

Lowell Finans AS

Annual Report and Financial Statements

For the year ended 31 December 2024



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2024**

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Lowell Finans AS

DIRECTORS' REPORT

Principal activities

Lowell Finans AS has the purpose of purchasing and collecting portfolios of overdue and undue monetary claims. The company is licensed as a finance company. The company is a wholly owned subsidiary of Lowell Norway AS. The business is located in Oslo. At the end of the year, the company is part of the international group Lowell Group, and is incorporated into the consolidated financial statements of Garfunkelux Holdco 2 S.A.

Presentation of the annual accounts

The annual accounts have been prepared in accordance with the Regulation on Annual Accounts for Banks, Mortgage Companies and Finance Companies and IFRS (EU). The company uses section 1-4, item b of the Financial Statements Regulations, which means that the company uses IFRS with the additions and simplifications that follow from the regulations (regulatory IFRS). No new principles have been introduced for 2024.

Financial performance for the year

The company's net interest income has been reduced to mNOK 86.5 in 2024 compared to mNOK 105.2 in 2023. The portfolios show a negative valuation for 2024 of mNOK 25.8 compared to a positive valuation in 2023 of mNOK 3.4. Operating costs in 2024 were mNOK 61.9 compared to restated mNOK 47.6 in 2023. The company has a loss in 2024 of mNOK 36.4 compared to a restated profit of mNOK 12.6 in 2023. The reduction in the company's profit in relation to the prior year is related to the decrease in the valuations of the company's portfolios and the increased operating costs.

See Note 12 for further details of the restatements.

Correction of previous years' errors

During the year it was noted that intercompany recharges relating to staff costs borne by another Group entity had not been recharged to the Company in FY23. This resulted in Operating profit being overstated by mNOK 7.4 and accrued costs understated by mNOK 7.4.

During the year it was noted that intercompany recharges relating to non-staff costs borne by another Group entity had not been recharged to the Company in FY23. This resulted in Operating profit being overstated by mNOK 8.0 and accrued costs understated by mNOK 8.0.

During the year it was noted that there were foreign exchange losses that weren't recognised relating to FY23 and needed writing off. This resulted in Operating profit being overstated by mNOK 0.2 and accrued costs understated by mNOK 0.2.

See Note 12 for further details.

Balance sheet and liquidity

New investments in 2024 were mNOK 21.0, a decrease from mNOK 35.4 in 2023. Investments in portfolio purchases are financed by intra-group loans. The total equity after the annual result is mNOK 325.7, which is 50.6% of the company's total capital. The company's own funds ratio amounts to 29.50%, which is within the applicable minimum capital adequacy requirements and associated buffer requirements. The Board of Directors considers the company's equity to be appropriate in relation to the company's current operations and planned activities.

Lowell Finans AS DIRECTORS' REPORT

Going concern

As required by Section 3-3a of the Accounting Act, the Directors have considered the financial position of Lowell Finans AS to assess whether in their opinion the entity is a going concern. In doing this the Directors recognise that the financing of the company is integrated within the successful refinancing of the Group's existing high yield bonds. These bonds are due to expire 1 November 2025 and 1 May 2026 (the Notes), and the Revolving Credit Facility (RCF), due to expire on 4 August 2025. While the Directors understand that discussions regarding the re-financing of the RCF are ongoing, the Group recently announced that it can now proceed with a fully consensual implementation of its recapitalisation transaction which would extend the maturity of the Notes by three years and incorporate a 10% cash paydown at the point the refinancing is executed. Whilst the outcome of the discussions on the RCF are uncertain at the signing of these financial statements, the Directors are confident they will lead to a successful re-financing ahead of the existing maturities.

The current debt maturing within the next 12 months all relates to principal amounts of the company's debt. It is anticipated that the refinancing of the Groups wider funding will address this.

The annual accounts have thus been prepared in accordance with the principle that the company's operations will continue. The Board of Directors confirms that the financial statements give a true and fair view of the company's assets and liabilities, financial position and profit. The business is considered to be cyclical and a weakened ability of debtors to pay may have a negative impact on the value. The company has good routines in risk management and internal control and continuously monitors the development of the portfolios. The outlook is considered good based on earnings forecasts and the company's long-term strategic forecasts for the years ahead. The company is in a healthy economic and financial position. The company has entered into separate agreements with Lowell Norway AS for administrative and collection services.

Risk management and internal control

The company has established an internal control system to ensure the integrity of financial reporting, compliance with laws and regulations, and the effectiveness and efficiency of operations. This system includes risk management framework with its own policies for all material factors with associated risk appetite, key indicators and tolerance levels.

Capital management

The company has a subordinated capital ratio of 29.50% for 2024 (2023: 27.1%) against a minimum requirement of 18.5%.

Credit risk

There is a good diversification of the portfolios, and the company has good follow-up and control routines that ensure that the risk is considered acceptable.

Market risk

The company has no trading portfolio or exposure that means that the company is subject to capital requirements for market risk.

Lowell Finans AS

DIRECTORS' REPORT

Liquidity and financing risk

The company is financed through equity and intra-group loans. The repayment structure on intra-group loans is not fixed but can be used for short-term deposits and drawdowns within a credit line that can be renewed on an ongoing basis if needed. Interest rate risk associated with the company's financing is considered normal. The Board of Directors believes that the liquidity and financing needs have been satisfactory throughout the year.

Operational risk

The company has no employees of its own but has outsourced all administrative and collection services to group companies.

The group possesses a high level of expertise and has well-developed systems and reporting routines that support the adopted risk management framework.

Working environment, personnel and equality

As the company does not have any direct employees and all operational processes are outsourced to our parent company Lowell Norge AS, we ensure that the working environment, personnel management, and equality standards are upheld through the following measures:

We have established outsourcing agreements with Lowell Norge AS and Lowell Group Shared Services LTD.

The Board regularly review and monitor the outsourced processes to ensure they align with our commitment to maintaining a safe, healthy, and equitable working environment.

Group policies and practices implemented are aiming at promoting equality and a positive working environment. These policies include anti-discrimination measures, equal opportunity initiatives, and support for well-being.

External environment

The company's activities do not pollute the external environment beyond what normal office operations entail.

Insurance for board members and general manager

Director's liability insurance has been taken out to cover all subsidiaries in the Group. The insurance covers the personal liability of board members, the general manager and other senior employees who, in the event of negligence inflict liability on the company.

Comprehensive income and appropriations

The comprehensive income for the financial year was a loss of mNOK -36.4. The Board of Directors proposes the following allocation of loss for the year: Transferred to other equity mNOK -36.4 Total allocation: mNOK -36.4 on 31 March 2025.

Events after the balance sheet date

There have been no specific events after the balance sheet date that affect the board's assessment of the annual accounts and associated notes. However, the servicing capacity of our debtors to repay debt may be affected by a negative change in macroeconomic conditions.

Lowell Finans AS DIRECTORS' REPORT

Corporate Social Responsibility and Sustainability Statement

Working at Lowell is about following our vision of making credit work better for everyone.

At Lowell, we want to deliver a great experience for our customers while maintaining strong relationships with our clients and relevant regulators. Lowell contributes to society by being active through the industry association and directly with authorities and other stakeholders.

The company has no employees of its own but has outsourced its debt collection activities to the parent company, which has access to over 200 dedicated resources. For Lowell, it is important to help remove the taboo of having debt, as well as ensuring a healthy and sustainable process at all levels. Lowell's operations in Norway continuously aim to create a place where everyone works with pride and high commitment. It is important that our business has a positive work culture based on trust, responsibility and collaboration. We ensure that those who work for us, and those who are affected by our business, are treated fairly and without discrimination.

Lowell ensures that all relevant employment legislation is complied with and rewards us with a competitive salary. In our Norwegian operations, we focus on equality, where diversity and inclusion are part of the agenda. The Group has its own remuneration committee. All units in the Group have committed to operating in accordance with the principles of the UN Global Compact on human rights, labour, environment and anti-corruption. The principles are incorporated into the company's values of being responsible and inclusive, and in our ethical guidelines (Code of Conduct). The Lowell Group prepares an annual sustainability report that is presented simultaneously with the Group's annual accounts.

The Sustainability Report shows how the Group is meeting our strategy and goals. The Group has a number of guidelines in place to support its work, including policies on money laundering, procurement, anti-bribery, corporate social responsibility, treatment of debtors in vulnerable situations, employees and whistleblowing. Reference is also made to our statement on corporate social responsibility, which is published here: <https://www.lowell.no/om-lowell/vart-samfunnsansvar/> and to the sustainability report for the Lowell Group, which is published here: <https://www.lowell.com/sustainability>

Report on transparency and due diligence The Norwegian group companies prepare a joint report on due diligence pursuant to the Transparency Act. The statement will be published on the company's website on <https://www.lowell.no/>

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

Oslo, 31 March 2025

The Board of Directors Lowell Finans AS

.....
Trond Brandsrud
Chairman

.....
Arne Husby
Board member

.....
Geir Inge Skålevik
Board member

.....
Johan Agerman
Board member

.....
Wilhelm Blikstad
Managing director

Lowell Finans AS
INCOME STATEMENT
For the year ended 31 December 2024

		2024	2023 Restated*
	Note		
Interest and similar income			
Interest income calculated using the effective interest method on loans to and receivables on customers	2	84,419,357	104,151,988
Interest income on loans to and receivables on credit institutions		2,070,403	1,053,731
Total interest income and similar income		86,489,760	105,205,719
Interest and similar costs		28,849,722	44,855,717
Net interest income	5	57,640,038	60,350,002
Change in the value in company's portfolios (losses)/gains	2	(25,821,245)	3,399,429
Other operating costs	3	61,971,985	47,579,642
(Loss)/Profit before tax		(30,153,192)	16,169,790
Income tax	4	6,203,761	3,557,354
Profit after tax		(36,356,953)	12,612,436
Information about:			
Group contributions made (net after tax)			
Other equity transferred		(36.356,953)	12,612,436
Total allocations		(36.356,953)	12,612,436

*Prior year figures have been restated. Refer to Note 12 for further details

Lowell Finans AS
BALANCE SHEET
As at 31 December 2024

	Note	2024	2023 Restated*
ASSETS			
Loans and receivables from credit institutions and finance companies			
Cash and cash equivalents		48,810,434	31,118,369
Lending to and receivables on customers			
Portfolio investments – amortised cost	2	594,935,618	672,602,036
Other assets			
Deferred tax assets	4	-	6,203,760
Other receivables		202,500	-
Total other assets		202,500	6,203,760
TOTAL ASSETS		<u>643,948,552</u>	<u>709,924,165</u>
LIABILITIES			
Debt to group companies	5	316,014,638	307,979,391
Other provisions	5	2,274,007	39,927,914
TOTAL LIABILITIES		<u>318,288,645</u>	<u>347,907,305</u>
EQUITY			
Invested Equity			
Share capital	6	148,000,000	148,000,000
Share Premiums		107,000,000	107,000,000
Other invested equity		7,644,000	7,644,000
Total equity attributable to shareholders		262,644,000	262,644,000
Retained earnings		63,015,907	99,372,860
TOTAL EQUITY		<u>325,659,907</u>	<u>362,016,860</u>
TOTAL LIABILITIES AND EQUITY		<u>643,948,552</u>	<u>709,924,165</u>

*Prior year figures have been restated. Refer to Note 12 for further details

Oslo, 31 March 2025
The Board of Directors Lowell Finans AS

.....
Trond Brandsrud
Chairman

.....
Arne Husby
Board member

.....
Geir Inge Skålevik
Board member

.....
Johan Agerman
Board member

.....
Wilhelm Blikstad
Managing director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital	Share premiums	Other deposited Assets	Retained earnings	Total
Equity 01.01.2022	148,000,000	107,000,000	7,644,000	122,012,794	384,656,794
Profit after tax	-	-	-	(35,339,097)	(35,339,097)
Group contributions	-	-	-	86,730	86,730
Equity 31.12.2022	148,000,000	107,000,000	7,744,000	86,760,427	349,404,427
Group contributions	-	-	-	-	-
Profit after tax	-	-	-	24,849,616	24,849,616
Equity 31.12.2023	148,000,000	107,000,000	7,644,000	111,610,043	374,254,043
Prior year restatements	-	-	-	(12,237,183)	(12,237,183)
Equity 31.12.2023 restated	148,000,000	107,000,000	7,644,000	99,372,860	362,016,860
Group contributions	-	-	-	-	-
Profit after tax	-	-	-	(36,356,953)	(36,356,953)
Equity 31.12.2024	148,000,000	107,000,000	7,744,000	63,015,907	325,659,907

*Prior year figures have been restated. Refer to Note 12 for further details

Lowell Finans AS**Cash flow statement
For the year ended 31 December 2024**

	2024	2023 Restated*
Cash flows from operational activities		
Profit before tax	(30,153,192)	16,169,790
Change in other receivables	(202,500)	-
Recognition of income according to the effective interest rate method	(84,419,359)	(104,151,988)
Change in value of the company's portfolios	25,821,245	(3,339,429)
Payments on purchased portfolios	157,229,789	178,476,925
Net cash flow from operational activities	68,275,983	87,095,298
Cash flows from investment activities		
Increase in intercompany borrowings	8,035,247	524,863
Purchase of portfolios	(20,965,259)	(35,398,103)
Net cash flow from investing activities	(12,930,012)	(34,873,240)
Cash flows from financing activities		
Deposits/disbursements of debt	(37,653,906)	(56,209,234)
Net change in cash and cash equivalents	17,692,065	(6,760,542)
Cash and cash equivalents at beginning of year	31,118,369	37,878,911
Cash and cash equivalents at end of year	48,810,434	31,118,369

*Prior year figures have been restated. Refer to Note 12 for further details

Notes to the accounts

For the year ended 31 December 2024

NOTE 1 - ACCOUNTING POLICIES

Financial framework

The annual accounts have been prepared in accordance with the Regulations relating to annual accounts for banks, finance companies and parent companies being 16.12.1998 no. 1240, as well as the provisions of the Accounting Act in general. The regulations have been amended with effect from 01.01.2020. The company uses section 1-4, item b, of the Regulations, which means that the company uses IFRS with the additions and simplifications that follow from the regulations.

The company uses the exemption rule in section 3-1 of the regulations for Group contributions and dividends.

The Financial statements were approved by the company's board on 31 March 2025.

Information about new and future standards

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

- Amendments to IAS 21 (Lack of exchangeability)
- IFRS 18 (Presentation and disclosures in financial statements)
- IFRS 19 (Subsidiaries without public accountability: disclosures)

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

Presentation currency and amount

The accounts are presented in Norwegian currency and in whole Norwegian Kroner (NOK).

Use of estimates

The financial statements have been prepared in accordance with the Annual Accounts Regulations and IFRS (adopted by the EU). Furthermore, the application of the company's accounting principles requires that the entity must exercise discretion. Areas that largely contain such discretionary assessments, a high degree of complexity, or areas where assumptions and estimates are material to the financial statements are described in the notes.

Only the value of the portfolios is associated with uncertainty in the estimation of the value.

Earnings

The company's revenues are booked in accordance with the effective interest rate method in accordance with IFRS 9. The company's revenues are distributed geographically to Norway.

Purchased portfolio of outstanding receivables

The purchased portfolio of outstanding receivables mainly consists of purchased non-performing unsecured receivables. A portfolio is defined to be the lowest reliable level for a collection of receivables with similar characteristics. Each portfolio will typically consist of an individual purchase of receivables. Each portfolio is accounted for at fair value with the addition of direct transaction expenses. Subsequent measurement is made at amortised cost using the effective interest rate method in accordance with IFRS 9. Income on the purchased portfolio of outstanding receivables is recognised in the income statement using the effective interest rate method. The portfolio is recognised as a separate unit for recognition of income.

Management prepares estimates of future cash flows for each portfolio based on the characteristics of the portfolio, including historical cash flows, income ratios, type of receivables, age, size of requirements, principal and experience material from other portfolios. Estimate deviations are recognised each quarter in the income statement by comparing amortised cost against the present value of future estimated cash flows discounted by the original internal rate of return.

Notes to the accounts

For the year ended 31 December 2024

Receivables

Other receivables are entered in the balance sheet after deduction of provisions for expected losses. Provisions for losses have been made on the basis of an individual assessment of the receivables.

Foreign currencies

Balances in foreign currency are valued at the exchange rate at the end of the financial year.

Debt

Debt, with the exception of certain provisions for liabilities, is recognised in the balance sheet at the nominal amount of liabilities.

Tax

The tax expense in the income statement includes both the tax payable for the period and changes in deferred tax. Deferred tax is calculated at the applicable tax rate on the basis of the temporary differences that exist between accounting and tax values, as well as any significant loss to be carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that are reversed in the same period have been offset. The recognition of deferred tax assets on net tax-reducing differences that have not been offset and losses to be carried forward is justified by assumed future earnings. Deferred tax and tax assets that can be recognised in the balance sheet are recognised net in the balance sheet.

Deferred tax is accounted for at a nominal amount.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid investments that can be converted immediately and with immaterial exchange rate risk into known cash amounts and with a remaining maturity of less than three months from the date of acquisition.

NOTE 2 – PURCHASED PORTFOLIO OF OUTSTANDING RECEIVABLES

	2024	2023
Portfolio of outstanding receivables 01.01	672,602,036	708,129,441
Purchased portfolio of outstanding receivables	20,965,259	35,398,103
Recognition of income according to the effective interest rate method	84,419,357	104,151,988
Change in value of the company's portfolios	(25,821,245)	3,399,429
Payments on purchased portfolios	(157,229,789)	(178,476,925)
Portfolio of outstanding receivables 31.12	594,935,618	672,602,036

100% of outstanding receivables are overdue claims

Value purchased portfolio of outstanding receivables	594,935,618	672,602,036
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Principles for calculating valuation

The financial statements have been prepared in accordance with IFRS 9. The company's portfolio of receivables consists of non-performing receivables that are initially assessed at amortised cost. The amortised cost is calculated by discounting expected cash flows over the expected maturity of the individual portfolio using the effective interest rate method. The portfolio is assessed on an ongoing basis based on expected cash flows and value adjustments are recognised quarterly.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including Expected Credit Loss (ECL).

Notes to the accounts

For the year ended 31 December 2024

NOTE 3 – ADMINISTRATION EXPENSES

During the financial year, the company did not employ any full-time equivalents. The company has no employees, and its administrative functions are managed by Lowell Norge AS. No salaries were paid to the Managing Director in 2024 or 2023. Additionally, no loans or collateral have been provided to employees, the Managing Director, the chairman of the Board, or any related parties.

See Note 5 for details of costs charged from related parties.

The company has expensed the following remuneration to the auditors:

	2024	2023
Statutory audit	221,333	509,121
Other out of audit services	82,500	85,677
Total	303,833	594,798

NOTE 4 – TAX

	2024	2023
Basis for tax expense, change in deferred tax and tax payable		
Profit before tax	(30,153,192)	16,169,790
Change in temporary differences	-	839,022
Basis for the year's tax profit	(30,153,192)	17,008,812
Loss carried forward	-	(17,008,812)
Basis for the year's tax profit	(30,153,192)	-
Tax payable - 22%	-	-
Change in deferred tax - 22%	(6,203,761)	(3,557,354)
Tax cost	(6,203,761)	(3,557,354)
Overview of temporary differences		
Accounting provisions	-	-
Loss carried forward	(58,352,104)	(28,198,912)
Net temporary differences	(58,352,104)	(28,198,912)
Deferred tax - 22%	12,837,463	6,203,761
Temporary differences that are not recognised in the balance sheet	(12,837,463)	-
Deferred Tax asset	-	6,203,761
Reconciliation of tax expense		
Expected tax at the nominal tax rate	(6,633,702)	3,557,354
Adjustment to deferred tax	12,837,463	-
Calculated tax expense	6,203,761	3,557,354
Effective tax rate	20.6%	22.0%

Notes to the accounts

For the year ended 31 December 2024

NOTE 4 – TAX (Continued)

Tax expense in relation to profit before tax

The enterprise is a finance company and has a 22% tax rate. This is because there are no employees or salaries in the enterprise and that the enterprise therefore falls outside the current regulation of financial tax.

Refer to Note 12 for further details of the restatements.

NOTE 5 – ACCOUNTS OUTSTANDING WITH COMPANIES IN THE SAME GROUP / OTHER LIABILITIES

	2024	2023 Restated*
Debt to Group companies	316,014,638	307,979,391
Accounts payable	2,274,008	39,927,914
Total	318,288,646	347,907,305

The company has the following transactions with related parties:

	2024	2023
Purchase of services from affiliated companies	30,184,747	15,685,258
Financial expenses on loan from Group entities	28,849,636	44,834,580
Total	59,034,383	60,519,838

Receivables from and payables to related parties are disclosed in the balance sheet. Interest paid to related parties during the year is disclosed in the income statement.

Refer to note 12 for further details of the restatement.

NOTE 6 – SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Lowell Finans AS is NOK 148,000,000, including unregistered capital contributions, and consists of 148,000,000 shares at NOK1 each.

All shares have equal rights.

The company's shareholders as of 31.12.2023	Number	Stake
Lowell Norway AS	148,000,000	100%

Notes to the accounts
For the year ended 31 December 2024

NOTE 7 – CAPITAL ADEQUACY

	2024	2023
Share capital	148,000,000	148,000,000
Share premiums	107,000,000	107,000,000
Other invested equity	7,644,000	7,644,000
Retained earnings	99,372,860	86,760,427
Profit for the year	(36,356,953)	24,849,616
Total equity	325,659,907	374,254,043
Deduction for deferred tax assets	-	(2,952,330)
Deduction for backstop (minimum write-down)	(272,867)	(302,388)
Total deductions from Common Equity Tier 1 capital	(272,867)	(3,254,718)
Calculation basis per risk category		
Credit risk	967,047,372	1,085,747,812
Bank deposits	9,762,087	6,223,674
Purchased portfolios	892,403,427	1,008,903,054
Contracted forward flow	55,366,433	70,621,085
Other engagements	9,515,425	-
Operational risk	136,085,950	193,509,677
Total calculation basis	1,103,133,302	1,279,257,489
CET1 capital ratio	325,387,040	346,149,709
Surplus of core capital	275,746,042	167,053,661
CET1 capital ratio as a percentage	29.50%	27.06%
Common Equity Tier 1 capital adequacy	325,387,040	346,149,709
Surplus of core capital	259,199,042	147,864,798
Common Equity Tier 1 capital ratio	29.50%	27.06%
Own funds	325,387,040	346,149,709
Excess of own funds	237,136,376	122,279,648
Own funds as a percentage	29.50%	27.06%
Non-leveraged core capital		
Core capital	325,387,040	346,149,709
Exposure Goals	690,172,432	750,801,128
Non-leveraged Tier 1 capital ratio	47.15%	46.10%

The prior year figures have not been restated in the capital adequacy note for the changes in Note 12.

NOTE 8 – SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

Lowell Finans AS is a wholly owned subsidiary of Lowell Norway AS. The company is located at Brynsveien 14, 0667 Oslo. The company is part of the Lowell Group and is incorporated into the consolidated financial statements of Garfunkelux Holdco 2 S.A. The consolidated financial statements are available on Lowell.com or can be obtained from Lowell Financial Ltd, No1 The Square, Thorpe Park, Leeds, West Yorkshire LS15 8GH.

Notes to the accounts

For the year ended 31 December 2024

NOTE 9 – RISK

The risks in the company's operations are primarily related to the business risk in the purchased receivables.

Credit risk

Loans and receivables (portfolios) are unsecured. Due to the uncertainty associated with the debtor's ability to service their liabilities, there will be a significant risk associated with the recovery of the cash flow from the company's loans and receivables. The company is of the opinion that credit risks have been reduced through a good diversification of receivables and the discounts obtained through the purchase of portfolios.

To reduce risk, the company has implemented different decision-making models based on the size of the investment. The company monitors the cash flow from the receivables on an ongoing basis for each individual portfolio. Furthermore, quarterly assessments are made of whether the portfolios' book value reflects expected cash flow, with subsequent potential write-ups or write-downs.

The company's exposure to credit risk the book value of the portfolios as follows:

	2024	2023
Bank deposits	48,810,434	31,118,369
Purchased portfolios	594,935,618	672,602,036
Other engagements	46,426,380	47,080,723
Total exposure	690,172,432	750,801,128

The investment firm has defined the following subcategories under credit risk:

Growth in the portfolios

The company has outsourced the recovery of the acquired portfolios to Lowell Norway AS, which has considerable experience with recovery and has strict requirements for internal control and management of operational risk. The Company considers that the group's routines for monitoring and risk reporting, where cash flows from each individual portfolio are monitored on an ongoing basis, are not weakened by increased volume, and that these are sufficient to manage the risk resulting from growth in portfolio purchases.

Default risk and deviating portfolio quality

The risk that the enterprise's debtors will not meet their credit obligations, and the risk that a purchased portfolio of non-performing assets is of poorer quality than could be expected when compared with historically similar portfolios.

The business is considered to be cyclical in that its ability to pay may be reduced in recessions. The receivables are recognised in the balance sheet at fair value and this value is low compared with the nominal principal, which constitutes a substantial loss buffer. The Investment Firm is of the view that default risk is largely safeguarded by the regulatory minimum requirement for credit risk under Pillar 1. Pillar 1 has strict solvency requirements for non-performing loans in the form of a high-risk weight of 150% regardless of the purchase price for the entire receivables.

Limited data basis for the purchase of external portfolios entails a risk of poorer portfolio quality than assumed by the purchase price. The pricing is based, among other things, on historical collection on similar portfolios. Deviating portfolio quality may imply that future cash flow will be lower than assumed. A purchase price that is too high may result in a future impairment of the portfolio value.

Counterparty risk

The company is exposed to counterparty risk through its investments of surplus liquidity in the form of bank deposits. However, bank deposits are only placed with banks with low credit risk.

**Notes to the accounts
For the year ended 31 December 2024**

NOTE 9 – RISK (Continued)

Unused framework

The Investment Firm has no receivables where the debtor has the opportunity to draw on unused credit lines. The Investment Firm may enter into forward-flow agreements with ongoing receivables purchases up to a maximum limit where the company undertakes to take over receivables that meet agreed conditions over a future period of time. The company has two such agreements as of 31.12.2024.

Concentration risk

A credit portfolio with a lack of diversification may entail a risk of loss. The company's receivables consist of a large number of small exposures with similar characteristics and are broadly composed in terms of geography where the establishment date is spread over a longer period of time. The receivables consist only of private or business interests with private guarantors. There is not considered to be a concentration risk related to individual debtors or geographical areas. The company has mainly bought one-off portfolios, but also has two ongoing forward-flow agreements. This is risk-reducing due to lower exposure to changes in the seller's credit policy. The concentration risk in the debtor pool is considered to be largely safeguarded by regulatory minimum requirements.

Liquidity risk

Liquidity risk is the risk that the company will not be able to cover current payments or will not be refinanced as financing falls due. The company is mainly exposed to the risk of delay in or non-payment of contractual payments on purchased receivables. In addition, there is a risk that the financing of new portfolio purchases will be insufficient or cannot be financed without a significant increase in the company's financing costs.

The business is financed by equity and intra-group loans at a fixed interest rate. The company's budgeted portfolio purchases are made in accordance with the group's guidelines so that the financing is within the group's borrowing capacity. The company does not take deposits from the public and has no foreign currency deposits. The company's portfolios are acquired at a significantly lower price than the principal amount, and the company thus has a buffer against the risk of delays or non-payment of contractual payments. The company also has the opportunity to renegotiate the intercompany loan terms. The liquidity risk is reported periodically to the Board of Directors and reviewed in connection with ICAAP calculations and stress tests. Prior to portfolio purchases, assessments are made of whether the financing requirement is within the company's borrowing capacity.

Maturity structure of the enterprise's debt:

	1 year	1 – 3 years	3 – 5 years	Total
Maturity structure of the enterprise's debt:	158,430,258	157,584,380	-	316,014,638

Market risk

Market risk is the loss as a result of changes in market prices. The company has no trading portfolio and does not calculate any market risk under pillar 1. The company considers the market risk to be low and is governed by the company's guidelines for risk management and internal control.

The company has no market risk associated with spreads, stocks, or real estate.

Notes to the accounts

For the year ended 31 December 2024

NOTE 9 – RISK (Continued)

Interest rate risk

Interest rate risk arises if there are different interest rates fixed on borrowings and loans, so that the interest rate on borrowings changes without the company being able to change the lending rate as quickly. The interest rate on the company's credit portfolios depends on the type of receivable. In the case of promissory note loans and overdrafts, the interest rate is equal to the interest rate in force at the time of purchase if this is higher than the applicable interest rate. The loan portfolio is considered to have a fixed interest rate.

The company is financed by equity as well as loans from Group companies that are part of a larger loan agreement that is common to the entire Lowell Group. Interest rate risk associated with the company's financing is therefore considered normal.

When calculating the interest rate sensitivity of one percentage point, it is assumed that the yield curve changes in parallel for all durations. The changes are calculated by taking into account the positions' average remaining maturity, positions on the balance sheet date and assumed interest rate changes.

	1 year	1 – 3 years	3 – 5 years	Total
Interest rate sensitivity - 1% change: 1 year:	982,813	3,653,455	-	4,636,269

Operational risk

Operational risk is prevented and regulated through documentation of internal processes as well as ongoing risk assessments. Collection of the company's portfolios is outsourced to Lowell Norway AS.

Foreign exchange risk

Currency risk is defined as losses resulting from unfavourable changes in exchange rates. The company only has deposits and portfolios in NOK and no foreign exchange risk associated with this. The company's only foreign exchange risk is related to smaller payment obligations in EUR.

NOTE 10 – COLLATERAL AND GUARANTEES

The company has not pledged any financial assets as collateral.

NOTE 11 – EVENTS AFTER BALANCE SHEET DATE

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

Notes to the accounts

For the year ended 31 December 2024

NOTE 12 - CORRECTION OF PREVIOUS YEARS' ERRORS

During the year it was noted that intercompany recharges relating to staff costs borne by another Group entity had not been recharged to the Company in FY23. This resulted in Operating profit being overstated by mNOK 7.4 and accrued costs understated by mNOK 7.4.

During the year it was noted that intercompany recharges relating to non-staff costs borne by another Group entity had not been recharged to the Company in FY23. This resulted in Operating profit being overstated by mNOK 8.0 and accrued costs understated by mNOK 8.0.

During the year it was noted that there were foreign exchange losses that weren't recognised relating to FY23 and needed writing off. This resulted in Operating profit being overstated by mNOK 0.2 and accrued costs understated by mNOK 0.2.

	As previously disclosed	Staff recharges	Group recharges	Foreign exchange correction	As restated
INCOME STATEMENT					
Net interest income	60,350,002	-	-	-	60,350,002
Net change in value and (losses)/gains on loans and receivables	3,399,429	-	-	-	3,399,429
Other operating expenses	31,890,949	7,432,102	8,007,709	248,882	47,579,642
Profit before tax	31,858,482	(7,432,102)	(8,007,709)	(248,882)	16,169,789
Tax on profits	7,008,867	(1,635,062)	(1,761,696)	(54,753)	3,557,356
Profit after tax	24,849,615	(5,797,040)	(6,246,013)	(194,129)	12,612,433
BALANCE SHEET					
Cash	31,118,369	-	-	-	31,118,369
Lending to and receivables on customers	672,602,036	-	-	-	672,602,036
Deferred tax assets	2,752,249	1,635,062	1,761,696	54,753	6,203,760
Total Assets	706,472,654	1,635,062	1,761,696	54,753	709,924,165
Debt to Group companies	307,979,391	-	-	-	307,979,391
Other provisions	24,239,221	7,432,102	8,007,709	248,882	29,927,914
Total Liabilities	332,218,612	7,432,102	8,007,709	248,882	347,907,305
Share capital	148,000,000	-	-	-	148,000,000
Share premiums	107,000,000	-	-	-	107,000,000
Other invested equity	7,644,000	-	-	-	7,644,000
Retained earnings	111,610,042	(5,797,040)	(6,246,013)	(194,129)	99,372,860
Total Equity	374,254,042	(5,797,040)	(6,246,013)	(194,129)	362,016,860
Total Liabilities and Equity	706,472,654	1,635,062	1,761,696	54,753	709,924,165

