducing in the second quarter, largely due to temporarily implemented management actions to reduce outbound consumer contact activity and pause new litigation activity. Management's significant accounting judgement is that any underperformance is a short-term deferral rather than loss of collections, and that those deferred collections will be recovered during 2021, 2022 and 2023. If the deferred collections were to be recovered 6 months later than expected, the time value of money impact on the carrying value of the portfolio investments at 31 December 2020 would be a reduction of £0.3m.

In line with management expectations, collection rates have increased in the second half of 2020, as a result of consumer contact activity returning to volumes observed prior to the pandemic outbreak and litigation activity recommencing in the second half of 2020. Consequently, management forecasts incorporate the change in timing of future collections, impacting the portfolio valuation in the short-term and resulting in the Group recognising a net portfolio write-down of £3.8m during the year to 31 December 2020 (year ended 31 December 2019: net portfolio write-up of £86.2m).

An uplift or reduction in expected future cash flows of 1% would increase or decrease the closing carrying value of portfolio investments at 31 December 2020 by £9.5m.

The ongoing impact of COVID-19 continues to spread and may impact our ability to perform collection activities due to disruptions to the court system or other key operational activities. Our assumptions regarding the duration and impact of COVID-19 to future collections could change significantly as conditions evolve.

Goodwill and valuation of intangible assets

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill and valuation of intangible assets (continued)

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

The Group has conducted an operational and funding sensitivity analysis on the impairment test of the CGU carrying value and have concluded there is significant headroom and that no impairment of goodwill is necessary.

See Note 8 for further details regarding goodwill.

Leases

Termination options are included in a number of property leases in the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain not terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During 2020, the Group made the decision to plan for a relocation of office in 2023 to a new property. Management have reviewed the assessment of the use of termination options for the existing property leases.

See Note 11 for further details regarding leases.

Provisions

Management assess all facts and circumstances in determining best estimates of consideration required to settle present obligations for provisions recognised. Amounts recognised are estimated where data is still being sought from clients, and management have assessed for potential additional costs that may be incurred and the period over which reimbursements are due.

See Note 18 for further details regarding provisions.

3. PROFIT/LOSS BEFORE TAX

a) Profit/loss for the year

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit/loss for the year is after charging:		
Staff costs (Note 4)	70,181	80,993
Depreciation of property, plant and equipment (Note 10,11)	3,683	3,276
Amortisation of intangible assets (Note 9)	1,049	1,233
Loss on disposal of property, plant and equipment	99	263

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

3. PROFIT/LOSS BEFORE TAX (continued)

b) Auditor's remuneration

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Audit of Parent Company and consolidated financial statements	33	20
Audit of financial statements of subsidiaries	155	106
Other services	-	18
Total auditor's remuneration	**188**	**144**

The extent of non-audit services fees payable are reviewed on a consolidated Garfunkelux Holdco 2 S. A. level by the Audit Committee in the context of the fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained. Garfunkel Holdco 2 S.A. is the ultimate parent company of the Group (see Note 25).

4. STAFF COSTS

a) Staff costs

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Operational staff	1,104	1,329
Business support	528	573
Total	**1,632**	**1,902**

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	62,197	72,117
Social security costs	6,226	7,079
Pension costs (Note 22)	1,758	1,797
Total	**70,181**	**80,993**

4. STAFF COSTS (continued)

b) Directors' remuneration

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Directors' emoluments	**460**	**410**

All the directors provided services to the Group. D R Gagie and J S Pears also provided services to other entities in the Garfunkelux S.A.R.L. Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 24. These eight employees are paid by subsidiary undertakings of the Company for their services as directors to the Group.

The number of directors who have benefits accruing under defined contribution pension schemes is six (year ended 31 December 2019: five).

The highest paid director received remuneration in respect of services to the Group of £272k (year ended 31 December 2019: £246k).

5. INTEREST INCOME

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Bank interest receivable	36	79
HMRC interest receivable	-	20
Total	**36**	**99**

6. FINANCE COSTS

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest payable on loan notes (Note A)	5,425	4,844
Interest payable on intergroup loans (Note A)	39,908	44,670
Interest and fees payable on revolving credit facility (Note A)	9,758	6,587
Interest payable on loan from bank – Asset backed loan (Note A)	7,521	7,533
Realised loss on foreign exchange	88	67
Deferred finance expenses	501	4,781
Securitisation expenses	22	-
Interest expense from lease liabilities	771	1,027
Total	**63,994**	**69,509**

Note A: For further details on these facilities refer to note 16.

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

7. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Current taxation		
Current tax on loss/profit for the year	1	1
Adjustment in respect of previous periods	11	-
Total current tax charge	**12**	**1**
Deferred tax		
Current year	(2,250)	(817)
Prior year adjustment	-	(249)
Impact of change in tax rate	(554)	86
Total deferred tax credit (Note 15)	**(2,804)**	**(980)**
Total tax credit	**(2,792)**	**(979)**

The Finance Act 2016 provided for a reduction of the 19% corporation tax rate to 17% with effect from 1 April 2020. Subsequently, the Finance Bill 2020 provided for the rate of corporation tax rate to be maintained at 19%, rather than reducing it to 17%. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. Accordingly, in recent years deferred tax balances have generally been calculated using a rate of 17%, apart from on balances which were expected to reverse before 1 April 2020.

Due to the changes introduced in Finance Bill 2020, the Group has adjusted its deferred tax asset on the balance sheet by recognising the asset at the 19% enacted rate, rather than the previously enacted rate of 17%. This has increased the value of the deferred tax asset reflected in the 2020 financial statements.

The Group notes that as part of the Finance Bill 2021, the corporation tax rate will increase to 25% with effect from 1 April 2023. The impact of this will be to increase the value of the deferred tax asset on the balance sheet. The change will be reflected in the 2021 financial statements.

b) Reconciliation of effective tax rate

The tax assessed for the year is lower (year ended 31 December 2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (year ended 31 December 2019: 19.00%) The differences are explained below:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
(Loss)/profit on ordinary activities before tax	**(8,828)**	**27,929**
Tax (credit)/charge on loss/profit on ordinary activities at standard UK corporation tax rate of 19.00% (year ended 31 December 2019: 19.00%)	(1,677)	5,307
Effects of:		
Expenses not deductible for tax purposes	61	150
Income not taxable	(10)	-
Effects of other tax rates	(554)	86
Adjustment to tax charge in respect of previous periods	11	(249)
Amounts not recognised	(623)	(62)
Effects of group relief	-	(6,211)
Total tax credit for the year	**(2,792)**	**(979)**

8. GOODWILL

	Total £000
Cost	
At 31 December 2019 and 31 December 2020	173,532
Impairment	
At 31 December 2019 and 31 December 2020	(785)
Net book value	
At 31 December 2019 and 31 December 2020	**172,747**

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

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

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

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

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and as at 31 December 2020 the rate used was 6.3%.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years, extrapolates cash flows out to an appropriate period to reflect the CGU's business model and then into perpetuity, using a growth rate of 2%.

The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 31 December the forecast assumes acquisitions growth in 2021 and 2022 based on business expectations, and for 2023 and 2024 the growth is anticipated to be 8% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted an operational and funding sensitivity analysis on the impairment test of the CGU carrying value and have concluded that no impairment of goodwill is necessary.

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

UK CGU

The CGU has a carrying value of £556m. Based on the value in use a fall in the forecast cash flows of 69% would result in an impairment at 31 December 2020. An increase in WACC of 6.5 percentage points to 12.8% would result in an impairment at 31 December 2020.

Acquisition of Overdales Legal Limited (formerly Lucas Credit Services Limited)

On 13 July 2019, the Group acquired 100% of the ordinary share capital of Overdales Legal Limited (formerly Lucas Credit Services Limited), a UK FCA authorised third party collections business. The Group paid cash consideration of £4.4m with preliminary goodwill of £2.9m recognised. The figures are after fair value adjustments of £0.7m.

9. INTANGIBLE ASSETS

Group

	Software and licences £000	Development Costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 January 2020	9,562	1,321	11,404	22,287
Additions	-	3,736	-	3,736
Disposals	(39)	-	-	(39)
At 31 December 2020	**9,523**	**5,057**	**11,404**	**25,984**
Accumulated amortisation				
At 1 January 2020	(7,072)	-	(11,404)	(18,476)
Charge for year	(1,049)	-	-	(1,049)
Disposals	19	-	-	19
At 31 December 2020	**(8,102)**	**-**	**(11,404)**	**(19,506)**
Net book value				
At 31 December 2020	**1,421**	**5,057**	**-**	**6,478**
At 31 December 2019	**2,490**	**1,321**	**-**	**3,811**

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

10. PROPERTY, PLANT AND EQUIPMENT

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

Group

	31 December 2020 £000	31 December 2019 £000
Assets owned by the Group	5,150	5,909
Right-of-use assets (Note 11)	6,571	15,258
Total	**11,721**	**21,167**

Company

	31 December 2020 £000	31 December 2019 £000
Assets owned by the Company	-	-
Right-of-use assets (Note 11)	330	362
Total	**330**	**362**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets owned by the Group

	Fixture & Fittings £000	Leasehold Improve-ments £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 January 2020	1,059	4,636	5,461	733	11,889
Additions	5	142	767	-	914
Disposals	-	-	(179)	(76)	(255)
At 31 December 2020	**1,064**	**4,778**	**6,049**	**657**	**12,548**
Accumulated amortisation					
At 1 January 2020	(515)	(1,567)	(3,339)	(559)	(5,980)
Charge for year	(191)	(543)	(783)	(78)	(1,595)
Disposals	-	-	120	57	177
At 31 December 2020	**(706)**	**(2,110)**	**(4,002)**	**(580)**	**(7,398)**
Net book value					
At 31 December 2020	**358**	**2,668**	**2,047**	**77**	**5,150**
At 31 December 2019	**544**	**3,069**	**2,122**	**174**	**5,909**

11. LEASES

The Group's leases

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

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

During 2020, the Group made the decision to plan for a relocation of office in 2023 to a new property, and therefore intend to use the termination option in November 2023 for the two main property leases. This reduction in lease term has resulted in a decrease of the right-of-use leasehold property asset and lease liability during the year.

The Group have committed to a new lease agreement for a building which is currently under construction. The lease is anticipated to commence at the end of 2022, dependent on the readiness of the building.

a) Right-of-use assets

Amounts recognised on the balance sheet
Group

	31 December 2020 £000	31 December 2019 £000
Leasehold Property	6,467	15,085
Office equipment	104	173
Total	**6,571**	**15,258**

11. LEASES (continued)

a) Right-of-use assets (continued)

Company

	31 December 2020 £000	31 December 2019 £000
Leasehold Property	330	362
Office equipment	-	-
Total	**330**	**362**

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

Additions to right-of-use assets during the 2020 financial year were nil (year ended 31 December 2019: £919k) for the Group and nil (year ended 31 December 2019: £424k) for the Company.

There was no evidence of impairment on right-of-use assets at 31 December 2020 (year ended 31 December 2019: nil).

b) Lease liabilities

Group

	31 December 2020 £000	31 December 2019 £000
Non-current	4,854	14,917
Current	2,702	2,102
Total	**7,556**	**17,019**

Company

	31 December 2020 £000	31 December 2019 £000
Non-current	197	214
Current	113	109
Total	**310**	**323**

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

c) Amounts recognised in the consolidated statement of comprehensive income

Group

	31 December 2020 £000	31 December 2019 £000
Depreciation charge for right-of-use assets		
Leasehold Property	2,018	1,855
Office equipment	70	70
Total	**2,088**	**1,925**

11. LEASES (continued)

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

	31 December 2020 £000	31 December 2019 £000
Finance costs		
Interest expense	675	1,027

The total cash outflow for leases in 2020 was £2.9m (year ended 31 December 2019: £2.8m) for the Group and £98k (year ended 31 December 2019: £140k) for the Company.

d) Other commitments

Other than the information noted above for leases, the Group has no other outstanding commitments at 31 December 2020 (31 December 2019: none).

12. NON-CURRENT ASSET INVESTMENTS

Company
Subsidiary undertakings

	£000
Cost	
At 31 December 2019 and 31 December 2020	**177,102**

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited[1]	UK	Holding company	100*
Lowell Group Financing Plc[1]	UK	Dormant	100
Lowell Group Limited	UK	Dormant	100*
Lowell Funding Limited[1]	UK	Holding company	100
Lowell Acquisitions Limited[1]	UK	Holding company	100
Lowell Holdings Ltd[1]	UK	Holding company	100
Lowell Finance Ltd[1]	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100*
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100*
Tocatto Ltd[1]	UK	Dormant	100
Lowell UK Shared Services Limited (formerly Lowell Portfolio III Holdings Limited)	UK	Holding company	100*
Lowell Portfolio III Limited[1]	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100*
Lowell Solicitors Limited	UK	Litigation services	100*
Interlaken Group Limited[1]	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100*
SRJ Debt Recoveries Limited[1]	UK	Dormant	100
Lowell Receivables Financing 1 Limited	UK	Special Purpose Vehicle	100*
Overdales Legal Limited (formerly Lucas Credit Services Limited)	UK	Consumer debt collection	100*

*Held directly by the Company.

1 Entities are currently going through a voluntary members liquidation initiated on 17 December 2019.

All subsidiaries are included in the consolidation.

13. PORTFOLIO INVESTMENTS

Group

	31 December 2020 £000	31 December 2019 £000
Non-current		
Portfolio investments	613,912	595,804
Current		
Portfolio investments	335,035	375,588
Total	**948,947**	**971,392**

The movements in acquired portfolio investments were as follows:

	31 December 2020 £000	31 December 2019 £000
As at the year brought forward	971,392	889,677
Portfolios acquired during the year	173,149	233,606
Collections in the year	(426,030)	(455,400)
Income from portfolio investments	234,232	217,269
Portfolio write up	(3,796)	86,240
As at the year end	**948,947**	**971,392**

The carrying value as at 31 December 2020 represents discounted 84 month cash flows of £1,751.5m (31 December 2019: £1,719.2m). Of this amount, £536.8m (31 December 2019: £444.9m) has been provided as security in relation to the asset backed loan facility.

14. TRADE AND OTHER RECEIVABLES

Group

	31 December 2020 £000	31 December 2019 £000
Trade receivables	83	61
Amounts owed by immediate parent undertaking	1,731	24,697
Other receivables	5,738	6,566
Prepayments and accrued income	7,925	4,123
Total	**15,477**	**35,447**

Company

	31 December 2020 £000	31 December 2019 £000
Amounts owed by Group undertakings (Note A)	2,011	1,783
Prepayments and accrued income	6	-
Total	**2,017**	**1,783**

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

15. DEFERRED TAX

Group

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

	Accelerated Capital Allowances £000	Short term timing differences £000	Deferred Tax on losses £000	Total £000
At 1 January 2020	464	(84)	4,333	4,713
Credited to the income statement*	(150)	169	2,785	2,804
Prior year adjustment	12	3	(15)	-
At 31 December 2020	**326**	**88**	**7,103**	**7,517**

Company

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

	Deferred Tax on losses £000	Short term timing differences £000	Total £000
At 1 January 2020	2,257	-	2,257
Credited to the income statement*	1,314	171	1,485
Prior year adjustment	(15)	-	(15)
At 31 December 2020	**3,556**	**171**	**3,727**

*See Note 7

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

16. BORROWINGS

Group

	31 December 2020 £000	31 December 2019 £000
Non-current		
Unsecured borrowing at amortised cost		
Loan Notes 2021	50,633	45,208
Loan with immediate parent undertaking	431,759	423,759
Total Unsecured	**482,392**	**468,967**
Secured borrowing at amortised cost		
Asset backed loan - principal	154,440	108,120
Total borrowings due for settlement after 12 months	**636,832**	**577,087**
Current		
Unsecured borrowing at amortised cost		
Interest on loan with immediate parent undertaking	5,353	7,063
Short term loans with immediate parent undertaking	56,612	-
Interest on short term loans with immediate parent undertaking	17	-
Loan Notes	3,921	3,921
Total Unsecured	**65,903**	**10,984**
Secured borrowing at amortised cost		
Revolving credit facility - principal and interest	16,001	225,366
Asset backed loan - principal and interest	75,110	70,130
Total Secured	**91,111**	**295,496**
Total borrowings due for settlement before 12 months	**157,014**	**306,480**

Company

	31 December 2020 £000	31 December 2019 £000
Non-current		
Unsecured borrowing at amortised cost		
Loan Notes 2021	50,633	45,208
Total Unsecured	**50,633**	**45,208**
Total borrowings due for settlement after 12 months	**50,633**	**45,208**
Current		
Unsecured borrowing at amortised cost		
Loan Notes	3,921	3,921
Total Unsecured	**3,921**	**3,921**
Total borrowings due for settlement before 12 months	**3,921**	**3,921**

Loan Notes 2021

The Unsecured Loan Notes 2021 relate to a loan with the immediate parent undertaking. The interest rate was 15.25% non-compounding until 15 September 2016 and then 12% compounding annually until 15 September 2021. The principal and accrued interest are both payable on 15 September 2021. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

As at 31 December 2020 the amount of Loan Notes 2021 outstanding was £50.6m (2019: £45.2m), comprising loan principal of £48.9m (2019: £43.7m) and accrued interest of £1.7m (2019: £1.5m).

16. BORROWINGS (continued)

Loan Notes

This relates to two separate loans both of which are with the immediate parent undertaking and classed as repayable on demand:

a) principal loan of £2.4m that is non-interest bearing, and

b) principal loan of £1.3m and accrued interest of £0.2m.

Loan with immediate parent undertaking

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

On 21 December 2020, Lowell Portfolio I Ltd entered into a loan agreement with Simon Bidco Ltd, a parent undertaking of the Group, to borrow £40.0m at an interest rate of 7.77%. The proceeds of the loan were used to repay the RCF. The loan maturity date is 31 October 2025.

Short term loans with immediate parent undertaking

On 23 December 2020, Lowell Portfolio I Ltd entered into four short term loan agreements with Simon Bidco Ltd, a parent undertaking of the Group, to borrow a total of £56.6m. The proceeds of the loans were used to repay the RCF. The loans comprise of:

- £4.3m at an interest rate of 1.92% and maturity date is 26 January 2021
- £28.5m at an interest rate of 0.96% and maturity date is 26 April 2021
- £4.4m at an interest rate of 0.81% and maturity date is 26 July 2021
- £19.4m at an interest rate of 0.76% and maturity date is 26 October 2021

Securitisation Facility – Asset Backed Loan

On 29 June 2018, Lowell Portfolio I Ltd along with Lowell Receivables Financing 1 Limited (a newly incorporated special purpose vehicle), entered into a securitisation facility and thus a Senior Loan agreement totalling £255.0m. The funding was drawn on 20 November 2018 and bears interest at a rate equivalent to 2.75% plus 1 month LIBOR.

On 8 May 2019, the senior loan was refinanced by way of a senior loan note issuance for £225.0m which represented the outstanding senior loan amount on that date. The maximum permitted amount remained at £255.0m.

Under the revised facility, Lowell Portfolio I Limited is entitled to sell receivables two further times. The first sale and issuance of a Senior Loan Note occurred on 17 January 2020 for £77.9m and bears interest at 2.85% plus 1 month LIBOR. The second occurred on 16 October 2020 for £43.3m and also bears interest at 2.85% plus 1 month LIBOR.

During the 9 months following the second sale, the Company may issue one further note with a view to topping-up the amount of the facility back up to the maximum permitted amount of £255.0m.

The refinanced facility bears an interest rate equivalent to 2.85% plus 1 month LIBOR and has a maximum term length of 5 years with a hard stop date of 10 April 2024.

METIS BIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

16. BORROWINGS (continued)

Revolving Credit Facility ("RCF")

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

The RCF has a variable interest rate linked to LIBOR.

The maturity of the RCF has extended to September 2025.

The average interest rates during the year were as follows:

	31 December 2020	31 December 2019
Asset backed loan - loan from bank	3.02%	3.53%
RCF	3.90%	4.22%
Loan Notes 2021	12.00%	12.00%
Loan with immediate parent undertaking	-	10.00%
New loans with immediate parent undertaking	7.77%	-
Short term loans	0.95%	-

17. TRADE AND OTHER PAYABLES

Group

	31 December 2020 £000	31 December 2019 £000
Trade payables	3,854	5,324
Amounts owed to immediate parent undertaking (Note A)	45,706	1,271
Other taxes and social security	33	130
Accruals and deferred income	12,576	9,047
Other payables	2,087	2,457
Tax payable	12	-
Total	**64,268**	**18,229**

Company

	31 December 2020 £000	31 December 2019 £000
Trade payables	461	1,443
Amounts owed to group undertakings (Note A)	6,545	4,284
Other taxes and social security	-	7
Accruals and deferred income	113	116
Other payables	1	905
Total	**7,120**	**6,755**

Note A: These balances are non-interest bearing and repayable on demand (see Note 24).

18. PROVISIONS

	Client payments £000	Dilapidations £000	Unallocated Cash £000	Other £000	Total £000
At 1 January 2020	-	1,982	484	15	2,481
Provisions made during the year	9,992	696	85	1,228	12,001
Provisions reversed during the year	-	-	(88)	(15)	(103)
At 31 December 2020	**9,992**	**2,678**	**481**	**1,228**	**14,379**

The client payments provision represents the estimated liability of contractual reimbursement of collections to be transferred to certain clients on a small number of legacy portfolios. During the year, it was identified that additional collections are owing. At 31 December 2020 the impacted client contracts were reviewed and assessed for collections which require reimbursement. Such amounts were estimated where data is still being sought from clients. Any amounts payable are expected to be reimbursed during 2021.

A provision has been recognised for the dilapidation costs in respect of leased properties. The Group is committed to restoring the premises to their original state at the end of the lease term. During 2020, the Group made the decision to plan for a relocation of office in 2023 to a new property, and therefore intend to use the termination option in November 2023 for the current main property leases. This reduction in lease term has resulted in an increase in the provision made during the year for the dilapidation costs. These costs are anticipated to be paid from the end of 2023 through to early 2024.

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

Other provisions include liabilities that arise from the continued business process to review customer treatment. The review has identified some historic issues that, whilst having limited customer detriment, the technical treatment of customers has not been correct. The provision is for remediation costs in certain instances and the costs associated with a further review to ensure consistency of the treatment of customers, which are anticipated to be paid in 2021.

19. SHARE CAPITAL

	31 December 2020 £000	31 December 2019 £000
Called up, allotted and fully paid:		
4 (2019: 4) A ordinary shares of £1.00 each	-	-
1 (2019: 4) T ordinary share of £0.01 each	-	-
Total	**-**	**-**

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

19. SHARE CAPITAL (continued)

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

Voting

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

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

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

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

Dividends

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

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

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

Return of capital

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

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

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

20. NOTES TO THE CASH FLOW STATEMENT

Group

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
(Loss)/profit for the year	**(6,036)**	**28,908**
Adjustments for:		
Depreciation of property, plant and equipment (Note 10,11)	3,683	3,276
Amortisation of intangible assets (Note 9)	1,049	1,233
Interest income (Note 5)	(36)	(99)
Loss on sale of property, plant and equipment	99	263
Tax credit (Note 7)	(2,792)	(979)
Finance costs (Note 6)	63,994	69,509
Total	**59,961**	**102,111**
Decrease/(increase) in portfolio investments	22,445	(81,715)
Decrease/(increase) in trade and other receivables	19,163	(16,598)
Increase/(decrease) in trade and other payables	57,297	(5,669)
Cash generated from/(used in) operating activities	**158,866**	**(1,871)**
Income taxes (paid)/received	(50)	835
Net cash from/(used in) operating activities	**158,816**	**(1,036)**

	31 December 2020 £000	31 December 2019 £000
Cash and bank balances	3,717	7,033
Restricted cash balances	13,613	11,181
Total cash and equivalents	**17,330**	**18,214**

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

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

20. NOTES TO THE CASH FLOW STATEMENTS (continued)

Company

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loss for the year	**(4,088)**	**(2,367)**
Adjustments for:		
Depreciation of property, plant and equipment	127	62
Finance costs	5,453	4,860
Tax credit	(1,470)	(2,256)
Total	**22**	**299**
(Increase)/decrease in trade and other receivables	(234)	513
Increase/(decrease) in trade and other payables	333	(943)
Net cash inflow/(outflow) from operating activities	**121**	**(131)**

	31 December 2020 £000	31 December 2019 £000
Cash and bank balances	**21**	**4**

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.

21. NOTE TO THE CASH FLOW STATEMENT – MOVEMENT IN BORROWINGS

Group

	Loan Notes £000	Shareholder loan £000	Short term loans £000	RCF £000	Asset backed loan £000	Total £000
Balance at 1 January 2020	**49,129**	**430,822**	**-**	**225,366**	**178,250**	**883,567**
Changes from financing cash flows						
Proceeds from loans and borrowings	-	431,759	56,612	178,000	121,208	787,579
Repayment of borrowings	-	(423,759)	-	(387,000)	(69,711)	(880,470)
Interest paid	-	(41,601)	-	(9,451)	(6,951)	(58,003)
Total changes from financing cash flows	**-**	**(33,601)**	**56,612**	**(218,451)**	**44,546**	**(150,894)**
Changes from liabilities						
Interest expense	5,425	39,891	17	9,086	6,754	61,173
Total liability related changes	**5,425**	**39,891**	**17**	**9,086**	**6,754**	**61,173**
Balance at 31 December 2020 (Note 16)	**54,554**	**437,112**	**56,629**	**16,001**	**229,550**	**793,846**

22. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

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

The total cost charged to income of £1,758k (year ended 31 December 2019: £1,797k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

As at 31 December 2020, employer and employee contributions of £293k (31 December 2019: £315k) due in respect of the current reporting period had not been paid over to the schemes.

23. FINANCIAL INSTRUMENTS

Significant accounting policies

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

Categories of financial instruments

Group

	31 December 2020 £000	31 December 2019 £000
Financial assets		
Cash and cash equivalents	17,330	18,214
Portfolio investments	948,947	971,392
Trade and other receivables	15,477	35,447
Financial liabilities		
Borrowings	(777,845)	(658,201)
Borrowings - Revolving Credit Facility (RCF)	(16,001)	(225,366)
Trade and other payables	(64,268)	(18,229)
Other financial liabilities	(7,556)	(17,019)

Company

	31 December 2020 £000	31 December 2019 £000
Financial assets		
Cash and cash equivalents	21	4
Trade and other receivables	2,017	1,783
Financial liabilities		
Borrowings	(54,554)	(49,129)
Trade and other payables	(7,120)	(6,755)
Other financial liabilities	(310)	(323)

23. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives

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

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

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

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

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

Credit risk management

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

The credit risk from the concentration of customers is limited due to the high number of individual customers and the relatively low value of each of the individual's debts. At 31 December 2020 the Group had 35.1m individual customer accounts (at 31 December 2019: 32.6m), of those 16.8m were still open (31 December 2019: 15.6m) and of those 2.6m made at least one payment during the last 12 months (year ended 31 December 2019 2.5m). The average balance on a customer account at 31 December 2020 was £607 (at 31 December 2019: £609).

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

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 31 December 2020 is 5.27% (31 December 2019: 7.07%). The default rate is calculated by taking the latest plan due in the month for an account, and looking at if that account made any payment, and is calculated on a volume basis. A default would be where the plan due date is passed and no payment has been made. If an account pays less than is due it is not classed as a default, but a partial arrears.

23. FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

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

Given the onset of the COVID-19 pandemic, the business made decisions to change operational activity by temporarily reducing outbound consumer contact activity and pausing new litigation activity during Q2. Both activities were resumed in the second half of 2020, and collections have improved as at 31 December 2020. The impact of these collections is reflected through the historic data in the portfolio valuation model and the estimation of future cash flows. For the year end portfolio investment valuation management have applied judgement to incorporate a collections forecast approach to overlay the portfolio valuation model in the ERC calculation, which reflects the expectation that these collections are deferred and will be received in the future.

Liquidity risk management

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

The Company and the Garfunkelux Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 December 2020, the Garfunkelux Group, and as a result Metis Bidco Limited Group, had available undrawn committed borrowing facilities. See Note 16 for further details on banking facilities.

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

As at 31 December 2020

	Average interest rate	Carrying amount	Contract-ual cash flows	0-6 months	6-12 months	1-5 years	Over 5 years
	%	£000	£000	£000	£000	£000	£000
Loan Notes 2021	12.00	50,633	54,764	-	54,764	-	-
Loan Notes	-	3,921	3,921	3,921	-	-	-
Parent Loan	7.77	437,112	599,342	22,135	16,782	560,425	-
Short term loans	0.95	56,629	56,863	32,980	23,883	-	-
RCF	3.90	16,001	16,001	16,001	-	-	-
Asset backed loan	3.02	229,550	239,189	34,295	46,151	158,743	-
Lease liabilities	-	7,556	8,047	1,487	1,468	5,009	83
Other liabilities	-	78,647	78,647	75,969	-	2,678	-
Total liabilities		**880,049**	**1,056,774**	**186,788**	**143,048**	**726,855**	**83**

23. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

As at 31 December 2019

	Average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Loan Notes 2021	12.00	45,208	54,780	-	-	54,780	-
Loan Notes	-	3,921	3,921	3,921	-	-	-
Parent Loan Nov 2023	10.00	430,822	593,263	28,251	21,188	543,824	-
RCF	4.22	225,366	225,366	225,366	-	-	-
Asset backed loan	3.53	178,250	185,133	37,562	36,511	111,060	-
Lease liabilities	-	17,019	17,136	1,060	1,042	7,209	7,825
Other liabilities	-	20,710	20,710	20,710	-	-	-
Total liabilities		**921,296**	**1,100,309**	**316,870**	**58,741**	**716,873**	**7,825**

Loan Notes 2021 and Loan Notes: Includes loan principal outstanding and accrued interest. For further details see Note 16.

Parent Loan: Includes loan principal outstanding and accrued interest. For further details see Note 16, caption "Loan with immediate parent undertaking".

RCF: Includes principal drawdown of £16m and accrued interest of £1k.

Asset backed loan: Includes principal outstanding of £229.5m and accrued interest of £63k.

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

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

As at 31 December 2020

	Average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Loan Notes 2021	12.00	50,633	54,764	-	54,764	-	-
Loan Notes	-	3,921	3,921	3,921	-	-	-
Lease liabilities	-	310	346	65	65	216	-
Other liabilities	-	7,120	7,120	7,120	-	-	-
Total liabilities		**61,984**	**66,151**	**11,106**	**54,829**	**216**	**-**

As at 31 December 2019

	Average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Loan Notes 2021	12.00	45,208	54,780	-	-	54,780	-
Loan Notes	-	3,921	3,921	3,921	-	-	-
Lease liabilities	-	323	415	54	54	307	-
Other liabilities	-	6,755	6,755	6,755	-	-	-
Total liabilities		**56,207**	**65,871**	**10,730**	**54**	**55,087**	**-**

23. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

Loan Notes 2021 and Loan Notes: see Note 16 for further details.

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

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

Group financing facilities

	31 December 2020 £000	31 December 2019 £000
RCF		
Amount used by the Group	16,000	225,000
Amount used by other members of the GH2 Group	-	40,375
Amount unused	393,045	121,375
Total	**409,045**	**386,750**

As at 31 December 2020, the accrued interest on the RCF was £1k (31 December 2019: £366k). The RCF is a financing facility available to the Garfunkelux Holdco 2 S.A Group and the maximum amount that can be drawn down is €455.0m. The amount has been translated using the year end spot rate (€/£0.899).

At 31 December 2020 the Group had drawn down £229.5m on the securitisation facility, not including accrued interest, the maximum amount that can be drawn down is £255.0m.

The Company has no separate financing facilities.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers. This extends to information and data risk where continued development of capabilities is a key risk mitigant and, acknowledging the risk of a security or privacy breach, the response has been significant investment in cyber, information security and IT infrastructure upgrades in order to reduce this risk further.

Market risk

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

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the Executive Committee.

23. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

The Group manages the unpredictability of the market through a number of financing structures. As at 31 December 2020 the Group has in place a £488.4m loan with its immediate parent and is also party to the GH2 Group RCF of €455.0m and an asset back facility of £255.0m (see Note 16 for further details). At 31 December 2020 £16.0m had been drawn on the Group RCF and repaid £25.5m of the asset backed loan. This RCF allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

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

Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% higher/lower and all other variables were held constant, the Group's movement in the loss for the year ended 31 December 2020 would be £11,404k (year ended 31 December 2019: £8,650k). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Capital management risk

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

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 16 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained deficit as disclosed in Note 19.

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

23. FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	31 December 2020 £000	31 December 2019 £000
Financial assets		
Portfolio investments	948,947	971,392
Trade and other receivables	15,477	35,447
Total financial assets	**964,424**	**1,006,839**
Financial liabilities		
Borrowings	(793,846)	(883,567)
Trade and other payables	(64,268)	(18,229)
Provisions	(14,379)	(2,481)
Other financial liabilities	(7,556)	(17,019)
Total financial liabilities	**(880,049)**	**(921,296)**

Company

	31 December 2020 £000	31 December 2019 £000
Financial assets		
Trade and other receivables	2,017	1,783
Total financial assets	**2,017**	**1,783**
Financial liabilities		
Borrowings	(54,554)	(49,129)
Trade and other payables	(7,120)	(6,755)
Other financial liabilities	(310)	(323)
Total financial liabilities	**(61,984)**	**(56,207)**

23. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

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

Group

	Carrying amount		Fair value	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Financial assets				
Investments and receivables:				
Portfolio investments	948,947	971,392	948,947	994,076
Trade and other receivables	15,477	35,447	15,477	35,447
Total financial assets	**964,424**	**1,006,839**	**964,424**	**1,029,523**
Financial liabilities				
Financial liabilities measured at amortised cost:				
RCF	(16,001)	(225,366)	(16,001)	(225,366)
Loan Notes 2021	(50,633)	(45,208)	(50,633)	(45,208)
Loan Notes	(3,921)	(3,921)	(3,921)	(3,921)
Trade and other payables and provisions	(78,647)	(20,710)	(78,647)	(20,710)
Other financial liabilities	(7,556)	(17,019)	(7,556)	(17,019)
Amounts owed to parent	(493,741)	(430,822)	(493,741)	(430,822)
Asset backed loan	(229,550)	(178,250)	(229,550)	(178,250)
Total financial liabilities	**(880,049)**	**(921,296)**	**(880,049)**	**(921,296)**

Company

	Carrying amount		Fair value	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Financial assets				
Receivables:				
Trade and other receivables	2,017	1,783	2,017	1,783
Total financial assets	**2,017**	**1,783**	**2,017**	**1,783**
Financial liabilities				
Financial liabilities measured at amortised cost:				
Loan Notes 2021	(50,633)	(45,208)	(50,633)	(45,208)
Loan Notes	(3,921)	(3,921)	(3,921)	(3,921)
Trade and other payables	(7,120)	(6,755)	(7,120)	(6,755)
Other financial liabilities	(310)	(323)	(310)	(323)
Total financial liabilities	**(61,984)**	**(56,207)**	**(61,984)**	**(56,207)**

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cash flows as detailed above.

23. FINANCIAL INSTRUMENTS (continued)

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

For the Group, the fair value of the portfolio investments is determined using a discounted cash flow model. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

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

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

In 2019, the fair value of the portfolios was calculated by discounting the net 84 month forecast cash flows. To determine the fair value a discount rate and service cost percentage were applied. These were 12% and 25% respectively for portfolios that are not deemed as "paying" at the point of acquisition and 9% and 10% for portfolios that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cash flows to net and is based on historical information on costs to collect.

24. RELATED PARTY TRANSACTIONS

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

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

Group

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Transactions with related parties		
Interest charge on Loan Notes 2021 – immediate parent undertaking	(5,425)	(4,844)
Interest charge on Loan Notes – immediate parent undertaking	(39,908)	(44,670)
Expenses and costs recharged from Simon Bidco Limited	(5,773)	(3,585)
Expenses and costs recharged from Simon Midco Limited	(1,337)	(44)
Expenses and costs recharged from Garfunkelux Holdco 3	(53)	(222)
Expenses and costs recharged from Lowell Group Shared Services Ltd	(406)	-
Drawdown/(repayment) of loan with Simon Bidco Limited	64,612	(80,240)
Expenses and costs recharged from Lowell Financial Services Gmbh	-	(32)
Expenses and costs recharged to Lowell Nordics Oy	-	107
Expenses and costs recharged from Lowell Holding Gmbh	(477)	(765)
Expenses and costs recharged from Lowell Danmark A/S	-	(1)

All transactions are on an arm's length basis.

24. RELATED PARTY TRANSACTIONS (continued)

Group (continued)

	31 December 2020 £000	31 December 2019 £000
Year end balances with related parties		
Loan Notes 2021 – held by immediate parent undertaking	(50,633)	(45,208)
Loan Notes (Note B)	(3,921)	(3,921)
Loan principal with immediate parent undertaking	(488,371)	(423,759)
Loan interest with immediate parent undertaking	(5,370)	(7,063)
Simon Bidco Limited (trading) (Note A)	(44,327)	24,549
Simon Midco Limited	789	(3)
Simon Holdco Limited	10	-
Lowell Group Shares Services Ltd	83	-
Lowell Holding Gmbh	(477)	(765)
Garfunkelux Holdco 3	(51)	(355)

Note A: This balance is non-interest bearing and repayable on demand (see Note 17).

Note B: These balances are due to the Company's immediate parent undertaking (see Note 16).

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

24. RELATED PARTY TRANSACTIONS (continued)

Company

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Transactions with related parties		
Intermediate Parent Undertaking		
Expenses and costs recharged to Simon Bidco Limited	275	439
Expenses and costs recharged from Simon Midco Limited	-	(3)
Interest charge on Loan Notes 2021 - immediate parent undertaking	(5,425)	(4,844)
Expenses and costs recharged from Garfunkelux Holdco 3	-	(20)
Subsidiary Undertakings		
Expenses and costs recharged to Lowell Financial Ltd	12,557	8,971
Expenses and costs recharged to Fredrickson International Limited	74	680
Impairment of Fredrickson International Limited receivable	(157)	-
Expenses and costs recharged to Lowell Solicitors Limited	306	1,338
Expenses and costs recharged to Lowell Portfolio I Limited	98	27
Expenses and costs recharged to Lowell Receivables Financing 1 Limited	-	9
Expenses and costs recharged to Overdales Legal Limited (formerly Lucas Credit Services Limited)	26	-
Expenses and costs recharged from Lowell UK Shared Services Ltd	(1,894)	-

All transactions are on an arm's length basis.

	31 December 2020 £000	31 December 2019 £000
Year end balances with related parties		
Intermediate Parent Undertaking		
Simon Bidco Limited	(54,541)	(49,129)
Garfunkelux Holdco 3	-	(29)
Subsidiary Undertakings		
Lowell Portfolio I Ltd (trading) (Note C)	(4,912)	(4,096)
Fredrickson International Limited (Note D)	-	83
Lowell Financial Ltd (trading) (Note C)	1,951	1,206
Lowell Solicitors Limited (trading) (Note C)	18	431
Overdales Legal Limited (formerly Lucas Credit Services Limited) (trading) (Note C)	(89)	(95)
Lowell UK Shared Services Ltd (trading) (Note C)	(1,515)	-

Note C: These balances are non-interest bearing and repayable on demand (see Note 17).

Note D: The 31 December 2020 gross amount is £156.6k, however a provision has been made for the recoverability of this balance.

24. RELATED PARTY TRANSACTIONS (continued)

Group

Remuneration of key management personnel

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

	Year Ended 31 December 2020 £000	Year Ended 31 December 2019 £000
Short-term employee benefits	1,006	949

The above details relate to eight key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by subsidiary companies for their services to the Group. Emoluments of directors of the Company, who provide services as directors to the Company and the Group, but are paid by the Company or by a subsidiary company are set out in Note 4b.

25. ULTIMATE CONTROLLING PARTY

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

The largest group in which the results of the Company are consolidated is that headed by Garfunkelux Holdco 2 S.A., incorporated in Luxembourg. The smallest group in which they are consolidated is that headed by Metis Bidco Limited, incorporated in England and Wales. The consolidated financial statements of Garfunkelux Holdco 2 S.A. and Metis Bidco Limited are each available from their registered offices at 488, route de Longwy, L - 1940, Luxembourg and at Ellington House, 9 Savannah Way, Leeds Valley Park West, Leeds, LS10 1AB respectively.