

Pollen Street Group Limited - Annual Report and Accounts for Pollen Street Limited
Strong Performance, Well Positioned for Further Growth

Pollen Street Group Limited today announces the publication of the Annual Report and Accounts of Pollen Street Limited for the year ended 31 December 2023. Pollen Street Limited is a wholly owned subsidiary of Pollen Street Group Limited and was the ultimate parent company of the group prior to completion of the Scheme of Arrangement on 24 January 2024, as such the Annual Report and Accounts for Pollen Street Limited cover all activities of the group for the year ended 31 December 2023. The Annual Report and Accounts for Pollen Street Group Limited will be published by the end of April 2024 in compliance with the Listing Rules.

2023 was a successful year for Pollen Street Group Limited with strong financial and strategic performance. During the year the group maintained its exceptional track record across its funds, made strong progress against fundraising targets and benefitted from attractive deployment opportunities in both Private Credit and Private Equity. This year's results demonstrate the benefits of the combination of Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc, with the Investment Company accelerating the growth of the Asset Manager.

Financial Highlights for 2023 - Strong Fundraising and Returns

- Total AuM has grown to £4.2 billion, up from £3.4 billion as at 31 December 2022, driven by fund raising in Private Equity and deployment in Private Credit
- Fee-Paying AuM closed the year at £3.4 billion, growing 36% from 31 December 2022
- Significant step up in Fund Management Income to £49.2 million up from £37.4 million in 2022
- High operating leverage with Fund Management EBITDA increasing to £15.2 million in 2023, up 79 per cent from £8.5 million in 2022, resulting in Fund Management EBITDA Margin of 31 per cent for 2023, up from 23 per cent
- The Investment Company maintained its track record of income generation with Income on Net Investment Assets increasing to £30.2 million in 2023, up from £28.3 million in 2022
- Profit After Tax increased by 23 per cent to £40.4 million, up from £32.9m in 2022
- Dividends increased to £32 million in respect of 2023, up from £30 million for 2022

Capital Management Framework & Buyback Programme

Pollen Street Group Limited announced a Capital Management Framework and Buyback Programme earlier today. Details of this are available in a separate RNS.

2024 Outlook & Upgraded Financial Guidance

Pollen Street Group Limited is in a strong position for growth in 2024 and we are upgrading our financial guidance.

We had previously issued financial guidance that Fee-Paying AuM would be £4 to £5 billion within 2 to 3 years of the completion of the Combination on 30 September 2022. We expect to exceed the £4 billion threshold during 2024 and are now raising guidance to grow AuM to £10 billion within 4 to 5 years.

We had previously issued financial guidance for the Return on Net Investment Assets to be c8% in the long-term. Given the performance over 2023 and the outlook for the portfolio, we are now upgrading the guidance for Return on Net Investment Assets to rise to low double digits within 2 to 3 years.

Key priorities for 2024 are:

- Final close of Private Equity Fund V
- First close of Private Credit Fund IV, expected imminently
- Continue to deploy the Balance Sheet to invest in Pollen Street Group Limited funds
- Delivering operational leverage through our platform as we continue to grow AuM

Commenting on the 2023 performance, Lindsey McMurray, Chief Executive Officer, said:

“2023 has been a strong year for Pollen Street and we are delivering against our ambitions. With strong foundations in place, our progress in 2023 is ahead of target and has positioned us well to drive long-term organic growth. Looking ahead in 2024 in both Private Credit and Private Equity, we are seeing strong asset performance, resilient fund-raising progress and an attractive pipeline of new opportunities”.

Results presentation:

Pollen Street Group Limited will host its results presentation for the Annual Report and Accounts for Pollen Street Limited at 8:30 AM on 21 March 2024.

Register for the webinar: https://pollencap.zoom.us/webinar/register/WN_x81y85WXSf-x_uNcRydtEw

The full results presentation is available on the group’s website www.pollenstreetgroup.com.

About Pollen Street

Pollen Street is an alternative asset manager dedicated to investing within the financial and business services sectors across both Private Equity and Private Credit strategies. The business was founded in 2013 and has consistently delivered top tier returns alongside growing AuM.

Pollen Street benefits from a complementary set of asset management activities focused on managing third-party AuM (the “Asset Manager”) together with on-balance sheet investments (the “Investment Company”).

The Asset Manager raises capital from high quality investors and deploys it into its Private Equity and Private Credit strategies. The strong recurring revenues from this business enable delivery of scalable growth.

The Investment Company invests in the strategies of the group delivering attractive risk adjusted returns and accelerating growth in third-party AuM of the Asset Manager through investing in Pollen Street funds, taking advantage of attractive investment opportunities and aligning interest with our investors to grow AuM. Today the portfolio is largely invested in credit assets with the allocation to Private Equity expect to increase to 30 per cent in the long term. The portfolio consists of both direct investments and investments in funds managed by Pollen Street.

POLN is listed on the London Stock Exchange (ticker symbol: POLN). Further details are available at www.pollenstreetgroup.com.

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Annual Report and Accounts

The Annual Report and Accounts are available to view and download from the Company's website <https://ir.pollenstreetgroup.com/investors/financial-information/>. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

The information set out below does not constitute the Company's statutory accounts for the year ended 31 December 2023 but is derived from those accounts. Statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies in due course. The group's auditors have reported on those accounts: their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The following text are selected extracts from the Annual Report and Accounts.

Chair's Statement

Welcome to the Annual Report and Accounts for Pollen Street, which covers the year ended 31 December 2023.

Delivering Consistent Performance & Sustainable Growth

In 2023 we demonstrated clear progress in delivering on the strategy set out when we announced the Combination of Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc in February 2022.

Over the year, the performance of Pollen Street has been strong, and we are delivering against our ambitions. Pollen Street continues to generate strong contracted income from funds under management, delivering attractive and low volatility returns within our funds to support further AuM growth as well as attractive income from our balance sheet investments.

On the Asset Manager side, Pollen Street has demonstrated success in both growing AuM and continuing to deliver strong returns for our investors. We have focused on growing Private Equity AuM in 2023, building on the growth in Private Credit AuM in 2022. Pollen Street has increased Private Equity AuM to £2.6 billion – a 44 per cent increase on prior year – with capital raised in Private Equity Fund V and a new continuation vehicle that was oversubscribed.

The Investment Company has continued to deliver strong performance, maintaining its historic track record. Income on Net Investment Assets was consistent and progressive at £30.2 million for the year ended 31 December 2023 growing from £28.3 million for the year ended 31 December 2022.

The above success is reflected in the financial results for the Group with operating profit growing to £44.5 million for 2023, up from £27.3 million for 2022. Pollen Street declared dividends of £32 million in relation to 2023, an increase of £2 million from the prior year (2022: £30 million). This was in line with the Board's dividend targets. Pollen Street Group Limited's target for dividends in respect of 2024 is to declare dividends of no lower than £33 million and the Group aims to grow dividends progressively thereafter.

Capital Allocation Framework & Buyback Programme

The Board is mindful of the disconnect between the share price and the fundamental value of the Group. Pollen Street Group Limited announced a Capital Allocation Framework and Buyback Programme immediately prior to the publication of these Annual Report and Accounts.

Under this framework, Pollen Street Group Limited will maintain sufficient balance sheet capital to: invest in funds managed by the Group to accelerate the growth of the Asset Manager; support the dividend policy, which is to declare dividends of no lower than £33 million in respect of 2024 and dividends growing progressively thereafter; and provide strategic flexibility for inorganic growth, should opportunities arise. Surplus capital will be returned to shareholders through share buybacks of approximately 2 to 5 per cent per annum of the outstanding share capital of the Group.

We continue to focus on delivering substantial growth in the business and building on our shareholder engagement to improve the liquidity of the shares by diversifying our shareholder base. The Group has also completed its work to change the listing category of the shares to that of a commercial company from an investment company to support this.

Focus on Corporate Governance

On 15 January 2024, we announced the intention to appoint Lucy Tilley as the Group's next Chief Financial Officer ("CFO"). Lucy will join the Board as an Executive Director, succeeding Julian Dale, who will be stepping down as CFO. Lucy brings extensive experience including as CFO of Mortgage Advice Bureau (Holding) Plc and director in the corporate broking team at Canaccord Genuity Limited.

Environmental, Social and Governance

At Pollen Street, Environmental, Social and Governance ("ESG") is an important part of our approach to investing, portfolio monitoring, management and reporting. It is an embedded part of the culture and investment approach of the businesses, and our ESG framework aligns to the UN Sustainable Development Goals ("SDGs"). Over the year progress has been made across:

- Our proprietary ESG scoring mechanism, which is used to benchmark investments and to assess progress in ESG performance, where we saw an average score improvement across our Private Equity portfolio, and an increasing uptake of ESG margin ratchets using the ESG score in our Private Credit portfolio, with eight ratchets now in place.
- Our climate targets, with Pollen Street maintaining carbon neutral status for the year and two thirds of portfolio companies with net zero roadmaps/plans.

Outlook: Building on our Positive Momentum

Over the last year we have been deepening our existing investor relationships and continuing to develop new relationships to grow AuM. AuM in Private Equity has grown particularly well in the period as we completed the first close of Private Equity Fund V and also completed a continuation fund before the year-end. The Private Credit strategy continues to perform strongly with the deployment of Private Credit Fund III and we introduced further capital from new investors through Separately Managed Accounts (“SMAs”). The Investment Company assets are well positioned and structured to withstand significant macro stress. Current market conditions bring compelling investment opportunities, which we approach with care and selectivity.

Our strategies have continued to demonstrate strength and resilience and Pollen Street Group Limited is well positioned for the year ahead. We are pleased with the progress we have made in 2023 and the financial results for the year. Along with the rest of the Board, I would like to thank the management team for their hard work over 2023 and I look forward to what more we can achieve in 2024.

Robert Sharpe

Chair

20 March 2024

CEO Report

Delivering Strong Performance

I am pleased to report that Pollen Street delivered strong performance in 2023. During the year the Group recorded continued strong performance across our funds, made progress against our fundraising targets and benefitted from attractive deployment opportunities in both Private Credit and Private Equity. We increased our AuM to £4.2 billion as at 31 December 2023, from £3.4 billion as at 31 December 2022.

The above success is reflected in the financial results for the Group with operating profit growing to £44.5 million for 2023, up from £27.3 million for 2022. The primary growth driver was the Asset Manager where operating profit grew to £15.9 million, up from £2.9 million in 2022 on a statutory basis and £9.5 million on a proforma basis¹.

These results provide confidence for the year ahead, reflecting the strength of our strategies, the power of our market positioning and industry focus as well as the opportunity presented by our business model, to accelerate growth using our balance sheet.

In the current macro environment, uncertainty has impacted the industry's deal flow both in realisations and deployment. Fundraising too has also been affected by uncertainty and shifting plans. It is against this backdrop that we deliver our results for the 12 months to 31 December 2023. With a successful year for our funds, our portfolio and our Investment Company, we are pleased to see the differentiated approach of Pollen Street serve us well and set us up to deliver long-term sustainable growth.

Well-Placed Strategy

Pollen Street was founded following the global financial crisis, our strategies are designed to thrive in times of change. We look to work with top-rate management teams to enable them to build great businesses that can win in their markets. Our strategies are designed and proven to perform through different macro environments to deliver consistent returns and our balance sheet serves to provide stable income and to accelerate the growth of our Asset Manager.

Our Asset Manager Business

Pollen Street is an alternative asset manager dedicated to financial and business services. We have built a wealth of expertise in the industry and a deep network of passionate people to enable us to deliver consistent and sustainable returns.

A Private Equity Strategy Building Next Generation Market Leaders

Our Private Equity strategy focusses on backing mid-market companies in the financial and business services sector. We typically take majority stakes in companies, whose headquarters are in Europe. These companies are often founder led and we seek to apply deep sector specialist knowledge and a proven operational framework to accelerate revenue and profit growth with an objective to deliver top-tier returns overall with low variance of outcomes.

A typical investment will benefit from the key growth trends, which form the basis of our investment themes, from the unbundling of services driven by demand for more convenient personalised experiences, to the wide-ranging impact of the digital transformation of the entire sector. We pinpoint these drivers of change and align our investment strategy to support businesses at the forefront of these opportunities. Our network of experts is brought together in The Hub, our powerful ecosystem that delivers deep expertise across digital transformation, technology innovation, ESG and Business Development. The Hub provides a systematic approach to building and growing businesses. The team are hands-on driving collaboration and knowledge sharing across the portfolio.

The wider Pollen Street network has been built through years of experience across the industry and gives us access to deal flow, expertise and talent.

The performance of our Private Equity strategy over 2023 is testament to the resilience of our approach and the relevance of our strategy in the current market landscape. Our portfolio has delivered strong revenue and profit growth and we continue to see attractive opportunities for deployment on a careful and selective basis.

¹ Operating profit on a proforma basis is calculated as if the combination had occurred prior to 1 January 2022.

A Differentiated Credit Strategy

In Private Credit, our strategy is to provide predominantly senior secured, asset-based lending to non-bank lenders, leasing businesses, technology companies, and other companies with diverse portfolios of financial or hard assets. Our credit facilities are typically senior secured with significant credit protection created through both asset security and transaction structuring. We take direct security over large and diverse pools of assets that generate revenue and cash flow of our borrowers, alongside full corporate guarantees with comprehensive covenants and our investments are designed to withstand significant stress in the macro environment to deliver low volatility returns.

Following the global financial crisis, and the subsequent retrenchment of the banks from lending markets, Pollen Street identified opportunities to fill the funding gap in what is a large and growing market with a targeted and considered approach. We are experts in this large and growing market, with a deep network and experience that allows us to identify opportunities and target an underpenetrated part of the market. Our team focuses on the mid-market where our support and capital is most needed.

Continued Momentum in Fundraising

We are pleased to report a significant step up in AuM for the year, driven by our Private Equity Fund V raise as well as new capital raised in a continuation fund.

Overall, we delivered 25 per cent AuM growth (31 December 2022: 13 per cent) over the course of the year. We are grateful for the strong support from our existing and new investors across our strategies. In 2024, we expect to complete our fund raising of Private Equity Fund V as well as completing the first close of Private Credit Fund IV – expected imminently.

Growing Returns in our Investment Company

In 2023 we continued to deliver consistent performance in the Investment Company, delivering Income on Net Investment Assets of £30.2 million (2022: 28.3 million). The Investment Company portfolio stands at £533 million (31 December 2022: £588 million).

We highlighted at the time of the Combination, and in previous reporting, the intention to transition the Investment Company from predominantly holding direct investments sourced in our Private Credit strategy to holding investments in Pollen Street funds. This shift creates strong alignment and synergies where the balance sheet is able to benefit from the returns generated by a diverse portfolio of investments across Private Equity and Private Credit while supporting fundraising by demonstrating strong alignment with investors and providing a catalyst for raising additional third-party capital, in turn driving higher management fee income for the Group and Shareholders.

As such, the Investment Company plays an important role in driving sustainable growth for Pollen Street as a whole. We believe that this approach will help to accelerate the growth in AuM as well as launch new strategies. To date the Investment Company has committed over £120 million across our vehicles. We expect fund investments to represent approximately half of the Investment Company assets with the allocation to higher yielding Equity Assets increasing to approximately 30 per cent over the medium term.

Our Commitment to Sustainability & ESG Progress

At Pollen Street we are committed to investing responsibly and developing and enhancing our focus on actions that generate a positive impact for our investors, people, portfolio and wider society.

Over the year we have made excellent progress against our ESG targets. We have recorded improved ESG scores across our portfolio using our proprietary scoring mechanism with an average score improvement of 2.5 points across our Private Equity portfolio. In our Credit portfolio we have now introduced a total of eight ESG margin ratchets, providing accountability for our borrowers to improve ESG metrics.

We continue to focus on portfolio companies where we see a potential for positive impact for both investors, people and planet. A recent example is our Private Equity investment Assessio, the leading talent assessment software platform in the Nordics. Assessio operates in an exciting and growing market solving current challenges such as talent shortages and development but its solutions also support companies in their Diversity Equity and Inclusion (“DEI”) efforts.

We are proud that the Group maintained carbon neutral status for 2023. To further progress our ambitions on climate, we are now using the Private Markets Decarbonisation Roadmap as a firm and across our funds portfolio to help accelerate our journey to Net Zero.

Sustainability remains a core part of our investment strategy. We aim to help portfolio companies make Net Zero progress; set and measure diversity and inclusion targets; and operate to the highest possible governance standards.

Alongside continuing to strengthen our ESG programme and foundations, our focus for ESG in 2024 includes the following areas:

- Sustainable value creation: Aligning ESG criteria to strategic business drivers to drive engagement and performance
- Climate & Net zero: Working across the portfolio to develop net zero commitments and strategies and strengthen processes to better understand the impacts of climate change, in line with the Task Force for Climate related Financial Disclosures (“TCFD”).
- Data & reporting excellence: Using a reporting and scoring framework to rank and compare portfolio investments, and to identify improvements; continue to address evolving regulations on sustainability disclosures.

Our Outlook: Accelerating Progress Towards Creating a Fast-Growing High-Performing Private Capital Asset Manager

Our progress in 2023 has positioned us well to drive long-term organic growth. We had previously issued financial guidance that Fee-Paying AuM would be £4 to £5 billion between 30 September 2024 and 30 September 2025. We expect to exceed the £4 billion threshold during 2024 and are raising guidance to grow AuM to £10 billion in the longer term. This is discussed further in the CFO Report.

Looking ahead in 2024 for Pollen Street Group Limited, in both Private Credit and Private Equity, we are seeing strong performance, resilience and an attractive pipeline of new opportunities.

Our key priorities for 2024 are:

- final close of Private Equity Fund V;
- first close of Private Credit Fund IV;
- building cross product relationships with strategic investors;
- continuing to deploy the Investment Company capital in new Pollen Street funds and assets; and
- delivering operational leverage through our platform as we continue to grow AuM.

As I reflect on a successful year for Pollen Street, I would like to thank our investors and shareholders for their support; the whole Pollen Street team for their dedication and immense work over the year; and the Board for its support and guidance. I am energised by our progress in 2023 and look forward to the opportunities ahead in 2024.

Lindsey McMurray
Chief Executive Officer
20 March 2024

Private Equity Strategy

This section gives insight into our Private Equity strategy. The Group earns management fees and carried interest from managing and advising funds investing in this strategy.

Our Private Equity strategy focusses on backing mid-market companies in the financial and business services sector. We typically take majority stakes in companies whose headquarters are in Europe. These companies are often founder led and we seek to apply deep sector specialist knowledge and a proven operational framework to accelerate revenue and profit growth with an objective to deliver top-tier returns overall with low variance of outcome.

A typical investment will benefit from the key growth trends which form the basis of our investment themes, from the unbundling of services driven by demand for more convenient personalised experiences, to the wide-ranging impact of the digital transformation of the entire sector. We pinpoint these drivers of change and align our investment strategy to support businesses at the forefront of these opportunities.

Our strategy has been in place since 2008 and has been tested through many market events and cycles. Throughout this period, we have developed a robust and disciplined approach to investing as evidenced by our strong track record over time. We identify companies that have high potential for digital adoption and a loyal customer base that can thrive in times of structural change. This experience has given us valuable skills and a keen understanding of risks and opportunities in the market.

How it Works: Clear Opportunity Set and Established Investment Strategy

Our investment strategy focuses on a rich opportunity set within five diverse sub-sectors, where we seek to identify the key themes that drive growth:

- Payments;
- Wealth;
- Insurance;
- Technology-enabled services; and
- Lending.

Our thematic origination populates a pipeline of fast-growing, technology-enabled businesses with solid foundations for us to help create customer-centric, data-driven organisations who can become market leaders.

Within these investment theses, we seek to drive growth through our established operational framework, which is built upon four key pillars:

- Technology innovation and digital transformation;
- Buy, build and consolidation;
- Globalisation and product development; and
- ESG embedding.

2023 – Delivering Growth and Building Momentum

We have seen strong performance in our Private Equity funds, with impressive revenue and EBITDA growth, continued deployment activity in Private Equity Fund IV and progress on exits.

Six new investments were completed in the year, including Finsolutia, a leading technology driven credit and real estate platform; Wide Group S.P.A, one of the leading innovative insurance brokers in Italy was acquired in May 2023; Assessio, the Nordic's leading talent assessment software platform and Niio, in the European wealth and asset management software market. Alongside this, there have been exits from both the Fund III and Fund IV portfolios.

Private Equity Fund V has been our core focus for fundraising in the year, as we continue to develop new relationships with investors and deepen existing ones. In addition to fundraising in Fund V, there was a step up in AuM due to the raising of our second continuation fund, reflecting the particularly strong performance of two of our existing assets and the potential for future growth.

With the good progress made in 2023 – and our focus on delivery, deployment and exits in 2024 – our funds remain well positioned for growth and to provide top-tier returns for our investors and shareholders.

Michael England

Partner

20 March 2024

Private Credit Strategy

This section gives insight into our Private Credit strategy. The Group earns management fees, performance fees and carried interest from managing and advising funds investing in this strategy.

Asset-based finance is the funding behind the everyday credit that powers our economy and society. We provide funding to support everything from building homes, funding SMEs & corporates and vehicle financing. We do this by providing predominantly senior secured loans to non-bank lenders, banks, leasing businesses and technology companies that are serving these end markets taking security over their diverse portfolios of cash flow producing assets, such as loans, leases and vehicles, alongside corporate guarantees.

We are experts in this large and growing market, with a deep network and experience that allows us to identify opportunities and target an underpenetrated part of the market. Our team focuses on the mid-market where we believe the greatest opportunity and largest financing gap exists meaning we can create the most favourable risk reward profile.

Following the global financial crisis, and the subsequent retrenchment of the banks from lending markets, Pollen Street identified opportunities to fill the funding gap in what is a large and growing market with a targeted and considered approach. Our asset-backed lending aims to deliver uncorrelated returns to other private debt strategies with a through the cycle approach designed to withstand significant stress. Direct asset-backing combined with seniority, comprehensive covenants and bespoke structuring delivers significant downside protection whilst Pollen Street's ability to access a hard to reach market through our large, dedicated team means we consistently generate premium returns versus other private and public debt strategies.

We are also passionate about the potential for positive impact through the financing that we provide whether by funding new mass market homes, driving regional economic growth, funding green alternatives to transport and levelling up. Our capital facilitates this impact by enabling our borrowers to build and grow their businesses whether building homes, leasing electric vehicles or lending to regional small businesses.

How it Works: Structuring for Protection

The investment strategy seeks to combine the benefits of the asset-backed and corporate lending markets following a tested and a structured investment approach that has delivered strong returns and low volatility. Significant credit protection is created through both asset security and transaction structuring with senior loans secured directly against large and diverse pools of assets that generate the revenue and cash flow of the borrowers as well as securing a full corporate guarantee with comprehensive covenants.

We seek to follow a structured investment approach that focuses on:

- Diverse asset-backing: predominantly senior loans secured on highly diverse tangible assets to maintain credit protection;
- Bespoke structuring: highly structured investments that seek to create strong downside protection and align incentives with our borrowers;
- Conservative leverage on assets with tangible value: substantial credit protection from borrower cash equity, asset pool profits and corporate guarantees;
- Robust cash generation: lending against highly cash generative, short duration, granular assets;
- Covenants: structured to create alignment with our borrowers.

2023 – Consistent Performance and Preparing for Future Growth

In 2023 the Private Credit business has been focused on deploying Private Credit Fund III and the SMAs and capitalising on an investor friendly market with higher returns. This strategy has paid dividends with Private Credit Fund III almost fully deployed and fundraising started for Private Credit Fund IV with first close expected imminently. We also won a sizeable new SMA mandate from a UK public pension plan, which closed in early 2024 building upon the fundraising momentum and increased investor awareness of Pollen Street's Private Credit business.

The portfolio has performed well in the year with the higher interest rate environment driving increased deal returns and new investments being completed at higher spreads as we faced a less competitive investment environment. There were 14 new transactions or upsizes (2022: 25) that were completed during the year totalling £0.7 billion (2022: £0.5 billion) of investment commitments with new deals incorporating sustainability linked factors including ESG margin ratchets to incentivise our borrowers to improve their impact.

We continue to develop and review a strong pipeline of new opportunities alongside fundraising for Private Credit Fund IV. The market trends that drove opportunities in 2023 are set to continue to contribute to a less competitive environment on the lending side. On the fundraising side asset-based lending is gaining traction with an increased awareness of the benefits it can offer investors as they build out a private debt portfolio. We are capitalising on our leading position in this market and expect to continue to win new relationships in 2024 and beyond.

Matthew Potter

Partner

20 March 2024

CFO Report

Julian Dale – Chief Financial Officer

Momentum Towards our Targets

I am pleased to present Pollen Street's financial results for 2023. It has been a successful year, with strong fundraising performance, growth in our financial performance and progress towards our medium-term targets.

We completed the first close of Private Equity Fund V with further closes completed throughout the second half of the year. The fee rates on this fund are in line with our historic rates and we have clear visibility over additional closes. First close sets the date from which the Group charges fees for all investors, including in subsequent closes and so this gives us a line of sight to future revenue growth.

We launched a new continuation fund in November 2023 to acquire two high-performing companies from our existing funds to enable us to continue to support the growth of both businesses. It is expected to generate £5 million per annum of revenue for the Group over 2024 and beyond.

We also completed final close of Private Credit Fund III in April 2023 and closed a new £0.2 billion SMA in February 2024.

Fundraising across both strategies brings total AuM to £4.2 billion as at 31 December 2023 (31 December 2022: £3.4 billion). We are pleased with the strong support from new and existing investors in both Private Equity and Private Credit. We expect to substantially complete the fundraising of Private Equity Fund V during the year and first close of Private Credit Fund IV – expected imminently. We remain confident in delivering total commitments in line with our targets.

Income on Net Investment Assets within the Investment Company was £30.2 million (2022: £28.3 million). This increase in income reflects the impact of increased interest rates together with resilient credit performance.

The total income for the Group was £103.2 million (2022: £63.7 million) and the operating profit for the Group was £44.5 million for 2023 (2022: £27.3 million). This represents a material increase with the main driver being growth in the Asset Manager segment from the date that it was acquired, 30 September 2022, as part of the Combination.

Basis of Preparation

In addition to the statutory results, we also present proforma results for the Group for the year ended 31 December 2022 that incorporate the earnings from the Asset Manager, as if the Combination had completed prior to the start of 2022. This basis explains the performance of the combined entity more fully because it includes a full history of Pollen Street Capital Holdings Limited and its subsidiaries. These are referred to as "Proforma 2022". The statutory results for the year ended 31 December 2023 are referred to as "2023" and the year ended 31 December 2022, "Statutory 2022".

On 24 January 2024, the Group completed a scheme of arrangement to effectively change the listing category of the Company's shares to that of a commercial company from an investment company and to introduce a Guernsey incorporated holding company, named Pollen Street Group Limited, as the new parent of the Group. The purpose of the Scheme is to better reflect the Group's operations as a commercial enterprise, broaden the universe of potential investors, improve the marketability and liquidity of Pollen Street shares and bring the listing classification in line with our quoted peer group. The Company has therefore ceased to be classified as an investment trust during 2024 and will incur corporation tax in its Investment Company for the year ended 31 December 2024 and subsequently.

On 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited, following shareholder approval received on 11 October 2023. This is referred to as the Distribution. Pollen Street Limited and its current subsidiaries have therefore ceased all asset management activities, however they continue their operations of investing in Credit Assets and Equity Assets. Pollen Street Capital Holdings Limited and its subsidiaries have been classified as "For Distribution" and presented in a separate column in the financial statements. Whilst the Distribution changes the activities of the entities within Pollen Street's overall business and therefore affects the presentation of the financial results for the Company and Group, it does not change the activities of the overall business from a shareholder's perspective. Further information on the Combination and the Reorganisation is provided in Note 1 to the Financial Statements.

Asset Manager Growth

Assets under management are tracked on a total AuM and fee-paying basis. Total AuM broadly tracks the commitments that investors have made into funds managed by the Asset Manager, whereas the Average Fee-Paying AuM tracks the basis on which the Group earns management fees, with the average calculated from the opening and closing positions. For Private Equity, the Fee-Paying AuM is the committed capital in the funds, moving to invested capital at the point when the subsequent fund holds its first close. Co-investment vehicles are typically non-fee paying. Fee-Paying AuM for Private Credit is the net invested amount. See Annual Report and Accounts for full definitions.

Total AuM grew to £4.2 billion as at 31 December 2023 (31 December 2022: £3.4 billion), driven by fundraising under the Private Equity strategy. Fundraising has increased Average Fee-Paying AuM for the Private Equity strategy to £1.5 billion (Statutory 2022: £1.1 billion; Proforma 2022: £1.1 billion).

| Average Fee-Paying AuM | 2023 (£ billion) | Statutory 2022 (£ billion) | Proforma 2022 (£ billion) |
|------------------------|---------------------|-------------------------------|------------------------------|
| Private Equity | 1.5 | 1.1 | 1.1 |
| Private Credit | 1.4 | 1.3 | 1.2 |
| Total | 2.9 | 2.4 | 2.3 |

The Asset Manager segment delivered £15.9 million of operating profit over 2023 (Statutory 2022: £2.9 million; Proforma 2022: £9.5 million). The Group tracks the performance of this segment using Fund Management EBITDA, which is the operating profit less the depreciation of the office lease². The Fund Management EBITDA for 2023 was £15.2 million, which has grown by 79 per cent from £8.5 million for Proforma 2022.

The EBITDA growth of the Asset Manager is driven by Fund Management Income growing at 32 per cent to £49.2 million for 2023 (Statutory 2022: £10.2 million; Proforma 2022: £37.4 million). Fund Management Income comprises management fees, performance fees and income from carried interest. Revenue growth has been driven by increases in the Group's Average Fee-Paying AuM and income from carried interest.

Administration Costs together with the depreciation of the lease asset was a charge of £34.0 million for 2023 (Statutory 2022: £7.5 million; Proforma 2022: £28.9 million). This represents an increase of 18 per cent, driven predominantly by incremental headcount growth. This moderate increase reflects a well-invested cost base, leading to a high drop through from incremental revenue to profitability. We have invested in headcount principally in the Investor Relations team to support capital raising across the Group and to internalise some capital raising costs. This has increased the fundraising capacity of the Group and improved the efficiency of capital raising in the longer term.

| Asset Manager Profitability | 2023 (£ million) | Statutory 2022 (£ million) | Proforma 2022 (£ million) |
|-----------------------------------|---------------------|-------------------------------|------------------------------|
| Fund Management Income | 49.2 | 10.2 | 37.4 |
| Administration Costs ³ | (33.3) | (7.3) | (27.9) |
| Operating Profit | 15.9 | 2.9 | 9.5 |
| Depreciation of Lease Asset | (0.7) | (0.2) | (1.0) |
| Fund Management EBITDA | 15.2 | 2.7 | 8.5 |

The Management Fee Rate for 2023 excluding the incremental income and AuM from Accelerator II would have been 1.36 per cent demonstrating growth in management rate driven by funding raising under the Private Equity strategy. Including Accelerator II, the Management Fee Rate was 1.17 per cent (Statutory 2022: 1.28 per cent; Proforma 2022: 1.27 per cent). The change in rate is driven by an 18 per cent year on year increase in the Management Fee Income offset by a 33 per cent increase in Average Fee-Paying AuM. The ratio is expected to stabilise over time to fall within 1.25 per cent to 1.5 per cent medium-term guidance range as the impact of Accelerator II is diluted across the Group's other AuM.

² The main accounting cost of the office lease is the depreciation of the lease asset

³ Includes finance costs

Performance fees and carried interest for 2023 were 30 per cent of Fund Management Income for the period (Statutory 2022: 24 per cent; Proforma 2022: 23 per cent). This is in excess of the medium-term guidance range of 15 to 25 per cent and reflects strong performance across the portfolios as portfolio companies continued to grow revenue and profits.

The Fund Management EBITDA Margin increased to 31 per cent for 2023 (Statutory 2022: 26 per cent; Proforma 2022: 23 per cent). We expect EBITDA margin to continue to grow as the Group increases its revenue by raising additional funds under the Private Equity and Private Credit strategies. We are targeting a Fund Management EBITDA Margin above 50 per cent in the long term.

| Asset Manager Financial Ratios | 2023 | Statutory 2022 | Proforma 2022 |
|----------------------------------------------------------------|-------|----------------|---------------|
| Management Fee Rate (% of Average Fee-Paying AuM) | 1.17% | 1.28% | 1.27% |
| Performance Fee (% of Fund Management Income) | 30% | 24% | 23% |
| Fund Management EBITDA Margin (% of Fund Management Income) | 31% | 26% | 23% |

Investment Company Growing Returns

The Group's £533 million (31 December 2022: £588 million) investment portfolio is well diversified across deals and borrowers. The Investment Company has committed over £120 million into funds managed by Pollen Street to date. This reflects our plans to steadily grow Investment Company commitments in the Asset Manager to help accelerate growth. We expect fund investments to represent approximately half of the Investment Company assets with the allocation to higher yielding Equity Assets increasing to approximately 30 per cent over the medium term.

Our Investment Asset portfolio maintained its track record of performance throughout the year and delivered Income on Net Investment Assets of £30.2 million. This return is up from £28.3 million in 2022. The step-up was driven by higher returns on new investments as capital is recycled from investments made and hedged in a different interest rate environment. The Group has reduced its Investment Asset portfolio slightly to create capacity for the Investment Company to make commitments to Pollen Street managed funds, with the net debt-to-tangible-equity ratio reducing to 54 per cent as at 31 December 2023 (31 December 2022: 69 per cent). Returns are expected to increase as leverage normalises and the allocation to higher yielding Equity Assets increases.

| Investment Asset Segment | 2023 | 2022 |
|---------------------------------|---------------|---------------|
| Investment Assets | £533 million | £588 million |
| Average Net Investment Assets | £344 million | £355 million |
| Income on Net Investment Assets | £30.2 million | £28.3 million |
| Return on Net Investment Assets | 8.8% | 8.0% |

Profit After Tax

The profit for the year for the Group was £40.4 million for 2023 (Statutory 2022: £26.4 million; Proforma 2022: £32.9 million). This represents a material increase in profits compared to both a statutory and proforma basis. The main drivers of increase were the operating profit from Asset Manager segment of £15.9 million (Statutory 2022: £2.9 million; Proforma 2022: £9.5 million) and growth in the operating profit of the Investment Company to £30.2 million from £28.3 million, reflecting the impact of increasing interest rates.

The operating loss of the Central segment was £1.6 million (Statutory 2022: £3.9 million loss⁴; Proforma 2022: £2.0 million loss). This relates to ongoing start-up losses of the US asset management business in addition to certain exceptional costs incurred in the first half of 2023.

⁴ The statutory operating loss for 2022 included £3.4 million of expenses incurred in the acquisition of Pollen Street Capital Holdings Limited.

The charge for depreciation and amortisation was £1.4 million (Statutory 2022: £0.5 million; Proforma 2022: £1.4 million). This principally relates to a charge of £0.7 million of depreciation of the lease asset (Statutory 2022: £0.3 million; Proforma 2022: £1.0 million) and £0.5 million (Statutory 2022: £0.2 million; Proforma 2022: £0.2 million) associated with the amortisation of the intangible assets.

The Investment Company has not incurred corporation tax to date, because it is an investment trust. However, the Group has incurred corporation tax in its Asset Manager business, which is not an investment trust. The effective tax rate for 2023 was 18 per cent of Fund Management EBITDA (Statutory 2022: 15 per cent; Proforma 2022: 18 per cent).

| | 2023 (£ million) | Statutory 2022 (£ million) | Proforma 2022 (£ million) |
|----------------------------------------|---------------------|-------------------------------|------------------------------|
| Operating profit of Asset Manager | 15.9 | 2.9 | 9.5 |
| Operating profit of Investment Company | 30.2 | 28.3 | 28.3 |
| Operating loss of Central segment | (1.6) | (3.9) | (2.0) |
| Operating profit of Group | 44.5 | 27.3 | 35.8 |
| Depreciation and amortisation | (1.4) | (0.5) | (1.4) |
| Profit before tax | 43.1 | 26.8 | 34.4 |
| Corporation tax | (2.7) | (0.4) | (1.5) |
| Profit after tax | 40.4 | 26.4 | 32.9 |

Profit for the year on continuing operations was £38.9 million (2022: 30.6 million) and profit for the year from assets held for distribution to the new parent was £1.5 million (2022: Loss of £4.3 million) as reported in the Consolidated Statement of Comprehensive Income.

Leverage

The Group uses leverage in the Investment Company. As at 31 December 2023 the Group had £210.8 million of leverage (2022: £263.6 million) and £19.7 million of cash (2022: £23.3 million). This is equivalent to a net debt-to-tangible equity ratio of 54 per cent (2022: 69 per cent). It is less than the borrowing limit set by the Board of 100 per cent.

Dividends

Pollen Street declared dividends of £32 million for 2023, an increase of £2 million from the prior year (2022: £30 million). This was in line with the dividend targets previously issued by the Board. This reflects a quarterly dividend of 16.0p per share in relation to the first three quarters of the year and 13.0p per share for the last quarter of the year. As part of the terms of the Combination, former Pollen Street Capital Holdings Limited shareholders waived dividends paid to them in 2022 and 2023 on approximately 50 per cent of the shares issued to them by the Group.

Future dividends are expected to be declared by the new parent, Pollen Street Group Limited, on a semi-annual basis. Following the conversion to a commercial company, these dividends will no longer be designated as interest distributions. The Board of Pollen Street Group Limited has stated its dividend target for 2024 is to declare dividends of no lower than £33 million and is aiming to grow dividends progressively thereafter. These targets are the same as the targets previously issued by Pollen Street Limited.

Outlook

Pollen Street Limited remains in a strong position for growth in 2024. The portfolio of Investment Assets are performing well with Income and Returns on Net Investment Assets increasing. We had previously issued financial guidance for the Return on Net Investment Assets to be c8% in the long-term. Given the performance over 2023 and the outlook for the portfolio, we are now upgrading the guidance for Return on Net Investment Assets to rise to low double digits within 2 to 3 years.

We had previously issued financial guidance that Fee-Paying AuM would be £4 to £5 billion within 2 to 3 years of the completion of the Combination on 30 September 2022. Fee Paying AuM was £3.4 billion as at 31 December 2023 and we expect to exceed the £4 billion threshold during 2024. We are therefore upgrading guidance to grow AuM to £10 billion within 4 to 5 years.

The outlook for Pollen Street Group Limited and its subsidiaries is also strong. Fund Management Income is expected to step up further following fundraising in Private Equity Fund V, which will benefit from catch-up fees for closes occurring in 2024, and Private Credit Fund IV. The balance sheet assets have strong downside protection from credit risk and are positioned to benefit from rising interest rates.

Pollen Street Group Limited announced a Capital Allocation Framework and Buyback Programme immediately prior to the publication of these Annual Report and Accounts. Under this framework, surplus capital will be returned to shareholders through share buybacks that are expected to constitute approximately 2 to 5 per cent per annum of the outstanding share capital of the Group.

| Financial Guidance | |
|---------------------------------|---------------------------------------------------------------------------------------|
| AuM | Upgraded: £10 billion of Total AuM within 4 to 5 years |
| Management Fee Rates | Maintained: c.1.25%–1.50% Average Fee-Paying AuM over the long term |
| Performance Fees and Carry | Maintained: c.15%–25% of total Fund Management Income on average over the long term |
| Fund Management EBITDA Margin | Maintained: Long-term fund management adjusted EBITDA margin in excess of 50 per cent |
| Return on Net Investment Assets | Upgraded: rise to low double digits within 2 to 3 years ⁵ |
| Dividend | Maintained: Targeted at no lower than £33 million in 2024 and progressive thereafter |

Julian Dale

Chief Financial Officer
20 March 2024

⁵ Return on Net Investment Assets is measured before the charge for corporation tax

Risk Management

Effective risk management underpins the successful delivery of our strategy and longer-term sustainability of the business, and offers an integrated approach to the evaluation, control and monitoring of the risks that the Group faces. A clear organisational structure with well defined, transparent, and consistent lines of responsibility exists, and effective processes to identify, manage, monitor, and report the risks the Group is or might be exposed to, or the Group poses or might pose to others, have been implemented. The risks arising from the pursuit of the business' strategy, as well as the risks to achieving the Group's strategy have been analysed carefully and arrangements in place are appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the Group. The Board is responsible for oversight of the Group's risk management systems and processes, and oversees the management of the key risks across the organisation.

The Group's culture is expressed through the record of good conduct of its personnel, the dedicated governance arrangements that it has embedded within all areas of the business, as well as staff that are sensitive to the need to maintain appropriate management and control of the business. As well as the adoption of a robust governance structure, the Group demonstrates a strong control culture with clear oversight of responsibilities, with the adoption of a tailored set of systems and controls together with ongoing compliance monitoring. The monitoring and control of risk is a fundamental part of the management process within the Group.

The Group's governance structure is by way of committees, designed to ensure that the Board has adequate oversight and control of the Group's activities. The effectiveness of the governance framework is considered by senior management on an ongoing basis such that in the event that a material deficiency in control environment or risk management framework of the Group is identified, it shall be addressed without undue delay. The Group's Investment Committees are responsible for all investment decisions across all funds including setting investment objectives, consideration and approval of new investments, divestments, ESG risks and opportunities, and material matters in relation to current investments, ensuring that risks are considered consistently across our portfolios.

The Group has established the Risk Committee as a Board-level Committee with responsibility for risk oversight. The Group has also established the Risk and Operation Committee as a management level Committee to provide stewardship of the risk framework of the Group, promote the risk awareness culture for all employees, and review the key risk together with the management approach to each risk. More details of the Risk Committee are set out in the full Annual Report and Accounts.

Risk Management Framework

The Group has developed a comprehensive risk management framework to ensure that all risks are being managed within the Board's risk appetite. All areas of the business are engaged in the risk management work and the Group has a strong risk culture. All staff actively manage risk and build mitigants into their processes, and risk issues are escalated promptly and dealt with transparently.

The risk management framework can be split into three main areas.

Risk Architecture

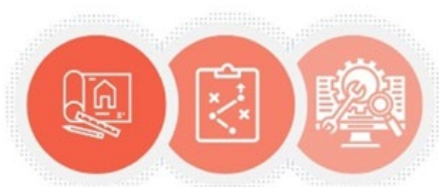
- Committee structure and terms of reference
- Roles and responsibilities
- Internal reporting requirements
- External reporting controls

Risk Management Strategy

- Risk appetites and attitude to risk
- Specific risk statements / policies
- Risk assessment techniques
- Risk priorities for the year

Risk Management Protocols

- Tools and techniques
- Risk Classification system
- Responding to incidents, issues and events
- Documentation and record keeping



The Group's risk management framework includes risk identification, risk appetite, accountability, risk limits, controls and reporting. These components, when used together, enable effective oversight of risk across the Group.

The Group has established a three lines of defence model for managing risk. The first line of defence is the staff that have primary responsibility for managing a particular risk on a day-to-day basis. First line staff are responsible for understanding and implementing effective internal controls; they should identify, assess, control and mitigate risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.

The second line of defence is the Risk and Compliance teams. They are responsible for oversight and challenge of the first line's management of risk. The second line provides regular challenge as part of its quality assurance of first line activity, monitoring the operation of first line controls, ensuring that the first line is operating within the Group's defined policies, procedures, and risk appetite and tolerance parameters. A compliance monitoring programme is in place and a risk-based suite of tests are undertaken on a quarterly basis. The second line also regularly reviews and reports on the status of the risks recorded within the Group's risk registers.

The third line of defence is the internal audit function. It is responsible for providing assurance to the Board and senior management that the first and second lines of defence are operating in line with policy and in compliance with the requisite laws and regulations. The internal audit function is provided by Deloitte, ensuring that the function remains truly independent, has access to the latest industry development and has increased flexibility of service. The internal audit programme includes the review of the effectiveness of risk management processes and recommendations to improve the internal control environment.

Risk Environment 2023




Global events throughout 2023 resulted in geopolitical tension with knock on macroeconomic ramifications. Carbon emissions climbed during the year adding pressure in an ever-shrinking window for transition to a 1.5°C world. Food and energy costs continued to be affected by global unrest, tepid growth impacted on markets, and volatility remained. Despite the global challenges witnessed throughout 2023, the Group's overall risk profile has remained relatively stable.

The risk management function will continue to ensure preparedness where possible and consider both current and emerging risks and update our risk profile accordingly. As we enter 2024, we remain confident that we are best placed to learn from the challenges presented to us and emerge stronger.

Principal Risks & Uncertainties

The Group's assessment of risk has identified a broad range of internal and external factors which it believes could adversely impact the Group. The following summary of key risks has been identified as having the potential to be material; it is not exhaustive of those faced by the Group. It includes emerging risks and has been reviewed by the Risk and Operations Committee and the Risk Committee on a regular basis and recorded on the Group's risk register.

Economic & Market Conditions

|  Risk Description |  Risk Management |  2023 Summary |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Economic and market factors may affect the Group's investments, track record or ability to raise new capital.</p> | <p>Pollen Street operates closed ended funds without redemption rights for investors, allowing a greater degree of freedom to pursue investment objectives throughout macroeconomic cycles.</p> <p>Regular investment reviews are undertaken. The Investment Committees focus on investment strategy, exit processes and refinancing strategies throughout the life of an investment.</p> <p>Early involvement of Investment Committees as new investment ideas are identified ensures that the Group can capitalise from downturns in markets in certain conditions.</p> <p>Periods of market volatility may allow the Group to make investments at attractive prices and terms.</p> | <p>The portfolios remained resilient throughout 2023. AuM continued to grow and performance remained in line with expectations. The year ended with a strong pipeline of opportunities in place.</p> <p>We continue to monitor performance and act accordingly when required.</p> |

Fundraising

|  Risk Description |  Risk Management |  2023 Summary |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The inability to secure new fund mandates or raise capital under existing mandates in an ever increasingly competitive market affecting the Group's revenue and cash flows.</p> | <p>The Group has a consistent track record of fundraising and delivering strong returns to investors. The Group has invested in its Investor Relations team to support capital raising across the Group and to internalise some capital raising costs.</p> <p>The investment team has sector specialist knowledge of and expertise in the industries that it invests in, and the investment team has an extensive network and investment experience to enable it to identify opportunities attractive to potential investors.</p> | <p>The risk at the end of 2023 was somewhat elevated given recent market volatility. Management and the in-house Investor Relations team continue to be actively focused on fundraising across the business.</p> <p>The Group is making efforts to broaden its investor base and is targeting new geographies and investors as part of its ongoing fundraising activities.</p> <p>We remain confident that the target size for future funds expected in 2024 remains on track.</p> |

Management Fee Rates and Other Fund Terms

|  Risk Description |  Risk Management |  2023 Summary |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The management fee rates, and other terms that the Group receives to manage new funds could be reduced, affecting the Group's ability to generate revenue.</p> | <p>The Board believes that management fee rates generated are supported by the Company's track record and the growing allocations to alternative investment market investments.</p> | <p>Pollen Street's management fee revenue is long term and contractual in nature. Management fees on funds raised during 2023 were in line with comparable funds raised in prior years.</p> |

On-Balance Sheet Investment Underperformance

|  Risk Description |  Risk Management |  2023 Summary |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Our Investment Assets are exposed to credit and market risks. They may be impacted by adverse economic and market conditions, including through higher impairment charges or reduced valuations.</p> <p>In addition, credit risk, market risk (such as interest rate risk, currency risk & price risk), capital management risks and liquidity risk exists.</p> | <p>The Group has a clear track record of delivering investment returns that are resilient to market conditions and in line with published guidance.</p> <p>Investments are monitored closely as part of the Group's ongoing investment monitoring programmes, adhering to the funds' investment strategy. Input is given by all Investment Committee members to ensure return objectives are met, and to anticipate and discuss any underperformance.</p> | <p>The Group has a diversified, granular portfolio of assets. Loans are subject to stringent underwriting and stress testing.</p> <p>Investment performance remains strong. Further information is set out in more detail in Note 22.</p> |




ESG and Sustainability Performance

|  Risk Description |  Risk Management |  2023 Summary |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Risks associated with the physical effects of climate change, the risks that arise as economies transition towards greener solutions, and the risk of a regulatory breach associated with SFDR, TCFD, FCA, SEC reporting.</p> <p>Poor or insufficient management of ESG risks or adverse developments may impact the Group's reputation as an investor.</p> <p>Risks of an anti-ESG legislation leading to unintended consequences for the Group</p> | <p>The ESG Committee oversees Pollen Street's ESG matters, including ESG-related risks. The Risk and Operations Committee as well as the Board Risk Committee has responsibility for oversight of ESG risk matters.</p> <p>ESG is considered as an evolving risk given the nature of the Group's investments. The Group is strengthening its approach to climate-related risk identification and mitigation, including the TCFD framework and disclosing accordingly.</p> <p>The Group has a set of minimum standards to ensure ESG risks are assessed and measured, which are incorporated into initial deal team investment assessments and ongoing portfolio management. This includes reviewing counterparty approach to environmental factors and collecting metrics to identify the environmental impacts of their operations.</p> | <p>Pollen Street has recently undertaken a project to identify and assess climate-related risks and opportunities at the Group level, providing recommendations to strengthen climate considerations in business processes and decision-making.</p> <p>Anti-ESG legislation, predominantly in the United States, has emerged recently with the potential impacts hard to assess.</p> <p>Pollen Street acknowledges that the Group has an important role to play in managing ESG risks for society. No material ESG risks related to the financial statements were identified during 2023.</p> |

Talent and Retention

|  Risk Description |  Risk Management |  2023 Summary |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Failure to attract, retain and develop talented individuals to ensure that the Group is able to deliver key performance objectives, an inclusive and diverse workforce to ensure the right skills are in the right place at the right time to deliver the Group's strategy.</p> <p>Inadequate succession planning for key individuals.</p> | <p>The Group has reward and retention schemes in place for all employees, aligning individual, team, and organisational goals, driving value for the Group.</p> <p>The Group invests in both leadership development and ongoing development opportunities for all employees and has introduced a comprehensive induction programme for all new hires.</p> <p>Pollen Street is committed to raising awareness and encouraging diversity amongst the workforce and the ESG Committee spends significant time and effort progressing Pollen Streets DEI agenda.</p> | <p>The business has continued to strengthen its team throughout 2023. In addition, there is a well-considered approach to resourcing and succession.</p> |

Information Security & Resilience

|  Risk Description |  Risk Management |  2023 Summary |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Risks associated with information security and resilience, including:</p> <ul style="list-style-type: none"> - failure to invest and successfully implement appropriate technology; - financial loss, data loss, business disruption or damage to reputation from failure of IT systems; - data protection & information security; - business continuity, disaster recovery and operational resilience; and - financial or reputation losses arising from a cyber attack. | <p>The Group maintains strong technical and operational controls against identified cyber and information security threats.</p> <p>Staff awareness, being key to any modern defence plans, is enhanced through new joiner and ongoing training, and regular communications to staff about relevant threats observed across the industry.</p> <p>Redundant and resilient systems are deployed to protect the Group’s assets and are validated through regular testing and simulations.</p> <p>The Group holds a defined incident response plan as a set of guideline procedures to be followed in the event of an information security attack or breach. The primary aim of any response is to protect the Group’s assets, remediate any issues and minimise the impact of the breach as quickly as possible. The plan sets out communication, oversight and other considerations to be undertaken.</p> | <p>The Group invests annually in detailed external security reviews and penetration tests. All technology and security policies have been reviewed and updated during the year.</p> <p>The technology team is appropriately sized to manage the various security demands and utilises industry standard tooling to ensure monitoring and response management is efficient and thorough.</p> <p>The Group tested its Disaster Recovery Plan and Business Continuity Plans in 2023 with no material findings.</p> |

Emerging Risk Identification

The Risk Management Function continually scans the horizon to identify and communicate emerging risks facing the Group, which are expected to have a significant impact within 1 to 10 years. Emerging risks are those which may arise, or ones that already exist but have evolved. They are characterised by a high degree of uncertainty in terms of impact and likelihood and may have a substantial impact on the operations of the Group.

The Group monitors its emerging risks, supporting organisational readiness for external volatility, incorporating input and insight from both a top-down and bottom-up perspective:

- Top-down: Emerging risks identified by the Risk Committee and the Board, helping to define the overall attitude of the Group to risk.
- Bottom-up: Emerging risks identified at a business level and escalated where appropriate by the Risk and Operations Committee.

Geopolitical, macro and climate risk continued to dominate the headlines during 2023 and look set to continue. Technology risk, data ethics and AI continue to challenge companies, with both the emergence of new technologies whose effects have yet to be understood, and information reliability is becoming an area of concern. Skills shortages are set to become increasingly common given a competitive labour market and new business areas.

Emerging risks have been incorporated in the description of risks in the table above. The Risk Committee will continue to monitor these risks and respond to the evolving risk landscape.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, including revisions published in 2023, and the corresponding provision 36 of the Association of Investment Companies Code of the UK Corporate Governance Code (the "AIC Code"), the Directors have assessed the prospects of the Group over the three-year period to Pollen Street Group Limited's AGM in 2027. The Board believes this period to be appropriate, taking into account the current trading position and the potential impact of the principal risks that could affect the viability of the Group.

At the year-end, the Group had cash balances of £19.7 million and £585.8 million of net assets. This strong financial position supports the ongoing viability of the Group.

To prepare the viability statement, the Board has considered the prospects of the Group in light of its current position and has considered each of the Group's principal risks, uncertainties and mitigating factors, to develop a comprehensive scenario analysis for viability. These projections consider the Group's income, net asset value and the cash flows over the three-year period under a range of scenarios. The scenarios are not a business plan in itself, but rather a prudent view of how the Group may evolve, based principally upon its growth to date, in order to demonstrate its viability. Analysis to assess viability focused on the risks of delivery of the growth of the business and a series of projections have been considered, including changing new business volumes and the performance of the Investment Assets. As part of these scenarios, the Directors have considered the Reorganisation, which is described in the Corporate Background & Basis of Preparation section of the Strategic Report, and reviewed financial and non-financial covenants in place for all debt facilities with no breaches anticipated.

The recent geopolitical and macroeconomic disruption has also been considered in these scenarios.

All the analysis indicates that due to the stability and cash-generating nature of the Investment Asset portfolio, as well as the long-term debt facilities in place, the Group would be able to withstand the impact of the risks identified. Based on the robust assessment of the principal risks, prospects and viability of the Group, the Board confirms that they have reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the three-year period to Pollen Street Group Limited's AGM in 2027. The Board also continuously monitors the financial performance of the Group against key financial metrics and ratios, ensuring a strict discipline in the financial management of the business.

Going Concern

The Directors have reviewed the financial projections of the Group, which show that the Group will be able to generate sufficient cash flows in order to meet its liabilities as they fall due within 12 months from the date of this Annual Report and Accounts. These financial projections have been performed for the Group under various new business volumes and stressed scenarios, and in all cases the Group is able to meet its liabilities as they fall due. The stressed scenarios included halting future Investment Asset originations, late repayments of the largest structured facility and individual exposures experiences ongoing performance at the worst monthly impact experienced throughout 2022 and 2023. The Directors consider these scenarios to be the most relevant risks to the Group's operations. As part of these projections, the Directors have considered the Reorganisation and tested the effect of this on the continuing Group by assuming no further cash flows received from Pollen Street Capital Holdings Limited. Finally, the Directors reviewed financial and non-financial covenants in place for all debt facilities with no breaches anticipated, even in the stressed scenario.

The Directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements. The Group also has detailed policies and processes for managing the risk, set out in the Strategic Report.

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended 31 December 2023 | | | | For the year ended 31 December 2022 | | |
|-------------------------------------------------------------------------|-------------------------------------|---------------|------------------------------------------|-------------------|-------------------------------------|------------------------------------------|-------------------|
| | Notes | | Analysis of Items for Distribution | Non GAAP Total | | Analysis of Items for Distribution | Non GAAP Total |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Management fee income | 7 | - | 28,912 | 28,912 | - | 6,212 | 6,212 |
| Carried interest and performance fee income | 7, 10 | - | 11,480 | 11,480 | - | 1,578 | 1,578 |
| Interest income on Credit Assets held at amortised cost | 7 | 57,668 | - | 57,668 | 51,986 | - | 51,986 |
| Gains on Investment Assets held at fair value through profit or loss | | 5,102 | - | 5,102 | 3,909 | - | 3,909 |
| Total income | | 62,770 | 40,392 | 103,162 | 55,895 | 7,790 | 63,685 |
| Credit impairment release | 12 | 970 | - | 970 | 206 | - | 206 |
| Third-party servicing costs | | (2,374) | - | (2,374) | (2,511) | - | (2,511) |
| Net operating income | | 61,366 | 40,392 | 101,758 | 53,590 | 7,790 | 61,380 |
| Administration costs | 7 | (2,065) | (34,626) | (36,691) | (8,450) | (11,135) | (19,585) |
| Finance costs | 7 | (20,360) | (230) | (20,590) | (14,517) | - | (14,517) |
| Operating profit | | 38,941 | 5,536 | 44,477 | 30,623 | (3,345) | 27,278 |
| Depreciation | 7 | - | (927) | (927) | - | (322) | (322) |
| Amortisation | 6, 7 | - | (480) | (480) | - | (160) | (160) |
| Profit before tax | | 38,941 | 4,129 | 43,070 | 30,623 | (3,827) | 26,796 |
| Tax | | - | (2,664) | (2,664) | - | (435) | (435) |
| | | 38,941 | 1,465 | 40,406 | 30,623 | (4,262) | 26,361 |
| Profit after tax from continuing operations | | 38,941 | | | 30,623 | (4,262) | 26,361 |
| Transfer of profit after tax from items for distribution | | 1,465 | | | (4,262) | | |
| Profit for the year | | 40,406 | | | 26,361 | | |
| Other comprehensive income | | | | | | | |
| Foreign currency translation reserve from assets held for distribution | | (453) | | | - | | |
| Total comprehensive income | | 39,953 | | | 26,361 | | |
| Basic and diluted earnings per share (pence) from continuing operations | 14 | 60.6 p | | | 72.2 p | | |
| Basic and diluted earnings per share (pence) | 14 | 62.9 p | | | 62.1 p | | |

The notes to the accounts form an integral part of the financial statements.

On 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited as part of the Reorganisation described in Note 1. As such the Group has classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5. The income from these activities is disclosed in the 'Analysis of Item for Distribution' columns of this statement. Further disclosure is presented in Note 5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December 2023 | | As at 31 December 2022 | |
|------------------------------------------------------------------|-------|------------------------|----------------|------------------------|----------------|
| | | | Analysis of | Non-GAAP | |
| | | £'000 | items for | Total | £'000 |
| | | £'000 | Distribution | £'000 | £'000 |
| Non-current assets | | | | | |
| Credit Assets at amortised cost | 12 | 444,490 | - | 444,490 | 523,877 |
| Investment Assets held at fair value through profit or loss | 9 | 88,220 | - | 88,220 | 64,506 |
| Fixed assets | 15 | - | - | - | 1,414 |
| Goodwill and intangible assets | 6 | - | - | - | 231,031 |
| Lease assets | 16 | - | - | - | 4,776 |
| Carried interest | 10 | - | - | - | 7,052 |
| Total non-current assets | | 532,710 | - | 532,710 | 832,656 |
| Current assets | | | | | |
| Cash and cash equivalents | 5, 24 | 18,550 | 1,196 | 19,746 | 23,303 |
| Receivables | 5, 17 | 4,003 | 13,939 | 17,942 | 12,870 |
| Fixed assets | 5, 15 | - | 1,344 | 1,344 | - |
| Goodwill and intangible assets | 5, 6 | - | 230,551 | 230,551 | - |
| Lease assets | 5, 16 | - | 4,056 | 4,056 | - |
| Carried interest | 5, 10 | - | 17,332 | 17,332 | - |
| Assets for distribution | 5 | 268,418 | - | - | - |
| Total current assets | | 290,971 | 268,418 | 290,971 | 36,173 |
| Total assets | | 823,681 | 268,418 | 823,681 | 868,829 |
| Current liabilities | | | | | |
| Payables | 5, 18 | 1,567 | 17,582 | 19,149 | 19,221 |
| Lease payables | 5, 16 | - | 4,152 | 4,152 | 1,201 |
| Current tax payable | 5 | - | 981 | 981 | 2,158 |
| Deferred tax liability | 5,13 | - | 2,628 | 2,628 | - |
| Derivative liabilities held at fair value through profit or loss | 5, 20 | 179 | - | 179 | 916 |
| Interest-bearing borrowings | 11 | 132,738 | - | 132,738 | 60,598 |
| Liabilities for distribution | 58 | 25,343 | - | - | - |
| Total current liabilities | | 159,827 | 25,343 | 159,827 | 84,094 |
| Total assets less current liabilities | | 663,854 | 243,075 | 663,854 | 784,735 |
| Non-current liabilities | | | | | |
| Lease payables | 16 | - | - | - | 4,067 |

| | | | | | |
|------------------------------------------|-----------|----------------|----------------|----------------|----------------|
| Deferred tax liability | | - | - | - | 94 |
| Interest-bearing borrowings | 11 | 78,026 | - | 78,026 | 203,035 |
| Total non-current liabilities | | 78,026 | - | 78,026 | 207,196 |
| Net assets | | 585,828 | 243,075 | 585,828 | 577,539 |
| Shareholders' funds | | | | | |
| Ordinary share capital | 26 | 642 | | 642 | 689 |
| Share premium | | - | | - | 299,599 |
| Retained earnings | | 8,560 | | 8,560 | - |
| Revenue reserves | | - | | - | 2,363 |
| Capital reserves | | - | | - | (2,361) |
| Other reserves | | 576,626 | | 576,626 | 277,249 |
| Total shareholders' funds | | 585,828 | | 585,828 | 577,539 |
| Net asset value per share (pence) | 28 | 912.4p | | 912.4p | 899.5p |

On 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited as part of the Reorganisation described in Note 1. As such the Group has classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5. The assets and liabilities related to these activities are disclosed in the 'Analysis of Items for Distribution' column of this statement. Further disclosure is presented in Note 5.

The financial statements of Pollen Street Limited (company number 09899024), which includes the notes, were approved and authorised by the Board of Directors on 20 March 2024 and were signed on its behalf by:

Robert Sharpe, Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December 2023 | As at 31 December 2022 |
|------------------------------------------------------------------|-------|------------------------|------------------------|
| | | £'000 | £'000 |
| Non-current assets | | | |
| Credit Assets at amortised cost | 12 | 444,490 | 523,877 |
| Investment Assets held at fair value through profit or loss | 9 | 88,220 | 62,853 |
| Investments in subsidiaries | | - | 239,027 |
| Total non-current assets | | 532,710 | 825,757 |
| Current assets | | | |
| Cash and cash equivalents | 5, 24 | 14,402 | 18,229 |
| Receivables | 5, 17 | 4,775 | 3,831 |
| Assets held for distribution - investments in subsidiaries | | 239,027 | - |
| Total current assets | | 258,204 | 22,060 |
| Total assets | | 790,914 | 847,817 |
| Current liabilities | | | |
| Payables | 5, 18 | 4,182 | 5,174 |
| Derivative liabilities held at fair value through profit or loss | 20 | 179 | 916 |
| Deemed loan | 25 | 60,412 | 29,227 |
| Interest-bearing borrowings | 11 | 70,282 | 30,141 |
| Total current liabilities | | 135,055 | 65,458 |
| Total assets less current liabilities | | 655,859 | 782,359 |
| Non-current liabilities | | | |
| Deemed loan | 25 | 3,114 | 63,809 |
| Interest-bearing borrowings | 11 | 74,912 | 139,226 |
| Total non-current liabilities | | 78,026 | 203,035 |
| Net assets | | 577,833 | 579,324 |
| Shareholders' funds | | | |
| Ordinary share capital | 26 | 642 | 689 |
| Share premium | | - | 299,599 |
| Retained earnings | | 296 | - |

| | | |
|------------------------------------------|----------------|----------------|
| Revenue reserves | - | 4,148 |
| Capital reserves | - | (2,361) |
| Other reserves | 576,895 | 277,249 |
| Total shareholders' funds | 577,833 | 579,324 |
| Net asset value per share (pence) | 28 | 899.5 |
| | | 902.2 |

The notes to the accounts form an integral part of the financial statements.

On 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited as part of the Reorganisation described in Note 1. As such the Group has classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5. The assets and liabilities related to these activities are disclosed in the 'Assets held for distribution - investments in subsidiaries' line item of this statement. Further disclosure is presented in Note 5.

Advantage has been taken of the exemption under Section 408 of the Companies Act 2006 and accordingly the Company has not presented a statement of comprehensive income for the Company alone. The profit on ordinary activities after taxation of the Company for continuing operations was £30.2 million (2022: £28.1 million) for the year ended 31 December 2023 and there were no profits from assets held for distribution to the new parent within the Company (2022: nil).

The financial statements of Pollen Street Limited (company number 09899024), which includes the notes, were approved and authorised by the Board of Directors on 20 March 2024 and were signed on its behalf by:

Robert Sharpe, Chairman

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2023

| | Ordinary Share Capital £'000 | Share Premium £'000 | Retained Earnings £'000 | Revenue Reserves £'000 | Capital Reserves £'000 | Special Distributable Reserves £'000 | Merger Reserves £'000 | Foreign Currency Translation Reserve £'000 | Total Equity £'000 |
|--------------------------------------------------------------------------------------|---------------------------------------|---------------------------|-------------------------------|------------------------------|------------------------------|-----------------------------------------------|-----------------------------|--------------------------------------------------------|--------------------------|
| Shareholders' funds as at 1 January 2023 | 689 | 299,599 | - | 2,363 | (2,361) | 51,979 | 225,270 | - | 577,539 |
| Profit after taxation | - | - | - | 40,406 | - | - | - | - | 40,406 |
| Foreign currency translation reserve | - | - | - | - | - | - | - | (453) | (453) |
| Dividends paid in the year | - | - | - | (31,664) | - | - | - | - | (31,664) |
| Cancellation of treasury shares | (47) | 47 | - | - | - | - | - | - | - |
| Cancellation of share premium reserve | - | (299,646) | - | - | - | 299,646 | - | - | - |
| Reallocation of revenue and capital reserves to retained earnings ⁶ | - | - | 8,560 | (11,105) | 2,361 | - | - | 184 | - |
| Shareholders' funds as at 31 December 2023 | 642 | - | 8,560 | - | - | 351,625 | 225,270 | (269) | 585,828 |

For the year ended 31 December 2022

| | Ordinary Share Capital ⁷ £'000 | Share Premium £'000 | Revenue Reserves £'000 | Capital Reserves £'000 | Special Distributable Reserves £'000 | Merger Reserves £'000 | Total Equity £'000 |
|---------------------------------------------------------|----------------------------------------------------|---------------------------|------------------------------|------------------------------|-----------------------------------------------|-----------------------------|--------------------------|
| Shareholders' funds as at 1 January 2022 | 352 | 299,599 | 4,790 | (2,244) | 56,845 | - | 359,342 |
| Ordinary shares issued | 295 | - | - | - | - | 235,486 | 235,781 |
| Transaction costs for share issuance | - | - | - | - | - | (10,216) | (10,216) |
| Ordinary shares bought back | 42 | - | - | - | (4,866) | - | (4,824) |
| Profit after taxation | - | - | 26,478 | (117) | - | - | 26,361 |
| Dividends paid in the year | - | - | (28,905) | - | - | - | (28,905) |
| Shareholders' funds as at 31 December 2022 | 689 | 299,599 | 2,363 | (2,361) | 51,979 | 225,270 | 577,539 |

The notes to the accounts form an integral part of the financial statements.

⁶ Includes £184,000 of Other Comprehensive Income transferred to Foreign Currency Translation Reserve in relation to the year ended 31 December 2022

⁷ Includes £42,000 of Ordinary Share Capital transferred to the Special Distributable Reserves for buybacks that occurred prior to 1 January 2022

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2023

| | Ordinary Share Capital £'000 | Share Premium £'000 | Retained Earnings £'000 | Revenue Reserves £'000 | Capital Reserves £'000 | Special Distributable Reserves £'000 | Merger Reserves £'000 | Total £'000 |
|-------------------------------------------------------------------|---------------------------------------|---------------------------|-------------------------------|------------------------------|------------------------------|-----------------------------------------------|-----------------------------|----------------|
| Shareholders' funds as at 1 January 2023 | 689 | 299,599 | - | 4,148 | (2,361) | 51,979 | 225,270 | 579,324 |
| Profit after taxation | - | - | - | 30,173 | - | - | - | 30,173 |
| Dividends paid in the year | - | - | - | (31,664) | - | - | - | (31,664) |
| Cancellation of treasury shares | (47) | 47 | - | - | - | - | - | - |
| Cancellation of share premium reserve | - | (299,646) | - | - | - | 299,646 | - | - |
| Reallocation of revenue and capital reserves to retained earnings | - | - | 296 | (2,657) | 2,361 | - | - | - |
| Shareholders' funds as at 31 December 2023 | 642 | - | 296 | - | - | 351,625 | 225,270 | 577,833 |

For the year ended 31 December 2022

| | Ordinary Share Capital £'000 | Share Premium £'000 | Revenue Reserves £'000 | Capital Reserves £'000 | Special Distributable Reserves £'000 | Merger Reserves £'000 | Total Equity £'000 |
|-------------------------------------------------|---------------------------------------|---------------------------|------------------------------|------------------------------|-----------------------------------------------|-----------------------------|--------------------------|
| Shareholders' funds as at 1 January 2022 | 352 | 299,599 | 4,790 | (2,244) | 56,845 | - | 359,342 |
| Ordinary shares issued | 295 | - | - | - | - | 235,486 | 235,781 |
| Transaction costs for share issuance | - | - | - | - | - | (10,216) | (10,216) |
| Ordinary shares bought back | 42 | - | - | - | (4,866) | - | (4,824) |
| Profit / (Loss) after taxation | - | - | 28,263 | (117) | - | - | 28,146 |
| Dividends paid in the year | - | - | (28,905) | - | - | - | (28,905) |

| | | | | | | | |
|--------------------------------------------------|-----|---------|-------|---------|--------|---------|---------|
| Shareholders' funds as at 31 December 2022 | 689 | 299,599 | 4,148 | (2,361) | 51,979 | 225,270 | 579,324 |
|--------------------------------------------------|-----|---------|-------|---------|--------|---------|---------|

There may be factors that restrict the value of the reserves that can be distributed and these factors may be complex to determine. Distributable reserves may therefore not be the total of retained earnings and the special distributable reserve.

The notes to the accounts form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | For the year ended | |
|------------------------------------------------------------------|-------|---------------------------|---------------------------|
| | | 31 December 2023 £'000 | 31 December 2022 £'000 |
| Cash flows from operating activities: | | | |
| Profit after taxation | 5, 7 | 40,406 | 26,361 |
| Adjustments for: | | | |
| (Advances) / repayments of Investments at amortised cost | | 80,357 | 42,322 |
| Change in expected credit loss | 12 | (970) | (206) |
| Purchase of Investments at fair value | 5, 9 | (44,227) | (12,237) |
| Receipt of Investments at fair value | 5, 9 | 22,935 | 1,033 |
| Net change in unrealised (gains)/losses | | (5,659) | (1,804) |
| Finance costs | 5, 9 | 20,590 | 14,517 |
| Foreign exchange revaluation | | 2,893 | (2,263) |
| Corporation tax | 5 | 1,357 | 80 |
| Change in carried interest | 5 | (10,280) | (1,593) |
| Depreciation of fixed assets | 5, 15 | 207 | 56 |
| Depreciation of lease assets | 5, 16 | 720 | 266 |
| Amortisation of intangible assets | 5, 6 | 480 | 160 |
| (Increase) / decrease in receivables | 5 | (5,072) | 2,668 |
| Increase / (decrease) in payables | 5 | (72) | 2,082 |
| (Decrease) / increase in derivatives | | (737) | 808 |
| Net cash inflow from operating activities before tax paid | | 102,928 | 72,250 |
| Tax paid | 5 | (105) | (2,560) |
| Net cash inflow from operating activities | | 102,823 | 69,690 |
| Cash flows from investing activities: | | | |
| Cash acquired from Pollen Street Capital Holdings | 5 | - | 2,662 |
| Purchase of fixed assets | 5 | (137) | (269) |
| Net cash (outflow) / inflow from investing activities | | (137) | 2,393 |
| Cash flows from financing activities: | | | |
| Payments of lease liabilities | 5 | (1,350) | (338) |
| Redemption of shares | | - | (4,824) |
| Transaction costs for issuance of shares | | - | (9,120) |
| Drawdown of interest-bearing borrowings | 11 | 37,000 | 76,925 |
| Repayments of interest-bearing borrowings | 11 | (91,094) | (82,291) |
| Interest paid on financing activities | | (19,135) | (13,175) |
| Dividends paid in the year | 19 | (31,664) | (28,905) |
| Net cash (outflow) from financing activities | | (106,243) | (61,728) |
| Net change in cash and cash equivalents | | (3,557) | 10,355 |
| Cash and cash equivalents at the beginning of the year | | 23,303 | 12,948 |
| Cash and cash equivalents | 5, 24 | 19,746 | 23,303 |

Interest received for the Group and Company for the year ended 31 December 2023 was £53.9 million (for the year ended 31 December 2022: £53.9 million). Dividends received for the Group and Company for the year ended 31 December 2023 was £1.5 million (for the year ended 31 December 2022: £2.0 million).

Refer to note 5 for the statement of cash flows for the assets held for distribution to the new parent.
The notes to the accounts form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

| | Notes | For the year ended | |
|----------------------------------------------------------|-------|---------------------------|---------------------------|
| | | 31 December 2023 £'000 | 31 December 2022 £'000 |
| Cash flows from operating activities: | | | |
| Profit after taxation | 7 | 30,173 | 28,146 |
| Adjustments for: | | | |
| (Advances) / repayments of Investments at amortised cost | | 80,357 | 42,322 |
| Change in expected credit loss | 12 | (970) | (206) |
| Purchase of Investments at fair value | 9 | (45,879) | (12,145) |
| Receipt of Investments at fair value | 9 | 22,935 | 1,033 |
| Net change in unrealised (gains)/losses | | (5,659) | (1,804) |
| Finance costs | 9 | 14,411 | 10,950 |
| Foreign exchange revaluation | | 3,228 | (2,262) |
| Business combination expenses | | - | (3,246) |
| (Increase) / Decrease in receivables | | (944) | 2,723 |
| (Decrease) in payables | | (992) | (1,686) |
| (Decrease) / increase in derivatives | | (737) | 808 |
| Net cash inflow from operating activities | | 95,923 | 64,633 |
| Cash flows from financing activities: | | | |
| Redemption of shares | | - | (4,824) |
| Transaction cost for issuance of shares | | - | (9,120) |
| Receipt of deemed loans | 25 | - | 22,789 |
| Repayment of deemed loans | 25 | (29,510) | (12,079) |
| Drawdown of interest-bearing borrowings | 11 | 37,000 | 35,000 |
| Repayments of interest-bearing borrowings | 11 | (62,000) | (50,000) |
| Interest paid on financing activities | | (13,576) | (9,765) |
| Dividends declared and paid | 19 | (31,664) | (28,905) |
| Net cash (outflow) from financing activities | | (99,750) | (56,904) |
| Net change in cash and cash equivalents | | (3,827) | 7,729 |
| Cash and cash equivalents at the beginning of the year | | 18,229 | 10,500 |
| Cash and cash equivalents | 24 | 14,402 | 18,229 |

Interest received for the year ended 31 December 2023 was £46.9 million (for the year ended 31 December 2022: £41.1 million).

The notes to the accounts form an integral part of the financial statements.

Notes to the financial statements

1. GENERAL INFORMATION

Pollen Street Limited was incorporated on 2 December 2015 and is domiciled and registered in England and Wales with registered number 09899024. The Company was originally named Honeycomb Investment Trust plc. The name was changed to Pollen Street plc on 6 October 2022 then Pollen Street Limited on 14 February 2024. Pollen Street Limited is referred to as the Company and together with its subsidiaries, it is referred to as the Group or Pollen Street. The registered office and principal place of business of the Group and Company is: 11-12 Hanover Square, London, W1S 1JJ.

On 30 September 2022, the Company combined with Pollen Street Capital Holdings Limited by way of an all share combination, which is referred to as the Combination. The Combination occurred on 30 September 2022 and was effected by the Company acquiring 100 per cent of the share capital of Pollen Street Capital Holdings Limited with newly issued shares in the Company as the consideration. As such the Company's financial statements incorporate Pollen Street Capital Holdings Limited and its subsidiaries from 30 September 2022, the point at which it became a subsidiary of the Company.

On 24 January 2024, the Group introduced a new Guernsey incorporated holding company, named Pollen Street Group Limited, as the immediate and ultimate parent of the Company by way of a scheme of arrangement pursuant to Part 26 of the Companies Act 2006. As part of this, the shares of the Company were delisted and cancelled; new shares were issued by the Company to the Pollen Street Group Limited and Pollen Street Group Limited issued new shares to the former shareholders of the Company which were admitted to trading on the London Stock Exchange's main market for listed securities and to the premium listing segment for commercial companies of the Official List maintained by the Financial Conduct Authority in accordance with Part VI of the Financial Services and Markets Act 2000.

On 14 February 2024, the Company re-registered from a public company to a private company and distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent company, Pollen Street Group Limited, referred to as the Distribution. The Scheme and the Distribution are together referred to as the Reorganisation.

As a result of these changes, the Company classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5, ceased to prepare the financial statements on a basis compliant with the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in July 2022 and ceased to be classified as an investment trust. However, the Company continues its operations of investing in Credit Assets and Equity Assets. The activities classified as for distribution to owners are continuing operations for Pollen Street Group Limited and its subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Committee as adopted in the UK, including interpretations issued by the IFRS Interpretations Committee and interpretations issued by the International Accounting Standard Committee ("IASC") that remain in effect.

These financial statements have been prepared using consistent accounting policies as applied by the Group in previous years, on a going concern basis and under the historic cost convention as modified by the revaluation of financial assets held at fair value through profit and loss as applicable. The Directors consider that the Group has adequate financial resources to enable it to continue operations for a period of no less than 12 months from the approval of these accounts. In order to reach this conclusion, the Directors have reviewed the financial projections of the Group from the date of this report until Pollen Street Group Limited's AGM in 2027, which shows that the Group will be able to generate sufficient cash flows in order to meet its liabilities as they fall due. These financial projections have been performed under various stressed scenarios and in all cases the Group is able to meet its liabilities as they fall due.

The stressed scenarios included halting future Investment Asset originations, late repayments of the largest structured facility and individual exposures experiences ongoing performance at the worst monthly impact experienced throughout 2022 and 2023. The Directors consider these scenarios to be the most relevant risks to the Group's operations.

As part of these projections, the Directors have considered the Reorganisation that is described above. All operations undertaken by Pollen Street Capital Holdings Limited have therefore been classified as held for distribution to owners under IFRS 5 and are on the basis that Pollen Street Capital Holdings Limited will be a wholly owned subsidiary of Pollen Street Group Limited and have therefore not been included in the projections. Further information on this matter is presented in the section on assets held for distribution to the new parent company, later in this Note and also in Note 5. The Directors note that 100 per cent of the share capital of the Company is now held by Pollen Street Group Limited.

Due to the Reorganisation described in Note 1, Pollen Street Limited classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5 and ceased to prepare the financial statements on a basis compliant with the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in July 2022. The Group therefore reallocated reserves from revenue and capital reserves, to retained earnings. If the Group had shown revenue and capital reserves during the year, the amount for revenue reserves would have been £11.1 million (31 December 2022: £2.4 million) and the amount for capital reserves would have been £(2.4) million (31 December 2022: £(2.4) million).

The principal accounting policies adopted by the Group are set out below and all values are rounded to the nearest thousand pounds unless otherwise indicated.

Changes to accounting policies

There were no changes to accounting standards during the year that were applicable to the Group. Following the Reorganisation, the Group has applied IFRS 5 to the operations of the business that have been distributed to owners. Further information on this matter is presented in the section on assets held for distribution to the new parent company, later in this Note.

Accounting policies

Consolidation

Subsidiaries are investees controlled by the Company. The Company controls an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more elements of control. The Company does not consider itself to be an investment entity for the purposes of IFRS 10, as it does not hold substantially all of its investments at fair value. Consequently, it consolidates its subsidiaries rather than holding at fair value through profit or loss.

On 30 September 2022, the Company acquired 100 per cent of Pollen Street Capital Holdings Limited with newly issued shares in the Company as consideration. Pollen Street Capital Holdings Limited is a limited company incorporated under the law of Guernsey as a company limited by shares pursuant to the Companies (Guernsey) Law, 2008, with company number 58102. This transaction is referred to as the Combination. The Company is considered to control the Pollen Street Capital Holdings Limited and its subsidiaries and so the Group has consolidated Pollen Street Capital Holdings Limited and its subsidiaries with effect from 30 September 2022. As explained in note 1, Pollen Street Limited classified the activities of Pollen Street Capital Holdings Limited as held for distribution to owners in accordance with IFRS 5. Pollen Street Capital Holdings Limited is still consolidated in the financial statements on a line by line basis, but is shown in a new column for assets held for distribution to the new parent.

The Group also assessed the consolidation requirements for the carried interest partnerships and certain underlying entities or funds which the Group holds as investments.

For the carried interest partnerships in funds in existence prior to completion of the Combination on 30 September 2022, the Directors considered the nature of the relationships between the Group, the funds, the fund investors, the carried interest partnerships and participants in the carried interest partnerships. The Directors also considered any influence that the Group had in the setup of the carried interest partnerships in order to assess the power to control the carried interest partnerships. It was determined that the carried interest partnerships were set up on behalf of the fund investors, and that on balance, the Group does not control the carried interest partnerships. Where the Group has in excess of 20 per cent of the interest in the carried interest partnership, the Group is considered to have significant influence. It was therefore determined that these carried interest partnerships are accounted for as associates as explained in the investments in associates section. The key judgemental areas for the accounting of carried interest partnerships are in Note 3, Significant accounting estimates and judgements. The carried interest partnerships are presented in the Carried Interest line on the Statement of Financial Position.

For the underlying entities or funds, the Directors considered the nature of the relationships between the Group, the underlying entities or funds and the investors. The Directors also considered any influence that the Group had in the setup of

the underlying entities or funds in order to assess the power to control the underlying entities or funds. It was determined that the underlying entities or funds were set up for the investors, and that on balance, the Group does not control the underlying entities or funds. Where the Group holds more than 20 per cent of the interest in the underlying entities, funds or carried interest participations, it is considered to have significant influence. It was therefore determined that these underlying entities or funds are accounted for as associates as explained in the investments in associates section. The key judgemental areas for the accounting of the underlying entities or funds are in Note 3, Significant accounting estimates and judgements. The underlying entities or funds are presented in the Investments Assets held at fair value through profit or loss line on the Statement of Financial Position.

The Group also consolidates Bud Funding Limited (“Bud”) and Sting Funding Limited (“Sting”).

In the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. All entities within the Group have co-terminus reporting dates.

Refer to Note 21 for further details.

Investments in subsidiaries

Investments in subsidiaries in the Statement of Financial Position of the Company are recorded at cost less provision for impairments. All transactions between the Company and its subsidiary undertakings are classified as related party transactions for the Company accounts and are eliminated on consolidation.

Investments in associates

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 percent of the voting rights.

The Group acquired carried interest rights in the most recent flagship funds as part of the Combination. The rights are in the form of partnership interests in carried interest partnerships. The Group has between 1 per cent and 25 per cent of the total interests in these partnerships. Where the Group has in excess of 20 per cent interest, the Group is considered to have significant influence over the partnerships and the partnerships are considered to be an associate. The carried interest partnerships (including associates and contract assets) are presented in the ‘Carried interest’ line on the Consolidated Statement of Financial Position; and income from the carried interest partnerships is presented in the ‘Carried interest and performance fee income’ line on the Consolidated Statement of Comprehensive Income.

The Group also holds more than 20 per cent of interest in certain underlying entities or funds. These entities are treated as associates. The Group elects to hold investments in associates at FVTPL. This treatment is permitted by IAS 28 Investments in Associates and Joint Ventures, which permits investments held by entities that are venture capital organisations, mutual funds or similar entities to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at FVTPL and accounted for in accordance with IFRS 9. These underlying entities or funds are presented in the Investment assets held at fair value through profit or loss line on the Statement of Financial Position. Changes in fair value of these entities or funds are presented in the Gains on Investment Assets held at fair value on the Consolidated Statement of Comprehensive Income.

Details of how the Group classifies and measures assets at FVTPL are in the classification and measurement section.

Assets held for distribution to the new parent company

The Group classifies assets and liabilities as held for distribution to owners, under IFRS 5, if their carrying amounts will be recovered principally through a distribution of the assets and liabilities to shareholders of the Company or the Group rather than through continuing use. The criteria for the classification as held for distribution is regarded as met only when the sale is highly probable, the assets and liabilities are available for immediate sale in their present condition and the sale is expected to complete within one year from the date of the classification.

Assets and liabilities held for distribution to owners are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9 and the deferred tax asset, which are measured in accordance other relevant accounting standards. Costs to sell are the incremental costs directly attributable to the disposal of the assets and liabilities, excluding finance costs and income tax expense. Assets held for distribution to owners are not depreciated or amortised. Interest and other expenses attributable to the liabilities held for distribution to owners continue to be recognised.

Assets and liabilities classified as held for distribution to owners are presented separately as current items in the consolidated and company statement of financial position and the results of the assets and liabilities held for distribution to owners are presented separately in the statement of comprehensive income.

On 11 October 2023, the shareholders of the Company approved resolutions at a Court Meeting and General Meeting for the distribution of its subsidiary, Pollen Street Capital Holdings Limited, to its new parent, Pollen Street Group Limited, as part of the Reorganisation. This transaction is referred to as the Distribution and it completed on 14 February 2024. Pollen Street Limited and its current subsidiaries have therefore ceased all asset management activities, however they continue their operations of investing in Credit Assets and Equity Assets.

All operations undertaken by Pollen Street Capital Holdings Limited were therefore classified as held for distribution to owners, also described as held for distribution to new parent, on 11 October 2023. The Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and the Company Statement of Financial Position have been presented in columnar format with the 'For Distribution' columns representing the activities that are being distributed to the new parent and the 'Continuing Operations' column representing the activities that will remain in Pollen Street Limited. A 'Total' column has also been presented for information.

Additional disclosures, including disclosure of the effect of the Distribution on the Consolidated Statement of Cash Flows are provided in Note 5. All other notes to the financial statements include amounts for continuing operations. The notes to the accounts include a column that presents the total of the continuing operations and assets held for distribution to the new parent which is a non-GAAP measure.

Foreign currency

The financial statements have been prepared in Pounds Sterling because that is the currency of the majority of the transactions during the year, so has been selected as the presentational currency.

The liquidity of the Group is managed on a day-to-day basis in Pounds Sterling as the Group's performance is evaluated in that currency. Therefore, the Directors consider Pounds Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and is therefore the functional currency.

Transactions involving foreign currencies are converted at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pounds Sterling at the exchange rate ruling on the year-end date. Foreign exchange differences arising on translation would be recognised in the Statement of Comprehensive Income.

Business model assessment

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level in order to generate cash flows because this best reflects the way the business is managed. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable, then the financial assets are classified as part of the other business model and measured at FVTPL.

The assessment includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether the strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- past experience on how the cash flows for these assets were collected;
- how the performance of the portfolio is evaluated and reported;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior years, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the stated objective for managing the financial assets is achieved and how cashflows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument are considered. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the following features are considered:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

Classification and measurement

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are derecognised when the Group settles its obligations relating to the instrument.

Classification and measurement – Financial assets

IFRS 9 contains a classification and measurement approach for debt instruments that reflects the business model in which assets are managed and their cash flow characteristics. This is a principle-based approach and applies one classification approach for all types of debt instruments. For debt instruments, two criteria are used to determine how financial assets are classified and measured:

- the entity’s business model (i.e. how an entity manages its debt Instruments in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and
- the contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss (“FVTPL”): (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 9 details the classification and measurement approach for assets measured at fair value through other comprehensive income (“FVOCI”) if it meets both of the following conditions and is not designated as at FVTPL:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments and derivatives are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

All equity positions are measured at FVTPL. Financial assets measured at FVTPL are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the Consolidated Statement of Comprehensive Income within Gains on Investment Assets held at fair value in the period in which they occur. The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Group establishes a fair value by using valuation techniques. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The carried interest rights acquired by the Group as part of the Combination are recognised as associates at fair value or as a contract asset. Refer to Note 10 for further details on carried interest.

The Group does not hold any FVOCI assets.

Classification and measurement – Financial liabilities

In both the current year and prior year, financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to change in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the Consolidated Statement of Comprehensive Income.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent years, the Group recognises any expense incurred on the financial liability.
- Financial guarantee contracts and loan commitments.

Credit Assets at amortised cost

Loans are initially recognised at a carrying value equivalent to the funds advanced to the borrower plus the costs of acquisition fees and transaction costs. After initial recognition loans are subsequently measured at amortised cost using the effective interest rate method (“EIRM”) less expected credit losses (see Note 12).

Expected Credit loss allowance for financial assets measured at amortised cost

The impairment charge in the income statement includes the change in expected credit losses which are recognised for loans and advances to customers, other financial assets held at amortised cost and certain loan commitments.

IFRS 9 applies a single impairment model to all financial instruments subject to impairment testing. Impairment losses are recognised on initial recognition, and at each subsequent reporting period, even if the loss has not yet been incurred. In addition to past events and current conditions, reasonable and supportable forecasts affecting collectability are also considered when determining the amount of impairment in accordance with IFRS 9. Under the IFRS 9 expected credit loss model, expected credit losses are recognised at each reporting period, even if no actual loss events have taken place. In addition to past events and current conditions, reasonable and supportable forward-looking information that is available without undue cost or effort is considered in determining impairment, with the model applied to all financial instruments subject to impairment testing.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3. Stage 2 and Stage 3 are based on lifetime expected credit losses.

The measurement of expected credit loss, referred to as “ECL”, is primarily based on the product of the instrument’s probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the EIR.

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (“12M PD”), or over the remaining lifetime (“Lifetime PD”) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur. The EAD is discounted back to the reporting date using the EIR determined at initial recognition.
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan (“Lifetime LGD”).

The ECL is determined by estimating the PD, LGD and EAD for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof. The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band where supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This is also adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group’s recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

The main difference between Stage 1 and Stage 2 is the respective PD horizon. Stage 1 estimates use a maximum of a 12-month PD, while Stage 2 estimates use a lifetime PD. The main difference between Stage 2 and Stage 3 is that Stage 3 is effectively the point at which there has been a default event. For financial assets in Stage 3, entities continue to recognise lifetime ECL but now recognise interest income on a net basis. This means that interest income is calculated based on the gross carrying amount of the financial asset less ECL. Stage 3 estimates continue to leverage existing processes for estimating losses on impaired loans, however, these processes are updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios using independent third-party economic information.

Movements between Stage 1 and Stage 2 are based on whether an instrument’s credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

In assessing whether a borrower has had a significant increase in credit risk, the following indicators are considered:

Consumer

- Short-term forbearance;
- Extension of terms granted;

Structured/SME/Property

- Significant increase in credit spread, where this information is available;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase the risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing of payables.

However, as a backstop, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when repayments are more than 30 days past due. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Group uses this 90-day backstop for all its assets except for UK second mortgages, the Group has assumed a backstop of 180 days past due as mortgage exposures more than 90 days past due, but less than 180 days, typically show high cure rates and this aligns to the Group's risk management practices. Assets can move in both directions through the stages of the impairment model.

In assessing whether a borrower is credit-impaired, the following qualitative indicators are considered:

- Any cases of forbearance, for example where the borrower is deceased or insolvent.
- Whether the borrower is in breach of financial covenants, for example where concessions have been made by the lender relating to the borrower's financial difficulty or there are significant adverse changes in business, financial or economic conditions on which the borrower operates.
- Where the credit risk has increased, the remaining lifetime PD at the reporting date is assessed in comparison to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

The criteria above have been applied to all Credit Asset at amortised costs held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected credit loss calculations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Under IFRS 9, when determining whether the credit risk (i.e. the risk of default) on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on historical experience, credit assessment and forward-looking information.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forward-looking information. A "Base case" view of the future direction of relevant economic variables and a representative range of other possible forecasts scenarios have been developed. The process has involved developing two additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most likely outcome and is aligned with information used for other purposes, such as strategic planning and budgeting. The number of scenarios and their attributes are reassessed at each reporting date. As at 31 December 2023 as well as 31 December 2022, all of the portfolios of the Group use one positive, one optimistic and one downside scenario. These scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

The estimation and application of forward-looking information requires significant judgement. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances, are modelled and adjusted based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The Group has utilised macroeconomic scenarios prepared and provided by Oxford Economics (“Oxford”). Oxford combines two decades of forecast errors with the quantitative assessment of the current risks facing the global and domestic economy to produce robust forward-looking distributions for the economy. Oxford constructs three alternative scenarios at specific percentile points in the distribution. In any distribution, the probability of a given discrete scenario is close to zero. Therefore, scenario probabilities represent the probability of that scenario or similar scenarios occurring. In effect, a given scenario represents the average of a broader bucket of similar severity scenarios and the probability reflects the width of that bucket. Given that it is known where the IFRS 9 scenarios sit in the distribution (the percentiles), their probability (the width of the bucket of similar scenarios) depends on how many scenarios are chosen. Scenario probabilities must add up to 100 per cent so the more scenarios chosen, the smaller the section of the distribution, or bucket, each scenario represents and therefore the smaller the probability. This allows the probabilities to be calculated according to whichever subset of scenarios chosen to use in the ECL calculation. Oxford updates these scenarios on a quarterly basis to reflect changes to the macroeconomic environment. Pollen Street updates the scenarios during the year if economic conditions change materially. Oxford selects the scenarios to represent a broadly fixed probability within the distribution of potential outcomes. As such Pollen Street has maintained the probability of each scenario at a broadly constant level despite the changing macroeconomic environment. The Base case is given a 40 per cent weighting and the downside and upside a 30 per cent weighting each, which is unchanged from the prior year.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness at each reporting date.

Expected Credit loss allowance for Receivables

Receivables consist of trade and other debtor balances and prepayments and accrued income. Receivables balances are represented by fees receivable for investment fund management and advisory services provided during the year to the Group’s customers. The Group’s customers are funds that the Group manages or advises. As such, the Group has detailed and up to date information on the financial position and outlook of its counterparties. Receivable balances are generally collected on a monthly or quarterly basis and are therefore short-term in nature. The Group applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. Given the historic rate of recoverability is 100 per cent and the absence of reasons to believe the recoverability pattern will change, management’s assessment is that ECL calculated under IFRS 9 would be immaterial at the end of the current and previous reporting period. Further information as to how the Group manages its credit risk on trade and other receivables is disclosed in Note 23. Management will continue to assess the recoverability at each reporting date for changes in the circumstances surrounding the recoverability of the trade and other receivables, and recognise an expected credit loss allowance when appropriate.

Expected Credit loss allowance for Cash and cash equivalents

Balances with banks are short-term in nature, are held in reputable institutions (refer to Note 24) and are considered to have a very low risk of credit losses, therefore the ECL was estimated as immaterial and was not booked.

Write-off policy for financial assets measured at amortised cost

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amounts are also recognised in the Consolidated Statement of Comprehensive Income as a gain or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the Consolidated Statement of Comprehensive Income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practice are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original assets. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 2 or Stage 3.

Collateral and other credit enhancements

The Group employs a range of policies to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies of the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- mortgages over residential properties;
- security over our borrowers receivables;
- margin agreement for derivatives, for which the Group has also entered into master netting agreements;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Derivatives are also generally collateralised.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

Derecognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass through” transfers that result in derecognition if the Group:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Investments held at fair value through profit or loss

The Investments held at fair value through profit or loss (“FVTPL”) include Equity Assets and Credit Assets.

Equity Assets held at FVTPL are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEVCV”) effective 1 January 2019 with the latest update in December 2022 as recommended by the British Private Equity and Venture Capital Association. Credit Assets held at FVTPL are valued incorporating the effect of changes interest rates and the credit risk using similar techniques to those described in the section of expected credit loss allowance for financial assets measured at amortised costs later in this Note.

Equity Assets are instruments that have equity-like returns; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include ordinary shares or investments in Private Equity funds managed or advised by Pollen Street.

Credit Assets at FVTPL consist of loans, together with similar investments, made by the Investment Company to counterparties where the contractual cash flows do not meet the requirements of the solely payments of principal and interest test or are otherwise classified at fair value. See the section on Classification and measurement – Financial assets earlier in this Note. Examples of credit instruments include investment in Private Credit funds managed or advised by Pollen Street or other credit instruments where incremental cash flows are due contingent on certain events occurring.

Credit Assets at FVTPL are valued based off the net asset value of each fund. The valuations typically reflect the fair value of the Group’s proportionate share of each investment as at the reporting date or the latest available date. As at 31 December 2023, the majority of credit assets at FVTPL were priced at their amortised cost value given that they were floating rate assets and performing in line with expectations.

Purchases and sales of unquoted investments are recognised when the contract for acquisition or sale becomes unconditional.

IFRS 13 requires the Group to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Group’s own assumptions in determining the fair value of investments).

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

The gain on fair value is shown in the ‘Gains on Investment Assets held at fair value’ line on the Consolidated Statement of Comprehensive Income.

Fixed assets

Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated by the Group on a straight-line basis by reference to the original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is up to 10 years. Residual values are assumed to be nil.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|------------------------|------------|
| Fixtures and fittings | - 3 years |
| Office equipment | - 3 years |
| Electric vehicles | - 5 years |
| Leasehold improvements | - 10 years |

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash-generating unit (“CGU”) is less than its carrying amount. Any impairment loss recognised on the goodwill are not reversed subsequently. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A CGU represents the lowest level at which goodwill is monitored for internal management purposes.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

As explained in Note 5, on 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited. This is referred to as the Distribution. The Distribution was approved by shareholders on 11 October 2023. At this date, the Group considered that it was highly probable that the Distribution would take place, and so the Group carried out an impairment assessment of the goodwill to determine the carrying amount of goodwill that forms part of the Distribution.

Intangibles

Intangible assets, which constitute acquired customer relationship assets acquired from a business combination, are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are assessed at each reporting date when there are indicators of impairment.

Amortisation is calculated using the straight-line method to allocate the amortised amount of the assets to their residual values over their estimated useful lives.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and lease assets representing the right to use the underlying assets.

Lease assets

The Group recognises lease assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Lease assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred in restoring the underlying asset to the condition required by the terms and conditions of the lease and lease payments made at or before the commencement date less any lease incentives received. Lease assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Carried interest receivable

Carried interest receivable represents a contract asset under IFRS 15. The carried interest receivable amounts are recorded in the Carried interest line on the Consolidated Statement of Financial Position and are typically presented as non-current assets unless they are expected to be received within the next 12 months. The entitlement to carried interest and the amount is determined by the level of accumulated profits exceeding an agreed threshold or hurdle over the lifetime of each fund. The carried interest income is recognised when the performance obligations are expected to be met. Income is only recognised to the extent that it is highly probable that there would not be a significant reversal of any accumulated revenue recognised on the completion of a fund. The uncertainty of future fund performance is reduced through the application of discounts in the calculation of carried interest income. Performance fees are generally calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle, subject to catch-up provisions, and are recognised on an accrual basis when the fee amount can be estimated reliably, and it is highly probable that it will not be subject to significant reversal.

The Group acquired carried interest rights in certain funds that were part of the acquisition of Pollen Street Capital Holdings Limited. These rights were not part of the Group prior to the Combination and part of the shares issued to former shareholders of Pollen Street Capital Holdings Limited were in consideration for the fair value of acquiring rights to this carried interest. The rights are in the form of partnership interests in carried interest partnerships. The Group has between 10 and 25 per cent of the total interests in these partnerships. Where the Group has in excess of 20 percent of the rights, the Group is considered to have significant influence over the partnerships and the partnership is considered to be an associate. Associates are entities in which the Group has an investment and over which it has significant interest, but not control, through participation in the financial and operating policy decision. The Group has therefore recognised these interests as associates at fair value.

Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of asset on the Statement of Financial Position) comprise cash at bank including cash that is restricted and held in reserve.

Receivables

Receivables do not carry any interest and are short term in nature. They are initially stated at their nominal value and reduced by appropriate allowances for expected credit losses (if any).

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Payables

Payables represent amounts for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are non-interest-bearing and are initially stated at their nominal value.

Taxation

Throughout 2023, Pollen Street Limited had approval under Section 1158 of the Corporation Tax Act 2010 to be an investment trust and so was not liable for taxation on capital gains. The tax expense of the Group arose within the Asset Manager segment and comprised current and deferred tax.

Following the Reorganisation that occurred on 24 January 2024, Pollen Street Limited ceased to be classified as an investment trust. As such Pollen Street Limited will incur corporation tax on its profits for the year ended 31 December 2024. Further information on the Reorganisation is available in Note 1.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in Other Comprehensive Income (“OCI”) or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the consolidated statement of comprehensive income.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Derivatives

The Group uses foreign exchange spot, forward and swap transactions to hedge foreign exchange movements in non-GBP assets or liabilities in order to minimise foreign exchange exposure.

Derivative financial instruments are initially measured at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value at each reporting date. The Group does not designate derivatives as cash flow hedges and so all fair value movements are recognised in the Income Statement in the 'Gains on Investment Assets held at fair value' line on the statement of comprehensive income. The fair value of unsettled forward currency contracts is calculated by reference to the market for forward contracts with similar maturities.

Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

Deemed loans

The deemed loans are a non-derivative financial liability with fixed or determinable repayments that are not quoted in an active market. Deemed loans in relation to the Company arise from loans originated by the Company and subsequently sold to in a special purpose entity to reduce the cost of borrowing, in this case Sting Funding Limited and Bud Funding Limited. Although the loans are no longer legally owned by the Company, the Company maintains the economic risks and rewards of the underlying assets and therefore does not meet the criteria to derecognise.

Loans and related transaction costs are measured at initial recognition at fair value and are subsequently measured at amortised cost using the EIRM. International accounting standards ("IAS") makes it clear that assets should only appear on one statement of financial position. IFRS require a reporting entity, as part of the derecognition assessment, to consider whether the transfer includes a transfer to a consolidated subsidiary. Derecognition cannot be achieved by merely transferring the legal title to a financial asset to another party. The substance of the arrangement must be assessed in order to determine whether an entity has transferred the economic exposure associated with the rights inherent in the asset (i.e., its risks and rewards) and, in some cases, control of those rights.

In the case of the Company, it has not met the requirements of derecognition in relation to the deemed loans given the economic exposure associated with the rights inherent in the assets (i.e., its risks and rewards), have been retained. As such the Company fails to meet the requirements for derecognition and continues to recognise the financial assets and as such has a deemed loans liability to the relevant special purpose entity. At a consolidated Group level, the deemed liability is eliminated.

Shares

Ordinary and treasury shares are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, legal fees, accounting and other professional advisers, printing costs and stamp duties.

Treasury shares have no entitlements to vote and are held directly by the Company.

Capital reserves

Capital reserves arise from:

- gains or losses on disposal of equity investments during the year;
- increases and decreases in the valuation of equity investments held at the year-end; and
- other capital charges and credits charged to this account in accordance with the accounting policies above or as applied to the capital column of the Consolidated Statement of Comprehensive Income, prepared under guidance issued by the Associated of Investment Companies.

All of the above are accounted for in the Consolidated Statement of Comprehensive Income. Any other gains or losses, charges or credits from investments still held or otherwise are included in the revenue reserves.

Following completion of the Scheme, the capital reserves and revenue reserves were reallocated to a newly created retained earnings reserve on 31 December 2023.

Dividends

Dividends to shareholders are recognised in the period in which they are paid.

Income

The Group has four primary sources of income: management fee income, carried interest and performance fee income, interest income on Credit Assets held at amortised cost, and gains on Investment Assets held at fair value.

Management fee income includes fees charged by the Group to the funds that it manages for the provision of investment fund management and advisory services. Management fee revenue is shown net of any value added tax. Management fees are earned over a period and are recognised on an accrual basis in the same period in which the service is performed. Management fees are generally calculated at the end of each measurement period as a percentage of fund assets managed in accordance with individual management agreements or limited partnership agreements.

Carried interest and performance fee income includes income from holdings in carried interest partnerships where the Group receives variable returns as an incentive for the funds that it manages. Carried interest represents a share of fund profits through the Group's holdings in carried interest partnerships. The amount is determined by the level of accumulated profits exceeding an agreed threshold or hurdle.

Management fees and performance fees are charged to the Investment Company by Pollen Street Capital Limited, an indirect subsidiary of Pollen Street Limited. These fees are shown in Note 7, operating segments. However, they are eliminated on consolidation.

Interest income on Credit Assets held at amortised cost is generated from loans originated by the Group. Interest from loans are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the EIRM. The EIRM is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group takes into account all contractual terms of the financial instrument, for example prepayment options, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts. Fees and commissions which are not considered integral to the EIR model and deposit interest income are recognised on an accruals basis when the service has been provided or received.

Gains on Investment Assets held at fair value include realised and unrealised income on assets accounted for at fair value. Refer to the Investments held at fair value through profit or loss section for further details.

Pensions

The Group makes contributions into employee personal pension schemes. Once the contributions have been paid, the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position.

Expenses

All expenses are accounted for on an accruals basis. During the year, all expenses have been presented within retained earnings. In the prior year, all expenses were presented in revenue reserves except the following which formed part of capital reserves:

- transaction costs which are incurred on the purchases or sales of Equity Assets designated as fair value through profit or loss are expensed to capital in the consolidated statement of Comprehensive Income;
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the equity investments held can be demonstrated; and

- management fees and performance fees attributable to equity that were incurred by the Company and were payable to Pollen Street Capital Holdings Limited were allocated to the Capital column on the Consolidated Statement of Comprehensive Income.

Share-Based Payments

The Group grants annual bonuses to its Executive Directors and other senior employees that are deferred into share-based awards under the Group's deferred bonus plan. The share-based awards generally vest after three years, subject to the opportunity for co-investment. The co-investment opportunity permits the employee to collect the deferred award early, either in shares or up front in cash, provided they elect to apply the after-tax proceeds of the deferred award into a fund managed by the Group that has a contractual duration of longer than three years.

The Group accounts for the deferred awards as share-based payments. The awards are considered to be compound financial instruments, because the employee has the right to demand settlement in cash. The Group first measures the fair value of the cash component, which is considered to be a cash-settled share-based payment, and then measures the fair value of the equity component taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument, which is considered to be an equity-settled share-based payment.

Finance costs

Finance costs are accrued on the EIR basis and are presented as a separate line on the statement of comprehensive income.

Segmental reporting

The Group has two segments: the Asset Manager segment and the Investment Company segment. The primary revenue streams for the Asset Manager segment consist of management fees and performance fees or carried interest arising from managing Private Equity and Private Credit funds. The Investment Company segment primarily consists of the Group Investment Assets and borrowings. The primary revenue stream for the Investment Company segment is interest income and fair value gains on Investments held at fair value.

The Asset Manager segment charges management and performance fees to the Investment Company segment for managing the segment's assets. These fees are shown in the segmental results. However, they are eliminated in the consolidated financial statements. Refer to Note 7 for further details.

Prior to the Combination on 30 September 2022, the Group had a single business segment, which was the Investment Company.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. 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. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed on an ongoing basis. Although these estimates are based on the Directors' best knowledge of the amount, actual results may differ materially from those estimates.

Estimates

The estimates of most significance to the financial statements are detailed below. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Expected Credit loss (“ECL”) allowance for financial assets measured at amortised cost

The calculation of the Group’s ECL allowances and provisions against loan commitments and guarantees under IFRS 9 is complex and involves the use of significant judgement and estimation. Loan Impairment Provisions represent an estimate of the losses incurred in the loan portfolios at the balance sheet date. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans’ original EIR. The calculation involves the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9, depending on a range of factors such as changes in the economic environment in the UK. The most significant factors are set out below.

Definition of default – The PD of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

A number of the Group’s loans are secured against underlying collateral; for example real estate, SME and consumer loans. The Directors do not consider the value of this collateral to directly influence the probability of default. However, the Directors consider that the structure of some of the Group’s lending arrangements may mean that this collateral generates income for the Group’s borrowers that supports the borrowers’ ability to service the loan from the Group and therefore influence the probability of default.

The definition of default adopted by the Group is described in expected credit loss allowance for financial assets measured at amortised cost above. As noted, the Group has rebutted the presumption in IFRS 9 that default occurs no later than when a payment is 90 days past due on some of its portfolio.

The lifetime of an exposure – To derive the PDs necessary to calculate the ECL allowance it is necessary to estimate the expected life of each financial instrument. A range of approaches has been adopted across different product groupings including the full contractual life and taking into account behavioural factors such as early repayments and refinancing. The Group has defined the lifetime for each product by analysing the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off.

Significant increase in credit risk (“SICR”) – Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months’ expected credit losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected credit losses. Assets are transferred from Stage 1 to Stage 2 when there has been a SICR since initial recognition.

The Directors do not consider the value of any collateral to directly trigger whether there has been a significant increase in credit risk. However, the Directors consider that the structure of some of the Group’s lending arrangements may mean that the underlying loans that the Group is financing generate income for the borrowers that supports the borrowers’ ability to service the loan from the Group and therefore influence whether there has been a SICR.

The Group uses a quantitative test together with qualitative indicators and a backstop of 30 days past due for determining whether there has been a SICR. The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Forward-looking information – IFRS 9 requires the incorporation of forward-looking macroeconomic information that is reasonable and supportable, but it provides limited guidance on how this should be performed. The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes.

In order to do this the Group uses a model to project a number of key variables to generate future economic scenarios. These are ranked according to severity of loss and three economic scenarios have been selected to represent an unbiased and full loss distribution. They represent a “most likely outcome” (the Base case scenario) and two, less likely, “outer” scenarios, referred to as the “Upside” and “Downside” scenarios. These scenarios are used to produce a weighted average PD for each product grouping which is used to calculate the related ECL allowance. This weighting scheme is deemed appropriate for the computation of unbiased ECL. Key scenario assumptions are set using external economist forecasts, helping to ensure the IFRS 9 scenarios are unbiased and maximise the use of independent information. Using externally available forecast distributions helps ensure independence in scenario construction. While key economic variables are set with reference to external distributional forecasts, the overall narrative of the scenarios is aligned to the macroeconomic risks faced by the Group at 31 December 2023.

The choice of alternative scenarios and probability weighting is a combination of quantitative analysis and judgemental assessments, designed to ensure that the full range of possible outcomes and material non-linearity are captured. Paths for the two outer scenarios are benchmarked to the Base scenario and reflect the economic risk assessment. Scenario probabilities reflect management judgement and are informed by data analysis of past recessions, transitions in and out of recession, and the current economic outlook. The key assumptions made, and the accompanying paths, represent our "best estimate" of a scenario at a specified probability. Suitable narratives are developed for the central scenario and the paths of the two outer scenarios. It may be insufficient to use three scenarios in certain economic environments. Additional analysis may be requested at management's discretion, including the production of extra scenarios. We anticipate there will only be limited instances when the standard approach will not apply. The Base case, Upside and Downside scenarios are usually generated annually and those described herein reflect the conditions in place at the balance sheet date and are only updated during the period if economic conditions change significantly.

The Group's mild upside scenario can be thought of as an alternative, more optimistic, base case in which several different upside risks materialise. In this scenario, the UK economy records growth of 3% in 2024 and 2.9% in 2025. The labour market recovers gradually, and the unemployment rate falls to its recent decade-low of 3.6% by mid-2029. Supported by the turnaround in confidence, incomes and employment, residential house prices only see a mild fall in 2024-25 and recover thereafter. A sharp increase in consumption lifts financial market sentiment from its current depressed levels resulting in renewed gains in asset prices. The one-year forecast changes in key economic drivers are shown in the table below.

The base case forecasts unemployment to peak at 4.5% in December 2024, and the Bank of England base rate to be at 4.85% by the end of 2024 before gradually reducing to 2.0% by the end of 2027. The downside scenario forecasts unemployment to rise sharply over the coming year, reaching a peak of 7.2% in late 2026 and remaining relatively high thereafter, staying above 5.7% by the end of 2032. To counter the economic downturn, the downside scenario forecasts the base rate to fall more quickly to 3.88% by December 2024.

See Note 12 for the sensitivity analysis.

| As at 31 December 2023 | Base | Upside | Down-side |
|------------------------------------|---------|---------|-----------|
| UK unemployment rate yearly change | 0.24% | (0.15%) | 1.56% |
| UK HPI yearly change | (5.85%) | (2.32%) | (11.93%) |
| UK Base Rate | 4.85% | 5.75% | 3.88% |

| As at 31 December 2022 | Base | Upside | Down-side |
|------------------------------------|---------|---------|-----------|
| UK unemployment rate yearly change | 4.66% | 4.24% | 5.99% |
| UK HPI yearly change | (5.90%) | (3.15%) | (10.63%) |
| UK Base Rate | 4.00% | 5.25% | 3.50% |

Loss given default – referred to as LGD, represents the expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Exposure at default – referred to as EAD, is based on the amounts expected to be owed at the time of default, over the next 12 months or over the remaining lifetime. IFRS 9 requires an assumed draw down profile for committed amounts.

The Group also considers post-model adjustments to address model limitations or factors that have not been captured in the models. These represent the factors that are not fully accounted for as part of the modelling described above, such as potential uncertainty arising from the cost-of-living crisis and the current economic environment.

Equity Asset valuation

The valuation of unquoted investments and investments for which there is an inactive market is a key area of estimation and may cause material adjustment to the carrying value of those assets and liabilities. The unquoted Equity Assets are valued on a periodic basis using techniques including a market multiple approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions of the Group with the final valuations being reviewed by the Valuation Committee, which is a management-level Committee responsible for the oversight of the valuation of investments. The techniques used include earnings multiples, discounted cash flow analysis, the value of recent transactions and the net asset value of the investment. The valuations often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the Investee's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Increases or decreases in any of the inputs in isolation may result in higher or lower fair value measurements. Changes in fair value of all investments held at fair value, which includes Equity Assets are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the financial statements. Sensitivity analysis has been performed on the equity investment valuations in Note 9.

Impairment assessment for Goodwill

Goodwill is assessed for indicators of impairment at each reporting date and whenever there is an indication that the recoverable amount of a cash-generating unit ("CGU") is less than its carrying amount, and tested for impairment annually. For the impairment test, goodwill is allocated to the CGU or groups of CGUs which benefit from the synergies of the acquisition and which represent the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Key assumptions in the discounted cash flow projections are prepared based on current economic conditions and comprise an estimated long-term growth rate, the period over which future cashflows have been forecast, the weighted average cost of capital and estimated operating margins. Wherever possible, the inputs into the discounted cash flow projections used for the impairment test of goodwill are based on third party observable data.

Carried interest

The Group participates in carried interest in the underlying funds. Carried interest represents a share of fund profits through the Group's holdings in carried interest partnerships. The amount is determined by the level of accumulated profits exceeding an agreed threshold or hurdle. The rights are in the form of partnership interests in carried interest partnerships. Carried interest is accounted for as revenue under IFRS 15, where the carried interest is obtained as part of the service that the Group provides to the funds, and it is held at fair value, where the Group acquired carried interest rights as part of the Combination.

Carried interest income is only recognised under IFRS 15 provided it has been determined as being highly probable that there will not be a significant reversal. The value of carried interest, under this method, has been modelled by assessing the value of the assets in the fund as well as the terms of the carried interest arrangements that the Group is a beneficiary of. The value of the assets have been discounted to ensure that it is highly probable that there will not be a significant reversal.

Carried interest at fair value is modelled by estimating from the value of the funds' investments and the amount that would be due to the Group under the terms of the carried interest arrangements if the assets were realised at these values. Carried interest includes an embedded option where carried interest holders participate in gains but not losses of the fund subject to certain hurdles. The value of this option has been modelled using a variety of techniques, including the Black Scholes option valuation model and scenario analysis.

Sensitivity analysis has been performed on carried interest valuations in Note 10.

Judgements

The critical judgements relate to the consolidation of Group companies, the consolidation of fund investments and the accounting for carried interest partnerships.

Consolidation of Group companies

Determining whether the Group has control of an entity is generally straightforward when based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

Consolidation of fund investments

It was assessed throughout the period whether the Group should consolidate investments in funds managed or advised by the Group into the results of the Group. Control is determined by the extent of which the Group has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The Group has assessed the legal nature of the relationships between the Group, the relevant fund, the General Partners and the Limited Partners. This assessment included carrying out a control assessment of each Limited Partner ("LP") in accordance with IFRS 10 to consider whether the LPs should be consolidated into the financial statements of the Group. The Group has determined that control over the LPs ultimately resides with the underlying fund majority investors and that the Group, through the Asset Manager, acts as an agent to the underlying fund major investors and not as principal. The Group also determined that as the manager, the Group has the power to influence the returns generated by the fund, but the Group's interests typically represent only a small proportion of the total capital within each fund. The Group has therefore concluded that the Group acts as an agent, which is primarily engaged to act on behalf, and for the benefit, of the LPs rather than to act for its own benefit.

Accounting for carried interest partnerships

Carried interest represents a share of fund profits through the Group's holdings in carried interest partnerships. The amount is determined by the level of accumulated profits exceeding an agreed threshold or hurdle. The rights are in the form of partnership interests in carried interest partnerships. The Group has between 1 and 25 per cent of the total interests in these partnerships.

The Group has undertaken a control assessment of each carried interest partnership in accordance with IFRS 10 to consider whether they should be consolidated into the Group's results. The Group has considered the nature of the relationships between the Group, the fund, the fund investors, the carried interest partnership and participants in the carried interest partnership. The Group has determined that the power to control the carried interest partnerships ultimately resides with the fund investors and that the Group is therefore an agent and not a principal. This is because the purpose and design of the carried interest partnerships and the carry rights in the fund are determined at the outset by each fund's Limited Partner Agreement ("LPA"), which requires investor agreement and reflects investor expectations to incentivise individuals to enhance performance of the underlying fund. While the Group has some power over the carried interest partnerships, these powers are limited and represent the best interests of all carried interest holders collectively and hence, these are assessed to be on behalf of the fund investors.

The Group has assessed the payments and the returns the carried interest holders make and receive from their investment in carried interest and have considered whether those carried interest holders, who are also employees of the Group, were providing a service for the benefit of the Group or the investors in the fund. The Group concluded that the carried interest represents a separate relationship between the fund investors and the individual employees and that the carried interest represents an investment requiring the individuals to put their own capital at risk and that, after an initial vesting period, continued rights to returns from the investment is not dictated by continuation of employment.

In addition, the Group has also considered the variability of returns for all carried interest partnerships and in doing so have determined that the Group is exposed to variable returns in the range of 1 to 25 per cent as at 31 December 2023 (31 December 2022: 1 to 28 per cent), with the main beneficiaries of the carried interest partnership variable returns being the other participants. The Group concluded that the carried interest partnership are not controlled by the Group and therefore should not be consolidated.

The Group has also assessed whether the Group has significant influence over the carried interest partnerships under IAS28, Investments in Associates and Joint Ventures. Where the Group has a share of 20 per cent or more of the rights to the carried interest, the Group is considered to have significant influence and therefore these carried interest partnerships are treated as an associate. Details of the associates are set out in Note 21.

4. BUSINESS COMBINATION

There were no business combinations in the year ended 31 December 2023.

In the prior year, the Company acquired 100 per cent of the shares in Pollen Street Capital Holdings Limited on 30 September 2022. The Company controls Pollen Street Capital Holdings Limited so it has been consolidated from 30 September 2022. In the prior year, the Group expensed £3,352,000 of costs associated with the acquisition of the shares in Pollen Street Capital Holdings Limited. The costs associated with the issuance of shares of £10,216,400 were presented in merger reserves in the Statement of Financial Position and Statement of Changes in Shareholders' Funds.

The following table shows the fair value of the consideration transferred and the acquisition-date fair value of each major class of the consideration:

| As at 30 September 2022 | £'000 |
|--------------------------------------------------------|----------------|
| Consideration | 235,781 |
| Purchase price allocation | |
| Pollen Street Capital Holdings Limited net asset value | (4,590) |
| Intangible assets | (4,000) |
| Total value of assets acquired | (8,590) |
| Goodwill | 227,191 |

The goodwill recognised on acquisition of the Pollen Street Capital Holdings Limited is made up of one cash-generating unit, which includes future management and performance fees arising from the acquired company and its subsidiaries.

Consideration

The consideration for the acquisition of Pollen Street Capital Holdings Limited was in the form of issuance of shares in Pollen Street Limited to the owners of Pollen Street Capital Holdings Limited. The gross amount was £235,781,304, which was the number of shares issued on 30 September 2022 of 29,472,663 multiplied by the prior day closing share price of £8.00 per share.

In aggregate, the consideration shares represented approximately 45.6 per cent of the enlarged share capital of Pollen Street Limited on the completion date being 30 September 2022.

Pollen Street Capital Holdings Limited net asset value

Pollen Street Capital Holdings Limited net asset value was formed of the following balance sheet items on the date of completion, being 30 September 2022:

| As at 30 September 2022 | £'000 |
|----------------------------------------------------------------|--------------|
| Pollen Street Capital Holdings Limited net asset value: | |
| Receivables | 15,054 |
| Payables | (23,729) |
| Carried interest | 5,459 |
| Other assets | 7,806 |
| Closing balance | 4,590 |

Receivables

The fair value of the receivables acquired in Pollen Street Capital Holdings Limited were equal to the gross contractual amounts receivable. The main receivables consist of trade and other debtor balances, prepayments and accrued income. Receivable balances were represented by fees receivable for investment fund management and advisory services provided to Pollen Street Capital Holdings Limited's customers. The customers include investors in funds that Pollen Street Capital Holdings Limited manages or advises; as such, Pollen Street Capital Holdings Limited has detailed and up-to-date information on the financial position and outlook of its counterparties. The significant majority of the receivable balances were trade debtors that are generally collected on a monthly or quarterly basis and had been collected by 31 December 2023.

Payables

The main items of the payables acquired include corporation tax and general business accruals.

Carried interest

Carried interest refers to the share of the profits of a third-party fund earned by Pollen Street Capital Holdings Limited and its subsidiaries. The Group's carried interest participations are defined and agreed with the Limited Partners in each fund's Limited Partnership Agreement. The exact measurement for the carried interest in different funds can differ, such as containing different hurdle rates and waterfalls.

Other assets

Other assets are primarily formed of fixed tangible assets including investments in funds managed or advised by the Investment Manager and a third-party fund management company. The other assets also included £2.6 million of cash and cash equivalents.

Intangible assets

The intangible assets represent customer relationships which arose as part of the acquisition of Pollen Street Capital Holdings Limited. See Note 6 for further details.

5. ASSETS HELD FOR DISTRIBUTION TO THE NEW PARENT COMPANY

On 14 February 2024, the Company distributed the entire issued share capital in Pollen Street Capital Holdings Limited to its new parent, Pollen Street Group Limited. This is referred to as the Distribution. All operations undertaken by Pollen Street Capital Holdings Limited were therefore classified as held for distribution to owners, also described as held for distribution to new parent, on 11 October 2023 being the date that shareholders approved the resolutions for the Distribution. See Note 1 and Note 2 for further information.

The following table shows the group of assets and liabilities held for distribution as at 31 December 2023:

| As at 31 December 2023 | | |
|----------------------------------------------|--------------|---------------------------------------------|
| | Notes | Items for Distribution £'000 |
| Current assets | | |
| Cash and cash equivalents | 24 | 1,196 |
| Receivables | 17 | 13,939 |
| Fixed assets | 15 | 1,344 |
| Goodwill and intangible assets | 6 | 230,551 |
| Lease assets | 16 | 4,056 |
| Carried interest | 10 | 17,332 |
| Total current assets | | 268,418 |
| Total assets | | 268,418 |
| Current liabilities | | |
| Payables | 18 | 17,582 |
| Lease payables | 16 | 4,152 |
| Current tax payable | 13 | 981 |
| Deferred tax liability | 13 | 2,628 |
| Total current liabilities | | 25,343 |
| Total assets less current liabilities | | 243,075 |
| Net assets | | 243,075 |

The table above shows the consolidated balance of the items held for distribution, which are net of intercompany amounts. The intercompany eliminations amount not shown above is for £3.9 million, which is added to the net assets of £243.1 million shown above to total the amount being distributed of £247.0 million.

The Company assets held for distribution comprise investments in subsidiaries of £239.0 million. See note 21 for further details on subsidiaries.

The following table shows the cash flows from the group of assets and liabilities held for distribution as at 31 December 2023:

| | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-----------------------------------------------------|----------------------------------------|----------------------------------------|
| | £'000 | £'000 |
| Net cash flows from operating activities | 1,312 | 1,951 |
| Net cash used in investing activities | (1,487) | 2,055 |
| Net cash used in financing activities | (1,350) | (1,285) |
| Net decrease in cash and cash equivalents | (1,525) | 2,721 |
| Cash and cash equivalents at beginning of year | 2,721 | - |
| Cash and cash equivalents at the end of year | 1,196 | 2,721 |

As part of the Distribution, the Group was required to account for the assets that are held for distribution at the lower of their carrying amount and fair value. A fair value assessment was carried out as at 31 December 2023 on the assets held for distribution, which had a carrying value of £243.1 million (31 December 2022: nil) and a fair value of £326.8 million (31 December 2022: nil).

6. GOODWILL AND INTANGIBLE ASSETS

On 11 October 2023, the Group classified the goodwill and intangibles recognised as part of the acquisition of Pollen Street Capital Holdings Limited in 2022 as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The table below shows the total goodwill and intangible assets held by the Group:

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|----------------------------------------|------------------------------------------|----------------|----------------------------------------|----------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 231,191 | - | 231,191 | - | - |
| Additions | - | - | - | 231,191 | 231,191 |
| Reallocation to assets held for distribution to the new parent | (231,191) | 231,191 | - | - | - |
| Closing balance | - | 231,191 | 231,191 | 231,191 | 231,191 |
| Accumulated amortisation | | | | | |
| Opening balance | (160) | - | (160) | - | - |
| Amortisation | (480) | - | (480) | (160) | (160) |
| Reallocation to assets held for distribution to the new parent | 640 | (640) | - | - | - |

| | | | | | |
|-----------------|---|---------|---------|---------|---------|
| Closing balance | - | (640) | (640) | (160) | (160) |
| Net book value | - | 230,551 | 230,551 | 231,031 | 231,031 |

The table below shows the total goodwill held by the Group:

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|-------------------------------------------------------------------|----------------------------------------|------------------------------------------|----------------|----------------------------------------|----------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 227,191 | - | 227,191 | - | - |
| Additions | | | | 227,191 | 227,191 |
| Reallocation to assets held for distribution to the new parent | (227,191) | 227,191 | - | - | - |
| Net book value | - | 227,191 | 227,191 | 227,191 | 227,191 |

The table below shows the total intangible assets held by the Group:

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|-------------------------------------------------------------------|-------------------------------------|------------------------------------------|--------------|----------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 4,000 | - | 4,000 | - | - |
| Additions | - | - | - | 4,000 | 4,000 |
| Reallocation to assets held for distribution to the new parent | (4,000) | 4,000 | - | - | - |
| Closing balance | - | 4,000 | 4,000 | 4,000 | 4,000 |
| Accumulated amortisation | | | | | |
| Opening balance | (160) | - | (160) | - | - |
| Amortisation | (480) | - | (480) | (160) | (160) |
| Reallocation to assets held for distribution to the new parent | 640 | (640) | - | - | - |
| Closing balance | - | (640) | (640) | (160) | (160) |
| Net book value | - | 3,360 | 3,360 | 3,840 | 3,840 |

Goodwill

Goodwill is calculated as the consideration for an acquisition less the value of the assets acquired. The goodwill, shown in Note 4 above, relates to the acquisition of the Pollen Street Capital Holdings Limited.

As per the requirements of IAS 36 “*impairment of assets*”, goodwill is tested for impairment annually. The goodwill recognised as part of the acquisition above is compared to a financial model used to estimate the value in use of Pollen Street Capital Holdings Limited. The value in use involves identifying the cashflows associated with the revenue streams of Pollen Street Capital Holdings Limited and carrying out a forecast of future cashflows that are discounted back to their net present value based on discount rates obtained from relevant industry comparable information.

Goodwill was tested for impairment on 11 October 2023, the date that the Group considered that it was highly probable that the Distribution would take place and no impairment was identified. The cashflows have been forecast five years and three months into the future (2022: 3 years projections used), where the final year is assigned a terminal value. The value in use of goodwill was £296 million (31 December 2022: £300 million) which is £69 million (31 December 2022: £73 million) above the goodwill value of £227 million presented by the Group. The value in use model has a number of assumptions; the most significant assumptions are the future income projections that are based on Pollen Street Capital Holdings Limited’s forecast profit after tax, the discount rate used of 12.4 per cent (31 December 2022: 11.3 per cent), and the long-term growth rate of 3.6 per cent (31 December 2022: 2.5 per cent).

The future cashflow projections are based on management’s best estimate using historical performance and third-party data and applying assumptions to future potential funds.

The following table shows the sensitivity of the value in use to the key inputs as at 11 October 2023:

| Group | Sensitivity applied | Increase rate £'000 | Decrease rate £'000 | Change at which VIU equates to carrying value of goodwill |
|-----------------------|---------------------|------------------------|------------------------|-----------------------------------------------------------|
| Profit after tax | +/-50% | 147,793 | (147,793) | Decrease of 23% |
| Long-term growth rate | +/-100bps | 30,622 | (24,386) | Decrease of 350bps |
| Discount rate | +/-100bps | (33,945) | 42,781 | Increase of 230bps |

The following table shows the sensitivity of the value in use to the key inputs as at 31 December 2022:

| Group | Sensitivity applied | Increase rate £'000 | Decrease rate £'000 | Change at which VIU equates to carrying value of goodwill |
|-----------------------|---------------------|------------------------|------------------------|-----------------------------------------------------------|
| Profit after tax | +/-10% | 30,000 | (30,000) | Decrease of 24% |
| Long-term growth rate | +/-50bps | 16,790 | (14,988) | Decrease of 305bps |
| Discount rate | +/-50bps | (16,820) | 20,478 | Increase of 250bps |

Intangible assets

The intangible assets arose as part of the acquisition, and represents existing customer relationships of Pollen Street Capital Holdings Limited. The intangible assets have a finite life, which is estimated to be up to the end of 2028, and so the intangibles are amortised on a straight-line basis up to the end of 2028 and are included in Administration costs on the statement of comprehensive income. See Notes 2 and 4 for further information on intangible assets.

7. OPERATING SEGMENTS

The Group has two operating segments: the Asset Manager segment and the Investment Company segment.

The Asset Manager segment encompasses the activities of the Group that provide investment management and investment advisory services to a range of funds under management within Private Equity and Private Credit strategies. The primary revenue streams for the Asset Manager segment consist of management fees and performance fees or carried interest. Fund management services are also provided to the Investment Company segment, however fees from these services are eliminated from the Group consolidated financial statements. Fund Management EBITDA in Strategic Report is equivalent to the operating profit of the Asset Manager segment adjusted for the depreciation of the lease asset.

The Investment Company segment holds the Investment Assets of the Group. The primary revenue stream for this segment is interest income and fair value gains on the Investment Asset portfolio. The Income on Net Investment Assets of the Investment Company segment represents the operating profit of the segment and is referred to as the Net Investment Income in the Strategic Report.

| For the year ended 31 December 2023 | | | | |
|----------------------------------------------------------------------|---------------|--------------------|----------------|----------------|
| Group | Asset Manager | Investment Company | Central | Group |
| | £'000 | £'000 | £'000 | £'000 |
| Management fee income | 34,332 | - | (5,420) | 28,912 |
| Carried interest and performance fee income | 14,831 | - | (3,351) | 11,480 |
| Interest income on Credit Assets held at amortised cost | - | 57,668 | - | 57,668 |
| Gains through profit or loss on Investment Assets held at fair value | - | 5,102 | - | 5,102 |
| Total income | 49,163 | 62,770 | (8,771) | 103,162 |
| Credit impairment release | - | 970 | - | 970 |
| Third-party servicing costs | - | (2,374) | - | (2,374) |
| Net operating income | 49,163 | 61,366 | (8,771) | 101,758 |
| Administration costs | (33,006) | (10,833) | 7,148 | (36,691) |
| Finance costs | (230) | (20,360) | - | (20,590) |
| Operating profit | 15,927 | 30,173 | (1,623) | 44,477 |
| Depreciation | (927) | - | - | (927) |
| Amortisation | - | - | (480) | (480) |
| Profit before tax | 15,000 | 30,173 | (2,103) | 43,070 |

| For the year ended 31 December 2022 | | | | |
|---------------------------------------------------------|---------------|--------------------|----------------|---------------|
| Group | Asset Manager | Investment Company | Central | Group |
| | £'000 | £'000 | £'000 | £'000 |
| Management fee income | 7,750 | - | (1,538) | 6,212 |
| Carried interest and performance fee income | 2,411 | - | (833) | 1,578 |
| Interest income on Credit Assets held at amortised cost | - | 51,986 | - | 51,986 |
| Gains on Investment Assets held at fair value | - | 3,909 | - | 3,909 |
| Total income | 10,161 | 55,895 | (2,371) | 63,685 |

| | | | | |
|-----------------------------|---------------|---------------|----------------|---------------|
| Credit impairment release | - | 206 | - | 206 |
| Third-party servicing costs | - | (2,511) | - | (2,511) |
| Net operating income | 10,161 | 53,590 | (2,371) | 61,380 |
| Administration costs | (7,224) | (10,821) | (1,540) | (19,585) |
| Finance costs | - | (14,517) | - | (14,517) |
| Operating profit | 2,937 | 28,252 | (3,911) | 27,278 |
| Depreciation | (322) | - | - | (322) |
| Amortisation | - | - | (160) | (160) |
| Profit before tax | 2,615 | 28,252 | (4,071) | 26,796 |

All of the Credit Assets at amortised cost were held within the Pollen Street Limited, Sting Funding Limited and Bud Funding Limited. The Investment Assets held at fair value through profit or loss as at 31 December 2023 were £88.2 million (31 December 2022: £64.5 million), of which £88.2 million (31 December 2022: £62.9 million) were held within the Pollen Street Limited, Sting Funding Limited and Bud Funding Limited, and no Investment Assets (31 December 2022: £1.7 million) were held within Pollen Street Capital Holdings Limited and its subsidiaries.

Income

Management fee income, represents all income in the form of management fees arising in the Asset Manager. Carried interest and performance fee income includes income earned by the Asset Manager that is in the form of a performance fee or the carried interest share from the funds under management. Interest income relates to income earned by the Investment Company on loans provided to third parties. Gains/(Losses) on Investment Assets held at fair value include revenue earned by the Group on its Investment Asset portfolio.

There was realised carried interest of £1.2 million (2022: nil) arising from two Separately Managed Accounts (“SMAs”). The remaining carried interest income was unrealised. The Gains on Investment assets at fair value includes both realised and unrealised income.

Expenses

Credit impairments relate to any charges (releases) on the assets held at amortised cost within the Investment Company. Administrative costs include employee expenses such as salaries, bonuses and any employee benefits costs incurred by the Asset Manager.

The following table shows the fees payable to the Company’s auditor PricewaterhouseCoopers LLP (“PwC”):

| Group | For the year ended 31 | For the year ended 31 |
|-----------------------------------------------------------------------------------|-----------------------|-----------------------|
| | December 2023 | December 2022 |
| | £’000 | £’000 |
| Fees for the statutory audit of the Company and consolidated financial statements | 624 | 595 |
| Fees for the statutory audits of the subsidiaries | 262 | 224 |
| Audit related assurance services – historical financial information | 855 | - |
| Non-audit fees | 55 | - |
| Total | 1,796 | 819 |

The audit related assurance services and non-audit fees were in relation to work performed by PwC as Reporting Accountants in relation to historical financial information of the Group for the six-month period ended 30 June 2023 and historical financial information for Pollen Street Capital Holdings Limited for the year ended 31 December 2022 that was required by legislation.

Central

The Central column consists primarily of the elimination of inter-segment fees, which are fees charged by the Asset Manager to the Investment Company, losses from the US operations of Pollen Street Capital Holdings Limited, exceptional costs and the amortisation of intangibles acquired as part of the business combination.

Geographical analysis

The Group and Company had the following geographical exposures of its Credit Assets at amortised cost and Investment Assets held at fair value through profit or loss in GBP equivalent:

| Group | As at 31 December 2023 | As at 31 December 2022 |
|--------------|------------------------|------------------------|
| | £'000 | £'000 |
| UK | 429,761 | 524,181 |
| Europe | 102,949 | 42,961 |
| USA | - | 21,241 |
| Total | 532,710 | 588,383 |

| Company | As at 31 December 2023 | As at 31 December 2022 |
|--------------|------------------------|------------------------|
| | £'000 | £'000 |
| UK | 429,761 | 522,528 |
| Europe | 102,949 | 42,961 |
| USA | - | 21,241 |
| Total | 532,710 | 586,730 |

The majority of revenue was obtained in the UK. For the year ended 31 December 2023, the Group earned revenues from US and European investment assets of GBP equivalent 10.4 million (For the year ended 31 December 2022: GBP equivalent 3.8 million).

8. EMPLOYEES

The following tables show the average monthly number of employees and the Directors during the year. For the prior year, the average includes the four Non-Executive Directors of Pollen Street Limited for the entire period and the addition of two executive Directors from 30 September 2022 alongside the Pollen Street Capital Holdings Limited staff from 30 September 2022, being the completion date of the acquisition that occurred in the prior year.

| Group | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|---------------------------------------------------|----------------------------------------|----------------------------------------|
| | Average number of staff | Average number of staff |
| Directors | 7 | 5 |
| Employees (the average for the respective period) | 82 | 78 |
| Total | 89 | 83 |

| Company | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|--------------|----------------------------------------|----------------------------------------|
| | Number of staff | Number of staff |
| Directors | 7 | 5 |
| Total | 7 | 5 |

There were no employees in the Company throughout the year (31 December 2022: nil) and the Company had 7 Directors as at 31 December 2023 (31 December 2022: 7). The Group had a total of 84 employees as at 31 December 2023 (2022: 78).

The following table shows the total staff costs incurred during the year. This includes the Group's five Non-Executive Directors of Pollen Street Limited. The total number of employees and Directors as at 31 December 2023 was 91 (31 December 2022: 85).

| Group | For the year ended 31 | For the year ended 31 |
|-----------------------------------|-----------------------|-----------------------|
| | December 2023 | December 2022 |
| | £'000 | £'000 |
| Wages and salaries | 23,534 | 5,638 |
| Social security costs | 3,719 | 932 |
| Defined contribution pension cost | 148 | 24 |
| Total | 27,401 | 6,594 |

Wages and salaries include the expense recognised in relation to awards under the Group's deferred bonus plan.

9. INVESTMENT ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Investment Assets at Fair Value through profit or loss

The following table shows the total Investment Assets at fair value through profit or loss of the Group, which includes both Equity Assets and Credit Assets.

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | | |
|---------------------------------------|-------------------------------------|------------------------|-----------------|-------------------------------------|------------------------|----------------|
| | Equity Assets £'000 | Credit Assets £'000 | Total £'000 | Equity Assets £'000 | Credit Assets £'000 | Total £'000 |
| Opening balance | 16,449 | 48,057 | 64,506 | 15,659 | 33,111 | 48,770 |
| Additions at cost | 10,390 | 33,837 | 44,227 | 790 | 13,008 | 13,798 |
| Realisations at cost | - | (22,935) | (22,935) | - | (1,033) | (1,033) |
| Gains through profit or loss | - | 5,659 | 5,659 | - | 3,762 | 3,762 |
| Realised gains through profit or loss | - | (2,747) | (2,747) | - | (1,958) | (1,958) |
| Foreign exchange revaluation | - | (490) | (490) | - | 1,167 | 1,167 |
| Closing balance | 26,839 | 61,381 | 88,220 | 16,449 | 48,057 | 64,506 |
| Comprising: | | | | | | |
| Valued using an earnings multiple | 1,566 | 11,090 | 12,656 | 1,559 | 10,457 | 12,016 |
| Valued using a TNAV multiple | 25,273 | 50,291 | 75,564 | 14,890 | 37,600 | 52,490 |
| Closing balance | 26,839 | 61,381 | 88,220 | 16,449 | 48,057 | 64,506 |

The following table shows the total Investment Assets at fair value through profit or loss of the Company, which includes both Equity Assets and Credit Assets.

| Company | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | | |
|-----------------------------------------|-------------------------------------|------------------------|-----------------|-------------------------------------|------------------------|----------------|
| | Equity Assets £'000 | Credit Assets £'000 | Total £'000 | Equity Assets £'000 | Credit Assets £'000 | Total £'000 |
| Opening balance | 15,659 | 47,194 | 62,853 | 15,659 | 33,111 | 48,770 |
| Additions at cost | 11,180 | 34,700 | 45,880 | - | 12,145 | 12,145 |
| Realisations at cost | - | (22,935) | (22,935) | - | (1,033) | (1,033) |
| Gains through profit or loss | - | 5,659 | 5,659 | - | 3,762 | 3,762 |
| Realised gains through profit or loss | - | (2,747) | (2,747) | - | (1,958) | (1,958) |
| Unrealised Foreign exchange revaluation | - | (490) | (490) | - | 1,167 | 1,167 |
| Closing balance | 26,839 | 61,381 | 88,220 | 15,659 | 47,194 | 62,853 |
| Comprising: | | | | | | |
| Valued using an earnings multiple | 1,566 | 11,090 | 12,656 | 1,359 | 10,457 | 11,816 |
| Valued using a TNAV multiple | 25,273 | 50,291 | 75,564 | 14,300 | 36,737 | 51,037 |
| Closing balance | 26,839 | 61,381 | 88,220 | 15,659 | 47,194 | 62,853 |

Gains through profit or loss are presented in the 'Gains on Investment Assets held at fair value through profit or loss' in the consolidated statement of comprehensive income.

The Group and Company Credit Assets at fair value through profit and loss include investments made into three Private Credit funds that are also managed or advised by the Group: PSC Credit III (A) SCSp and (B) SCSp, PSC Credit (T) SCSp, one of the European Separately Managed Accounts ("SMAs"), and PSC US Badger LLC, one of the US SMAs. As at 31 December 2023, the Group held 12% of Credit III (31 December 2022: 7.5%), 1% of PSC Credit (T) SCSp (As at 31 December 2022: 1%) and 0% of PSC US Badger LLC (31 December 2022: 49%) as PSC US Badger LLC was wound down during the year. As at 31 December 2023, the undrawn commitment for the investment into flagship Credit III was £4.7 million (31 December 2022: £11.9 million), £0.8 million (31 December 2022: £0.8 million) for the investment in PSC Credit (T) SCSp and £0 million for the investment in PSC US Badger LLC (31 December 2022: £6.8 million). As at 31 December 2023, the Company holds the investments in Credit III and PSC Credit (T) SCSp (31 December 2022: the investment in PSC Credit (T) SCSp was held by a subsidiary of the Group).

The Group and Company Equity Assets at fair value through profit and loss includes commitments in two private equity funds that are managed or advised by the Group: PSC Accelerator II (A) LP and PSC V (A) LP. As at 31 December 2023, the Group held 2% of PSC Accelerator II (A) LP's total commitments (31 December 2022: nil) and had drawn amounts of £10.4 million and undrawn commitments in PSC Accelerator II (A) of £10.5 million (31 December 2022: nil) and had 5% of the total commitments in PSC V (A) LP with no amounts drawn (31 December 2022: nil) and an undrawn commitment in PSC V (A) LP of £20 million (31 December 2022: nil).

The Asset Manager does not double charge fees in relation to these assets. The costs incurred by these funds are not included in the costs reported by the Group.

b) Fair value classification of total Investment Assets

The Group Investment Assets at fair value through profit or loss are classified as level 3 assets with a value as at 31 December 2023 of £88.2 million (31 December 2022: £64.5 million). The Company Investment Assets at fair value through profit or loss are classified as level 3 assets with a value on 31 December 2023 of £88.2 million (31 December 2022: £62.9 million). There were no movements for the Group and Company (2022: no movements) between the fair value hierarchies during the year.

c) Sensitivity analysis of assets at fair value through profit or loss

The investments are in Equity Assets and Credit Assets, both of which are valued using different techniques, including recent transactions and recent rounds of funding by the investee entities and a market approach. Sensitivity to the quantitative information regarding the unobservable inputs for the Group and Company's Level 3 positions as at 31 December 2023 and 31 December 2022 is given below:

| Valuation technique | Sensitivity applied | For the year ended | For the year ended |
|---------------------|---------------------------------|-----------------------|-----------------------|
| | | 31 December 2023 | 31 December 2022 |
| | | £'000 | £'000 |
| | | Impact of sensitivity | Impact of sensitivity |
| Earnings multiple | Earnings multiple changed by 1x | 2,956 | 2,998 |
| TNAV | TNAV changed by 10% | 5,243 | 3,974 |

The earnings multiple used was between 1.5x and 11.3x (2022: 5.3x and 12.7x).

d) Assets and liabilities not carried at fair value but for which fair value is disclosed

For the Group as at 31 December 2023:

| Group | As Presented | Fair Value | | | Total £'000 |
|-------------------------------|----------------|------------------|------------------|------------------|----------------|
| | | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | |
| Assets | | | | | |
| Investments at amortised cost | 444,490 | - | - | 475,484 | 475,484 |
| Receivables | 17,942 | - | 17,942 | - | 17,942 |
| Cash and cash equivalents | 19,746 | 19,746 | - | - | 19,746 |
| Total assets | 482,178 | 19,746 | 17,942 | 475,484 | 513,172 |
| Liabilities | | | | | |
| Payables | (19,149) | - | (19,149) | - | (19,149) |
| Interest-bearing borrowings | (210,764) | - | (210,764) | - | (210,764) |
| Total liabilities | 229,913 | - | 229,913 | - | 229,913 |

For the Company as at 31 December 2023:

| Company | As Presented | Fair Value | | | Total £'000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| | | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | |
| Assets | | | | | |
| Investments at amortised cost | 444,490 | - | - | 475,484 | 475,484 |
| Receivables | 4,775 | - | 4,775 | - | 4,775 |
| Cash and cash equivalents | 14,402 | 14,402 | - | - | 14,402 |
| Total assets | 463,667 | 14,402 | 4,775 | 475,484 | 494,661 |
| Liabilities | | | | | |
| Payable | (4,185) | - | (4,185) | - | (4,185) |
| Deemed Loan | (63,526) | - | (63,526) | - | (63,526) |
| Interest-bearing borrowings | (145,194) | - | (145,194) | - | (145,194) |
| Total liabilities | (212,905) | - | (212,905) | - | (212,905) |

For the Group as at 31 December 2022:

| Group | As Presented | Fair Value | | | Total £'000 |
|-------------------------------|--------------|------------------|------------------|------------------|----------------|
| | | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | |
| Assets | | | | | |
| Investments at amortised cost | 523,877 | - | - | 557,180 | 557,180 |

| | | | | | |
|-----------------------------|------------------|---------------|------------------|----------------|------------------|
| Receivables | 12,870 | - | 12,870 | - | 12,870 |
| Cash and cash equivalents | 23,303 | 23,303 | - | - | 23,303 |
| Total assets | 560,050 | 23,303 | 12,870 | 557,180 | 593,353 |
| Liabilities | | | | | |
| Payables | (19,221) | - | (19,221) | - | (19,221) |
| Interest-bearing borrowings | (263,633) | - | (263,633) | - | (263,633) |
| Total liabilities | (282,854) | - | (282,854) | - | (282,854) |

For the Company as at 31 December 2022:

| Company | As Presented | Fair Value | | | Total £'000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| | | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | |
| Assets | | | | | |
| Investments at amortised cost | 523,877 | - | - | 557,180 | 557,180 |
| Receivables | 3,831 | - | 3,831 | - | 3,831 |
| Cash and cash equivalents | 18,229 | 18,229 | - | - | 18,229 |
| Total assets | 545,937 | 18,229 | 3,831 | 557,180 | 579,240 |
| Liabilities | | | | | |
| Payable | (5,174) | - | (5,174) | - | (5,174) |
| Deemed Loan | (93,036) | - | (93,036) | - | (93,036) |
| Interest-bearing borrowings | (169,367) | - | (169,367) | - | (169,367) |
| Total liabilities | (267,577) | - | (267,577) | - | (267,577) |

Note 12 provides further details of the loans at amortised cost held by the Group and Company.

The fair value of the receivable and payable balances approximates their carrying amounts due to the short-term nature of the balances.

10. CARRIED INTEREST

On 11 October 2023, the Group classified the carried interest as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The following table shows the total value of the carried interest held by the Group, which includes both the carried interest at fair value through profit or loss and the carried interest receivable:

| Group | As at 31 December 2023 | | | As at 31 December 2022 | |
|--------------------------------|------------------------|------------------------------------|---------------|------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried interest at fair value | - | 15,967 | 15,967 | 6,495 | 6,495 |
| Carried interest receivable | - | 1,365 | 1,365 | 557 | 557 |
| Closing balance | - | 17,332 | 17,332 | 7,052 | 7,052 |

The Company did not hold any carried interest during the year (31 December 2022: nil).

Carried interest assets at fair value through profit or loss

(a) Movements during the year

| Group | As at 31 December 2023 | | | As at 31 December 2022 | |
|----------------------------------------------------------------|------------------------|------------------------------------|---------------|------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 6,495 | - | 6,495 | - | - |
| Additions at cost | - | - | - | 5,459 | 5,459 |
| Gains through profit or loss | 10,672 | - | 10,672 | 1,036 | 1,036 |
| Realised proceeds | (1,200) | - | (1,200) | - | - |
| Reallocation to assets held for distribution to the new parent | (15,967) | 15,967 | - | - | - |
| Closing balance | - | 15,967 | 15,967 | 6,495 | 6,495 |

Gains through profit or loss are presented in the 'Carried interest and performance fee income' line on the consolidated statement of comprehensive income.

Fair value classification of carried interest at fair value through profit or loss

Carried interest at fair value through profit or loss is classified as a level 3 asset with a value as at 31 December 2023 of £16.0 million (31 December 2022: £6.5 million). There were no movements between the fair value hierarchies during the year (for the year ended 31 December 2022: no movements).

Sensitivity analysis of carried interest at fair value through profit or loss

The table below is the sensitivity impact on the inputs applied to the carried interest assets at FVTPL. The sensitivity parameters are considered reasonable assumptions in the movement in inputs:

| Valuation Parameter | Sensitivity applied | As at 31 December 2023 | | As at 31 December 2022 | |
|---------------------|---------------------|------------------------|----------|------------------------|----------|
| | | Increase | Decrease | Increase | Decrease |
| | | £'000 | £'000 | £'000 | £'000 |
| | | | | | |

| | | | | | |
|-------------------------|------------|-------|---------|-------|---------|
| Fund NAV | +/- 10% | 4,450 | (4,349) | 2,995 | (1,899) |
| Option volatility | +/- 10% | 1,302 | (716) | 816 | (569) |
| Option time to maturity | +/- 1 Year | 1,532 | (1,714) | 867 | (998) |
| Option risk free rate | +/- 1% | 477 | (475) | 238 | (235) |

Carried interest receivable

Movements in the year

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|--------------|-------------------------------------|------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 557 | - | 557 | - | - |
| Additions at cost | - | - | - | 557 | 557 |
| Gains through profit or loss | 808 | - | 808 | - | - |
| Reallocation to assets held for distribution to the new parent | (1,365) | 1,365 | - | - | - |
| Closing balance | - | 1,365 | 1,365 | 557 | 557 |

11. INTEREST BEARING BORROWINGS

The table below sets out a breakdown of the Group's interest-bearing borrowings.

| Group | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
|------------------------------------------|---------------------------------|---------------------------------|
| Current liabilities | | |
| Credit facility | 132,493 | 60,379 |
| Interest and commitment fees payable | 437 | 415 |
| Prepaid interest and commitment fees | (192) | (196) |
| Total current liabilities | 132,738 | 60,598 |
| Non-Current liabilities | | |
| Credit facility | 78,026 | 204,234 |
| Prepaid interest and commitment fees | - | (1,199) |
| Total non-current liabilities | 78,026 | 203,035 |
| Total interest-bearing borrowings | 210,764 | 263,633 |

The table below sets out a breakdown of the Company's interest-bearing borrowings.

| Company | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
|----------------------------|---------------------------------|---------------------------------|
| Current liabilities | | |

| | | |
|------------------------------------------|----------------|----------------|
| Credit facility | 70,088 | 30,000 |
| Interest and commitment fees payable | 194 | 141 |
| Prepaid interest and commitment fees | - | - |
| Total current liabilities | 70,282 | 30,141 |
| Credit facility | 74,912 | 140,000 |
| Prepaid interest and commitment fees | - | (775) |
| Total non-current liabilities | 74,912 | 139,226 |
| Total interest-bearing borrowings | 145,194 | 169,367 |

As at 31 December 2023, the Group and Company's main debt facility was £170 million provided by Goldman Sachs, being a £140 million term loan (31 December 2022: £140 million) and £30 million revolving credit facility (31 December 2022: £30 million). As at 31 December 2023, the term loan was fully drawn, and the revolving credit facility was £5 million drawn (31 December 2022: both were fully drawn). This main debt facility is charged interest at SONIA plus a margin and matures in September 2025.

As at 31 December 2023, the Group held an amortising term loan with an outstanding principal balance of £54.9 million (31 December 2022: £76.6 million) provided by National Westminster bank secured against a structured SME facility. The debt facility charges SONIA plus a margin and is an amortising term loan with the full £82 million drawn on day one. The facility matures in October 2024.

As at 31 December 2023, the Group held an amortising term loan with an outstanding principal balance of £7.5 million (31 December 2022: £18.0 million) provided by Duomo Funding plc secured against a structured SME facility. The debt facility charges SONIA plus a margin and is an amortising term loan with the full £35 million drawn on day one. The facility has a 49-year term.

The table below shows the related debt costs incurred by the Group during the year:

| Group | For the year ended 31 December 2023 £'000 | For the year ended 31 December 2022 £'000 |
|------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Interest and commitment fees charged during the year | 19,141 | 12,920 |
| Other finance charges | 1,219 | 1,597 |
| Total finance costs | 20,360 | 14,517 |

The table below shows the related debt costs incurred by the Company during the year:

| Company | For the year ended 31 December 2023 £'000 | For the year ended 31 December 2022 £'000 |
|--------------------------------------|----------------------------------------------|----------------------------------------------|
| Interest and commitment fees payable | 13,529 | 9,813 |
| Other finance charges | 886 | 1,137 |
| Total finance costs | 14,415 | 10,950 |

The table below shows the movements in interest-bearing borrowings of the Group:

| Group | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-------|-------------------------------------|-------------------------------------|
|-------|-------------------------------------|-------------------------------------|

| | £'000 | £'000 |
|-------------------------------------------|----------------|----------------|
| Opening balance | 263,633 | 267,657 |
| Drawdown of interest-bearing borrowings | 37,000 | 76,925 |
| Repayments of interest-bearing borrowings | (91,094) | (82,291) |
| Finance costs | 20,360 | 14,517 |
| Interest paid on financing activities | (19,135) | (13,175) |
| Closing balance | 210,764 | 263,633 |

The table below shows the movements in interest-bearing borrowings of the Company:

| Company | For the year ended | For the year ended |
|-------------------------------------------|--------------------|--------------------|
| | 31 December 2023 | 31 December 2022 |
| | £'000 | £'000 |
| Opening balance | 169,367 | 183,182 |
| Drawdown of interest-bearing borrowings | 37,000 | 35,000 |
| Repayments of interest-bearing borrowings | (62,000) | (50,000) |
| Finance costs | 14,415 | 10,950 |
| Interest paid on financing activities | (13,588) | (9,765) |
| Closing balance | 145,194 | 169,367 |

The tables below analyse the Group's financial liabilities into relevant maturity groupings.

| Group | As at 31 December 2023 | | | Total £'000 |
|--------------------------------------|------------------------|---------------|----------------|----------------|
| | < 1 year | 1 – 5 years | More than 5 | |
| | £'000 | £'000 | years £'000 | |
| Credit facility | 132,493 | 74,912 | 3,114 | 210,519 |
| Interest and commitment fees payable | 245 | - | - | 245 |
| Total exposure | 132,738 | 74,912 | 3,114 | 210,764 |

| Group | As at 31 December 2022 | | | Total £'000 |
|--------------------------------------|------------------------|----------------|----------------|----------------|
| | < 1 year | 1 – 5 years | More than 5 | |
| | £'000 | £'000 | years £'000 | |
| Credit facility | 61,356 | 196,351 | 7,882 | 265,589 |
| Interest and commitment fees payable | 271 | (2,069) | (158) | (1,956) |
| Total exposure | 61,627 | 194,282 | 7,724 | 263,633 |

The tables below analyse the Company's financial liabilities into relevant maturity groupings.

| As at 31 December 2023 | | | | |
|--------------------------------------|-------------------|----------------------|-------------------------------|----------------|
| Company | < 1 year £'000 | 1 – 5 years £'000 | More than 5 years £'000 | Total £'000 |
| Credit facility | 70,088 | 74,912 | - | 145,000 |
| Interest and commitment fees payable | 194 | - | - | 194 |
| Total exposure | 70,282 | 74,912 | - | 145,194 |

| As at 31 December 2022 | | | | |
|--------------------------------------|-------------------|----------------------|-------------------------------|----------------|
| Company | < 1 year £'000 | 1 – 5 years £'000 | More than 5 years £'000 | Total £'000 |
| Credit facility | 30,000 | 140,000 | - | 170,000 |
| Interest and commitment fees payable | 141 | (774) | - | (633) |
| Total exposure | 30,141 | 139,226 | - | 169,367 |

12. CREDIT ASSETS AT AMORTISED COST

The disclosure below presents the gross carrying value of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for Expected Credit Loss (“ECL”) provision. See Notes 2 and 3 for more detail on the allowance for ECL.

The following table analyses loans by staging for both the Group and Company:

| Group and Company | As at 31 December 2023 | | | As at 31 December 2022 | | |
|----------------------------------------|--------------------------------|----------------------------|------------------------------|--------------------------------|----------------------------|------------------------------|
| | Gross Carrying Amount £'000 | Allowance for ECL £'000 | Net Carrying Amount £'000 | Gross Carrying Amount £'000 | Allowance for ECL £'000 | Net Carrying Amount £'000 |
| Credit Assets at amortised cost | | | | | | |
| Stage 1 | 411,491 | (693) | 410,798 | 512,030 | (1,013) | 511,017 |
| Stage 2 | 21,527 | (576) | 20,951 | 6,878 | (678) | 6,200 |
| Stage 3 | 19,783 | (7,042) | 12,741 | 14,250 | (7,590) | 6,660 |
| Total Assets | 452,801 | (8,311) | 444,490 | 533,158 | (9,281) | 523,877 |

The fair value of collateral accepted as security for the stage 2 and stage 3 credit assets at amortised cost as at 31 December 2023 was £64.3 million (31 December 2022: £41.7 million).

The following table analyses ECL by staging for both the Group and Company:

For the year ended 31 December 2023

| Group and Company | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|----------------------------------|------------------|------------------|------------------|----------------|
| Opening balance | 1,013 | 678 | 7,590 | 9,281 |
| Movement from stage 1 to stage 2 | (75) | 235 | - | 160 |
| Movement from stage 1 to stage 3 | (202) | - | 468 | 266 |
| Movement from stage 2 to stage 1 | 2 | (150) | - | (148) |
| Movement from stage 2 to stage 3 | - | (156) | 335 | 179 |
| Movement from stage 3 to stage 1 | - | - | (124) | (124) |
| Movement from stage 3 to stage 2 | - | 60 | (150) | (90) |
| Decreases due to repayments | - | (24) | (274) | (298) |
| Remeasurements due to modelling | (45) | (67) | (803) | (915) |
| Closing balance | 693 | 576 | 7,042 | 8,311 |

For the year ended 31 December 2022

| Group and Company | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|----------------------------------|------------------|------------------|------------------|----------------|
| Opening balance | 952 | 946 | 8,888 | 10,786 |
| Movement from stage 1 to stage 2 | (2) | 197 | - | 195 |
| Movement from stage 1 to stage 3 | (9) | - | 359 | 350 |
| Movement from stage 2 to stage 1 | 1 | (242) | - | (241) |
| Movement from stage 2 to stage 3 | - | (171) | 314 | 143 |
| Movement from stage 3 to stage 1 | - | - | (260) | (260) |
| Movement from stage 3 to stage 2 | - | 87 | (190) | (103) |
| Decreases due to repayments | (167) | (69) | (419) | (655) |
| Increases due to origination | 20 | - | - | 20 |
| Remeasurements due to modelling | 281 | (6) | 71 | 346 |
| Loans sold | (63) | (63) | (77) | (203) |
| Loans written off | - | (1) | (1,096) | (1,097) |
| Closing balance | 1,013 | 678 | 7,590 | 9,281 |

b) Expected Credit Loss allowance for IFRS 9

Under the expected credit loss model ("ECL") introduced by IFRS 9 Impairment Provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition.

The following table analyses Group loans by stage:

| Group and Company | For the year ended 31 December 2023 | For the year ended 31 |
|-------------------|----------------------------------------|-----------------------|
|-------------------|----------------------------------------|-----------------------|

| | £'000 | December 2022 £'000 |
|---------------------------------|--------------|------------------------|
| Opening balance | 9,281 | 10,786 |
| Release for year – Stage 1 | (300) | (108) |
| Release for year – Stage 2 | (21) | (23) |
| Release for year – Stage 3 | (649) | (75) |
| Release for year – total | (970) | (206) |
| Loans sold & write-offs | - | (1,299) |
| Allowance for ECL | 8,311 | 9,281 |

Measurement uncertainty and sensitivity analysis of ECL

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The Group has adopted the use of three economic scenarios, representative of Oxford Economics view of forecast economic conditions, sufficient to calculate unbiased ECL. They represent a “most likely outcome” (the Base scenario) and two, less likely, outer scenarios, referred to as the “Upside” and “Downside” scenarios.

The ECL recognised in these financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described in Note 3, including management overlays where required. The probability-weighted amount is typically a higher number than would result from using only the Base (most likely) economic scenario. ECLs typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce defaults as much as less favourable macroeconomic factors increase defaults. The ECL calculated for each of the scenario represent a range of possible outcomes that have been evaluated to estimate ECL. As a result, the ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. There is a high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100 per cent weight. A wider range of possible ECL outcomes reflects uncertainty about the distribution of economic conditions and does not necessarily mean that credit risk on the associated loans is higher than for loans where the distribution of possible future economic conditions is narrower.

For Stage 3 impaired loans, LGD estimates consider independent recovery valuations provided by external valuers where available, or internal forecasts corresponding to anticipated economic conditions.

Analysis shows that the ECL would have been £0.6 million higher, as at 31 December 2023 (31 December 2022: £0.7 million higher), if the weighting of the scenarios are changed to allocate a 100 per cent weight to the downside scenario. The sensitivity of the ECL has been further analysed by assessing the impact of £10.0 million of portfolio Credit Assets at amortised cost moving from Stage 1 to Stage 2 based on the ECL coverage of the loan book at the reporting date. The analysis shows that the ECL would have been £0.25 million higher (31 December 2022: £1.1 million higher) under this sensitivity as the provision coverage increases from Stage 1 to Stage 2.

c) Disposals of Credit Assets at amortised cost

The Group and Company did not dispose of any assets for the year ended 31 December 2023 (for the year ended 31 December 2022: £43.8 million) and so no profit or loss was recorded during the year (for the year ended 31 December 2022: £2.1 million profit).

13. CORPORATION TAX

The tax charge for the year was £2.7 million (for the year ended 31 December 2022: £0.4 million). The Company incurred no tax during 2023 (for the year ended 2022: nil).

Factors affecting taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax of 25 per cent from 1 April 2023 (up to 31 March 2023: 19 per cent). A reconciliation of the taxation charge from 1 January 2023 to 31 December 2023 is based on the standard rate of UK corporation tax to the actual taxation charge is shown below.

| Group | For the year ended 31 December 2023 | | |
|--------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total |
| | £'000 | £'000 | £'000 |
| Profit before taxation | 38,941 | 4,129 | 43,070 |
| Profit before taxation multiplied by the blended rate of UK Corporation tax (23.52%) | 9,159 | 971 | 10,130 |
| Effects of: | | | |
| Overseas dividends not chargeable to UK corporation tax | (306) | - | (306) |
| Interest distributions paid | (7,549) | - | (7,549) |
| Capital items exempt from corporation tax | (845) | - | (845) |
| Deferred tax movements not recognised | - | 1,716 | 1,716 |
| Movement in excess management expenses | (459) | - | (459) |
| Disallowed expenses | - | 115 | 115 |
| Prior year adjustments | - | (246) | (246) |
| Changes in tax rate for deferred tax | - | 127 | 127 |
| Fixed asset difference | - | 4 | 4 |
| Other income not taxable | - | (23) | (23) |
| Total tax charge in income statement | - | 2,664 | 2,664 |

A reconciliation of the taxation charge from 1 January 2022 to 31 December 2022 is based on the standard rate of UK corporation tax to the actual taxation charge is shown below.

| Group | For the year ended 31 December 2022 | | | |
|----------------------------------------------------------------------------------------|---------------------------------------|----------------------------------|---------------------------------------|------------|
| | Revenue (Continuing operations) | Revenue (For distribution) | Capital (Continuing operations) | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Profit before taxation | 28,370 | (1,457) | (117) | 26,796 |
| Profit before taxation multiplied by the standard rate of UK corporation tax of 19.00% | 5,390 | (277) | (22) | 5,091 |
| Effects of: | | | | |
| Capital items exempt from tax | (343) | - | - | (343) |
| Income distributions received not taxable | (372) | - | - | (372) |
| Disallowed expenses | - | 710 | - | 710 |
| Movement in excess management expenses | 982 | 2 | 22 | 1,006 |
| Interest distributions paid | (5,657) | - | - | (5,657) |
| Total tax charge in income statement | - | 435 | - | 435 |

No corporation tax arose for the Company for continuing operations or assets held for distribution to the parent during the year ended 31 December 2023 and 31 December 2022. The corporation tax that arose during the year ended 31 December 2023 and 31 December 2022 was in relation to Pollen Street Capital Holdings Limited and its subsidiaries.

The revenue and capital reserves were combined into retained earnings in 2023 as described in Note 27.

The following table shows the deferred tax for the year:

| Group | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-----------------------------------|----------------------------------------|----------------------------------------|
| | £'000 | £'000 |
| Opening balance | (94) | - |
| Prior year adjustment | (26) | - |
| Credit/(charge) to profit or loss | (2,508) | (94) |
| Closing balance | (2,628) | (94) |

There was no withholding tax payable by the Group or Company at 31 December 2023 (31 December 2022: £nil) due to the changes made in the 2017 Finance Act whereby all interest distributions will be paid gross of tax, therefore withholding tax is retained by the Company and paid directly to HMRC. The deferred tax asset for the Group as at 31 December 2023 was £0.5 million (31 December 2022: Deferred tax liability £(0.09) million).

14. EARNINGS PER SHARE

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | | |
|----------------------------------------------|-------------------------------------|------------------------------------|------------|-------------------------------------|------------------------------------|------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Analysis of items for Distribution | Total |
| Basic and diluted earnings per share (pence) | 60.6 pence | 2.3 pence | 62.9 pence | 72.2 pence | (10.0) pence | 62.1 pence |

The calculation for the year ended 31 December 2023 is based on profit after tax of £40.4 million (2022: £26.4 million) and a weighted average number of ordinary shares of 64,209,597 for the year ended 31 December 2023 (2022: 42,444,118).

15. FIXED ASSETS

On 11 October 2023, the Group classified the fixed assets within Pollen Street Capital Holdings Limited and its subsidiaries as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The table below sets out the movement in Fixed Assets for the Group for continuing operations and for assets held for distribution to the new parent.

| Group | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|--------------|-------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| Opening balance | 1,470 | - | 1,470 | - | - |
| Additions | 137 | - | 137 | 1,470 | 1,470 |
| Reallocation to assets held for distribution to the new parent | (1,607) | 1,607 | - | - | - |
| Closing balance | - | 1,607 | 1,607 | 1,470 | 1,470 |
| Accumulated depreciation | | | | | |
| Opening balance | (56) | - | (56) | - | - |
| Depreciation charge | (207) | - | (207) | (56) | (56) |
| Reallocation to assets held for distribution to the new parent | 263 | (263) | - | - | - |
| Closing balance | - | (263) | (263) | (56) | (56) |
| Net book value | - | 1,344 | 1,344 | 1,414 | 1,414 |

The Group's fixed assets comprise of fixtures and fittings, office equipment and electric vehicles.

The Company does not have any fixed assets (31 December 2022: nil).

16.LEASES

The Group leases include office premises where the Group is a tenant which include fixed periodic rental payments over the fixed lease terms of no more than five years remaining from the reporting date. One lease matured during the year ended 31 December 2023. The total cash outflow during the year in relation to leases was £1.4 million (31 December 2022: £0.3 million).

On 11 October 2023, the Group classified its leases as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

Set out below are the carrying amounts of lease assets recognised and the movements during the year.

| Group – Lease assets | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|----------------------------------------|---------------------------------------|--------------|----------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| Opening balance | 5,042 | - | 5,042 | - | - |
| Additions | - | - | - | 5,042 | 5,042 |
| Lease maturity | (169) | - | (169) | - | - |
| Reallocation to assets held for distribution to the new parent | (4,873) | 4,873 | - | - | - |
| Closing balance | - | 4,873 | 4,873 | 5,042 | 5,042 |
| Accumulated depreciation | | | | | |
| Opening balance | (266) | - | (266) | - | - |
| Depreciation expense | (720) | - | (720) | (266) | (266) |
| Lease maturity | 169 | - | 169 | - | - |
| Reallocation to assets held for distribution to the new parent | 817 | (817) | - | - | - |
| Closing balance | - | (817) | (817) | (266) | (266) |
| Net book value | - | 4,056 | 4,056 | 4,776 | 4,776 |

The table below shows the provision for restoration costs on lease contracts which has been recognised as part of the lease assets acquired:

| Group – Lease provision | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|-----------|-------------------------------------|-----------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 99 | - | 99 | - | - |
| Arising during the year | - | - | - | 98 | 98 |
| Unwinding of discount | 1 | - | 1 | 1 | 1 |
| Lease maturity | (18) | - | (18) | - | - |
| Reallocation to assets held for distribution to the new parent | (82) | 82 | - | - | - |
| Closing balance | - | 82 | 82 | 99 | 99 |

Set out below are the carrying amounts of lease liabilities and the movements during the year.

| Group – Lease liabilities | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|--------------|-------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 5,268 | - | 5,268 | - | - |
| Additions | - | - | - | 5,521 | 5,521 |
| Accretion of interest | 170 | - | 170 | 71 | 71 |
| Payments | (896) | - | (896) | (324) | (324) |
| Reallocation to assets held for distribution to the new parent | (4,542) | 4,542 | - | - | - |
| Accretion of interest | - | 59 | 59 | - | - |
| Payments | - | (449) | (449) | - | - |
| Closing balance | - | 4,152 | 4,152 | 5,268 | 5,268 |

The table below shows the lease liabilities by maturity:

| Group – Lease liabilities | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|---------------------------|----------------------------------------|---------------------------------------|--------------|----------------------------------------|--------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| Current | - | 4,152 | 4,152 | 1,201 | 1,201 |
| Non-current | - | - | - | 4,067 | 4,067 |
| Closing balance | - | 4,152 | 4,152 | 5,268 | 5,268 |

The following are the amounts recognised in the comprehensive income statement:

| Group – Amounts recognised in profit or loss | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|--------------------------------------------------------------------------|----------------------------------------|---------------------------------------|------------|----------------------------------------|------------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Depreciation expense lease assets | - | 720 | 720 | 266 | 266 |
| Finance costs | - | 230 | 230 | 71 | 71 |
| Total amount recognised in profit or loss during the year | - | 950 | 950 | 337 | 337 |

| Group – Finance costs | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | |
|--------------------------------------------------------|----------------------------------------|---------------------------------------|------------|----------------------------------------|-----------|
| | Continuing Operations | Analysis of items for Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Lease liability interest | - | 229 | 229 | 70 | 70 |
| Unwinding of discount (on restoration provision) | - | 1 | 1 | 1 | 1 |
| Total finance costs | - | 230 | 230 | 71 | 71 |

The incremental borrowing rate (“IBR”) has been estimated based on what the lessee would have to pay to borrow over a similar term as the leases at origination of the lease. The rate of the IBR is in line with the interest margin payable on the Group’s debt facilities. If the IBR had been 1 per cent higher or lower, the impact on the lease liabilities would be as follows:

| Group | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-------|----------------------------------------|----------------------------------------|
| | £'000 | £'000 |
| | | |

| | | |
|--------------------------|-------|-------|
| Lease assets | | |
| Increase IBR by 1% | (210) | (243) |
| Decrease IBR by 1% | 226 | 261 |
| Lease liabilities | | |
| Increase IBR by 1% | (110) | (156) |
| Decrease IBR by 1% | 114 | 162 |

The Company has no lease assets or lease liabilities (2022: nil).

17. RECEIVABLES

On 11 October 2023, the Group classified the receivables arising within Pollen Street Capital Holdings Limited and its subsidiaries as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The table below sets out a breakdown of the Group receivables:

| Group | Continuing Operations | Analysis of items for Distribution | As at 31 | | |
|--------------------------------------|-----------------------|------------------------------------|---------------|---------------|---------------|
| | | | December 2023 | December 2022 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Management fees and performance fees | - | 6,496 | 6,496 | 1,956 | 1,956 |
| Amounts due from debtors | 394 | 4,161 | 4,555 | 1,659 | 1,659 |
| Prepayments and other receivables | 3,609 | 3,282 | 6,891 | 9,255 | 9,255 |
| Closing balance | 4,003 | 13,939 | 17,942 | 12,870 | 12,870 |

The receivables balance in the assets held for distribution to the new parent includes £6.5 million (31 December 2022: nil) of receivables from funds managed by the Group.

The table below sets out a breakdown of the Company receivables:

| Company | Continuing Operations | Analysis of items for Distribution | As at 31 | | |
|-----------------------------------|-----------------------|------------------------------------|---------------|---------------|--------------|
| | | | December 2023 | December 2022 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Amounts due from debtors | 1,166 | - | 1,166 | 767 | 767 |
| Prepayments and other receivables | 3,609 | - | 3,609 | 3,064 | 3,064 |
| Closing balance | 4,775 | - | 4,775 | 3,831 | 3,831 |

The prepayments and other receivables balance for the Group and Company includes prepaid amounts of £1.4 million (31 December 2022: nil) in relation to the Scheme described in Note 1.

The above receivables do not carry any interest and are short term in nature. The Group considers that the carrying values of these receivables approximate their fair value. There were no impairments on receivables recorded during the year (31 December 2022: nil).

18. PAYABLES

On 11 October 2023, the Group classified the payables arising within Pollen Street Capital Holdings Limited and its subsidiaries as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The table below sets out a breakdown of the Group payables:

| Group | As at 31 December 2023 | | | As at 31 December 2022 | |
|----------------------------|-----------------------------------|------------------------------------------------|----------------|-----------------------------------|----------------|
| | Continuing Operations £'000 | Analysis of items for Distribution £'000 | Total £'000 | Continuing Operations £'000 | Total £'000 |
| Staff salaries and bonuses | - | 12,935 | 12,935 | 12,377 | 12,377 |
| Audit fee accruals | 552 | 507 | 1,059 | 863 | 863 |
| Deferred income | - | 22 | 22 | 964 | 964 |
| Other payables | 1,015 | 4,118 | 5,133 | 5,017 | 5,017 |
| Closing balance | 1,567 | 17,582 | 19,149 | 19,221 | 19,221 |

The table below sets out a breakdown of the Company payables:

| Company | As at 31 December 2023 | | | As at 31 December 2022 | |
|----------------------------|-----------------------------------|------------------------------------------------|----------------|-----------------------------------|----------------|
| | Continuing Operations £'000 | Analysis of items for Distribution £'000 | Total £'000 | Continuing Operations £'000 | Total £'000 |
| Staff salaries and bonuses | - | - | - | 25 | 25 |
| Audit fee accruals | 552 | - | 552 | 584 | 584 |
| Other payables | 3,630 | - | 3,630 | 4,565 | 4,565 |
| Closing balance | 4,182 | - | 4,182 | 5,174 | 5,174 |

The payables in Company include an amount due to Pollen Street Capital Holdings Limited of £3.9 million (31 December 2022: £3.4 million).

19. ORDINARY DIVIDENDS

The following table shows the dividends in relation to or paid during the year ended 31 December 2023 and the year ended 31 December 2022.

| Dividend | Payment Date | Amount per Share (pence per share) | Total £'000 |
|-----------------------------------------------------|-------------------|---------------------------------------|----------------|
| Interim dividend for the period to 31 December 2021 | 25 March 2022 | 20.00p | 7,052 |
| Interim dividend for the period to 31 March 2022 | 24 June 2022 | 20.00p | 6,990 |
| Interim dividend for the period to 30 June 2022 | 30 September 2022 | 20.00p | 6,947 |

| | | | |
|------------------------------------------------------|-------------------|--------|-------|
| Interim dividend for the period to 30 September 2022 | 23 December 2022 | 16.00p | 7,916 |
| Interim dividend for the period to 31 December 2022 | 31 March 2023 | 16.00p | 7,916 |
| Interim dividend for the period to 31 March 2023 | 30 June 2023 | 16.00p | 7,916 |
| Interim dividend for the period to 30 June 2023 | 29 September 2023 | 16.00p | 7,916 |
| Interim dividend for the period to 30 September 2023 | 29 December 2023 | 16.00p | 7,916 |
| Interim dividend for the period to 31 December 2023 | 1 March 2024 | 13.00p | 8,347 |

The following table shows the total dividends in relation to the year and the total dividends paid during the year.

| | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-----------------------------------------------|----------------------------------------|----------------------------------------|
| | £'000 | £'000 |
| Total dividend paid during the year | 31,664 | 28,905 |
| Total dividend in relation to the year | 32,095 | 29,769 |

Former shareholders of Pollen Street Capital Holdings Limited, who received ordinary shares as consideration as part of the Combination, waived ordinary dividends paid to them in both 2022 and 2023 on approximately 50.0 per cent of such consideration shares, pursuant to the terms of the Combination. As a result, the interim dividends for the period to 30 September 2022, 31 December 2022, 31 March 2023, 30 June 2023 and 30 September 2023 were paid on 49,473,264 ordinary shares. The interim dividend for the period to 31 December 2023 was paid on 64,209,597 ordinary shares. Further information is available in the prospectus dated 26 September 2022, which is available on the Group's website.

20. DERIVATIVE LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

On 11 October 2023, the Group classified the derivatives arising within Pollen Street Capital Holdings Limited and its subsidiaries as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

The table below presents the movement in the undiscounted notional values of the foreign exchange forward contracts for the Group and Company for continuing operations:

| Group | For the year ended 31 December 2023 | | For the year ended 31 December 2022 | |
|---------------------------------------|-------------------------------------|---------------|-------------------------------------|---------------|
| | EUR | USD | EUR | USD |
| | £'000 | £'000 | £'000 | £'000 |
| Opening notional balance | 45,560 | 19,683 | 6,040 | 8,759 |
| Reallocation to held for distribution | (1,155) | - | - | - |
| Movement in notional value | (1,418) | (323) | 39,520 | 10,924 |
| Closing notional balance | 42,987 | 19,360 | 45,560 | 19,683 |

| Company | For the year ended 31 December 2023 | | For the year ended 31 December 2022 | |
|----------------------------|-------------------------------------|--------|-------------------------------------|--------|
| | EUR | USD | EUR | USD |
| | £'000 | £'000 | £'000 | £'000 |
| Opening notional balance | 40,956 | 19,683 | 1,674 | 8,759 |
| Movement in notional value | 2,031 | (323) | 39,282 | 10,924 |

| | | | | |
|--------------------------|--------|--------|--------|--------|
| Closing notional balance | 42,987 | 19,360 | 40,956 | 19,683 |
|--------------------------|--------|--------|--------|--------|

The table below presents the movement in the undiscounted notional values of the foreign exchange forward contracts for the Group for assets held for distribution to the new parent:

| Group | For the year ended | For the year ended |
|----------------------------------------------------------------|--------------------|--------------------|
| | 31 December 2023 | 31 December 2022 |
| | EUR | EUR |
| | £'000 | £'000 |
| Opening notional balance | - | - |
| Reallocation to assets held for distribution to the new parent | 1,155 | - |
| Movement in notional value | 10,449 | - |
| Closing notional balance | 11,604 | - |

The Company did not have any derivatives held for distribution to the new parent (2022: nil).

The table below presents the movement in the mark-to-market value of the foreign exchange forward contracts for the Group and Company for continuing operations:

| Group and Company | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | | |
|------------------------|-------------------------------------|-----------|--------------|-------------------------------------|-------------|--------------|
| | EUR | USD | Total | EUR | USD | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance | (839) | (77) | (916) | 113 | (221) | (108) |
| Fair value movement | 648 | 89 | 737 | (952) | 144 | (808) |
| Closing balance | (191) | 12 | (179) | (839) | (77) | (916) |

There were no movements in the mark-to-market value of the foreign exchange forward contracts for the Group and Company for assets held for distribution to the new parent. The mark-to-market value is presented in the Derivative liabilities held at fair value through profit or loss line on the statement of financial position.

The fair value for the forward contracts is based on the forward rate curves for the respective currencies. The maturity date for derivatives that were held as at 31 December 2023 for the continuing operations and for derivatives held for distribution to the new parent was less than one year (31 December 2022: less than one year).

Fair value classification of derivatives

The Group and Company derivatives for continuing operations are classified as level 2 in the fair value hierarchy with a GBP equivalent value on 31 December 2023 of £(0.2) million (31 December 2022: £(0.9) million). There were no movements between the fair value hierarchies during the year. The derivatives are valued using market forward rates and are contracts with a third party and so they are not traded on an exchange.

The Group and Company derivatives for asset held for distribution to the new parent are classified as level 2 in the fair value hierarchy with a GBP equivalent value on 31 December 2023 of nil (31 December 2022: nil). There were no movements between the fair value hierarchies during the year. The derivatives are valued using market forward rates and are contracts with a third party and so they are not traded on an exchange.

21. INVESTMENTS IN SUBSIDIARIES

Investments in consolidated entities

The consolidated financial statements of the Group include the following subsidiaries:

| Name | Country of incorporation | Class of shares | Holding | Activity |
|-------------------------------------------|--------------------------|----------------------|---------|--------------------------------|
| Avant Credit of UK, LLC | USA | Ordinary | 100% | Lending company |
| Bud Funding Limited | UK | Ordinary | 100% | SPV |
| Financial Services Infrastructure Limited | UK | Ordinary | 100% | Dormant |
| Honeycomb Finance Limited | UK | Ordinary | 100% | Lending company |
| Juniper Lending Fund GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| Pollen Street Capital (US) Holdings LLC | USA | Ordinary | 100% | Holding company |
| Pollen Street Capital (US) LLC | USA | Ordinary | 100% | Investment management services |
| Pollen Street Capital Holdings Limited | Guernsey | Ordinary | 100% | Holding company |
| Pollen Street Capital Limited | UK | Ordinary | 100% | Investment management services |
| Pollen Street Capital Partners Limited | UK | Ordinary | 100% | Holding company |
| PollenUp Limited | UK | Ordinary | 100% | Dormant |
| PSC 3 Funding Limited | UK | Ordinary | 100% | Dormant |
| PSC Accelerator GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Accelerator Nominee Limited | Guernsey | Ordinary | 100% | Nominee |
| PSC Accelerator II GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Accelerator II GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Accelerator I(C) GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Accelerator Nominee II Limited | Guernsey | Ordinary | 100% | Nominee |
| PSC Group Carry GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Credit (OE) I GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Credit (P) GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Credit (T) GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Credit Holdings LLP | UK | Capital contribution | 100% | Investment management services |
| PSC Credit III GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Credit IV GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Credit Limited | Cayman | Ordinary | 100% | Holding company |
| PSC Digital Limited | UK | Ordinary | 100% | Holding company |
| PSC III Carry GP Limited | UK | Ordinary | 100% | General partner |
| PSC III G GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC III GP Limited | UK | Ordinary | 100% | General partner |
| PSC Income Fund I GP LLC | USA | Ordinary | 100% | General partner |
| PSC Investments (Q) GP Limited | UK | Ordinary | 100% | General partner |
| PSC IV GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC IV GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Marlin GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Nominee 1 Limited | UK | Ordinary | 100% | Dormant |

| | | | | |
|---------------------------------------------------------|------------|----------|------|-----------------|
| PSC Nominee 3 Limited | UK | Ordinary | 100% | Dormant |
| PSC Nominee 4 Limited | Guernsey | Ordinary | 100% | Nominee |
| PSC Plane GP (Guernsey) Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Saturn G GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC Service Company Limited | UK | Ordinary | 100% | Service company |
| PSC SPV I GP LLC | USA | Ordinary | 100% | General partner |
| PSC US Credit GP MM LLC | USA | Ordinary | 100% | General partner |
| PSC V GP Limited | Guernsey | Ordinary | 100% | General partner |
| PSC V GP S.a.r.l | Luxembourg | Ordinary | 100% | General partner |
| PSC Nominee 5 Limited | Guernsey | Ordinary | 100% | Nominee |
| PSC Saturn G GP Limited | Guernsey | Ordinary | 100% | General partner |
| Saturn GP Limited | UK | Ordinary | 100% | General partner |
| SOF Annex Nominees Limited | UK | Ordinary | 100% | Dormant |
| SOF General Partner (Guernsey) Limited | Guernsey | Ordinary | 100% | General partner |
| SOF General Partner (Scotland) II Limited | UK | Ordinary | 100% | General partner |
| SOF General Partner (UK) Limited | UK | Ordinary | 100% | General partner |
| Special Opportunities Fund General Partner (Cayman) Ltd | Cayman | Ordinary | 100% | General partner |
| Sting Funding Limited | UK | Ordinary | 100% | SPV |

All shares held in the Group's subsidiaries represent ordinary shares except otherwise stated.

Investments in unconsolidated structured entities

The Group has interests in a number of entities who act as general partner to a number of funds structured as limited partnerships. The limited partnerships are not treated as subsidiary undertakings of the Group because the rights of the general partners are exercised on behalf of other investors in the limited partnerships and, being fiduciary in nature, are not considered to result in power over the relevant activities of the limited partnerships. As such, the Group is considered an agent.

The list of such limited partnerships in which the Group has an interest at 31 December 2023 are:

| Partnership | Jurisdiction |
|-----------------------------|--------------|
| Juniper Lending Fund SCSp | Luxembourg |
| PSC Accelerator Carry LP | Guernsey |
| PSC Accelerator LP | Guernsey |
| PSC Accelerator II (A) LP | Guernsey |
| PSC Accelerator II (B) SCSp | Luxembourg |
| PSC Accelerator II (C) LP | Guernsey |
| PSC Accelerator II Carry LP | Guernsey |
| PSC Credit (OE) I SCSp | Luxembourg |
| PSC Credit (P) SCSp | Luxembourg |
| PSC Credit (T) SCSp | Luxembourg |
| PSC Credit (T) Carry SCSp | Luxembourg |

| | |
|--------------------------------------|------------|
| PSC Credit III (A) SCSp | Luxembourg |
| PSC Credit III (B) SCSp | Luxembourg |
| PSC Credit III Carry SCSp | Luxembourg |
| PSC Credit IV (A) SCSp | Luxembourg |
| PSC Credit IV (B) SCSp | Luxembourg |
| PSC Credit IV Carry SCSp | Luxembourg |
| PSC Glebe LP | Guernsey |
| PSC III Carry LP | UK |
| PSC III G, LP | Guernsey |
| PSC III LP | UK |
| PSC III Pooling LP | UK |
| PSC InvestIts (C) LP | Guernsey |
| PSC Investments (Q) LP | UK |
| PSC Investments B LP | UK |
| PSC Investments LP | UK |
| ISC IV (C) SCSp | Luxembourg |
| PSC IV Carry, LP | Guernsey |
| PSC IV Partners LP | Guernsey |
| PSC IV, LP | Guernsey |
| PSC Marlin LP | Guernsey |
| PSC Neptune LP | Guernsey |
| PSC Plane (Guernsey) LP Incorporated | Guernsey |
| PSC Plane Carry LP | Guernsey |
| PSC US Badger LLC | Delaware |
| PSC US Buckeye LLC | Delaware |
| PSC US Wolverine LLC | Delaware |
| PSC V (A) LP | Guernsey |
| PSC V (B) SCSp | Luxembourg |
| PSC V Carry LP | Guernsey |
| PSC Venus LP | Guernsey |
| PSCM Carry LP | Guernsey |
| PSCM Pooling LP | Guernsey |

| | |
|------------------------------------------|----------|
| SOF Carry LP | Guernsey |
| Special Opportunities Fund (Guernsey) LP | Guernsey |
| Special Opportunities Fund A LP | UK |
| Special Opportunities Fund B LP | UK |
| Special Opportunities Fund C LP | UK |
| Special Opportunities Fund D LP | UK |
| Special Opportunities Fund Employee LP | Cayman |
| Special Opportunities Fund F LP | UK |
| Special Opportunities Fund G LP | UK |
| Special Opportunities Fund J LP | UK |
| Special Opportunities Fund S1 LP | UK |
| Special Opportunities Fund S2 LP | UK |

The maximum exposure to loss for investments in unconsolidated limited partnerships is the carrying amount of any investments in limited partnerships and loss of future fees. As at 31 December 2023, the carrying amount was £75.1 million (31 December 2022: £26.9 million).

Associates

The Group accounts for investments in funds or carried interest partnerships that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, as associates at fair value through profit or loss. Information about the Group's investments in associates measured at fair value is shown below.

The table below shows the investment fund that is accounted for as an associate by the Group. The investment fund is classified within Investment Assets at Fair Value Through Profit or Loss in the Group's Statement of Financial Position.

| | As at 31 December 2023 | As at 31 December 2022 |
|------------------------------------------|---------------------------|---------------------------|
| PSC US Badger LLC | £'000 | £'000 |
| Investment at fair value | - | 29,376 |
| Other assets | - | 977 |
| Liabilities | - | (103) |
| Net Asset Value | - | 30,250 |
| Country of incorporation | USA | USA |
| Activity | Private credit | Private credit |
| Group's interest in the associate | 49% | 49% |

PSC US Badger LLC realised its assets and returned the proceeds to its investors during 2023. The profit for the year ended 31 December 2023 was £1.3 million (for the year ended 31 December 2022: £2.8 million).

The table below shows the carried interest partnerships that are accounted for as associates by the Group. The carried interest partnerships appear as part of Carried interest in the Group's Statement of Financial Position.

| As at 31 December 2023 | | | | | | | |
|-----------------------------------|-------------------|-----------------------------------|--------------------|--------------------------------|------------------------------|----------------------------|------------------------|
| Associates | PSC V Carry LP | PSC Accelerator II Carry LP | PSC IV Carry LP | PSC Accelerator Carry LP | PSC Credit III Carry SCSp | PSC US Wolverine LLC | PSC Credit (T) SCSp |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Assets Value | - | - | 53,828 | 9,749 | 4,672 | - | 852 |
| Country of incorporation | Guernsey | Guernsey | Guernsey | Guernsey | Luxembourg | USA | Luxembourg |
| Group's interest in the associate | 25% | 25% | 25% | 25% | 25% | 25% | 25% |

| As at 31 December 2022 | | | | | |
|-----------------------------------|--------------------|--------------------------------|---------------------------------|----------------------------|------------------------|
| Associates | PSC IV Carry LP | PSC Accelerator Carry LP | PSC Credit III Carry SCSp | PSC US Wolverine LLC | PSC Credit (T) SCSp |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried interest receivable | 22,012 | 1,184 | 1,229 | 648 | 355 |
| Country of incorporation | Guernsey | Guernsey | Luxembourg | USA | Luxembourg |
| Group's interest in the associate | 25% | 25% | 28% | 25% | 28% |

22. FINANCIAL RISK MANAGEMENT

This Note details the management of financial risk and includes quantitative data on specific financial risks.

The Group has a comprehensive risk management framework that includes risk appetite statements, risk policies, procedures, a committee oversight structure, a risk register, risk reporting, monitoring and risk controls. Further details can be found in the Risk Management section. The Board maintains oversight of this framework through the Board Risk Committee.

The most significant financial risks that the Group is exposed to are credit risk, market risk, capital management and liquidity risk. Market risk includes interest rate risk, foreign currency risk and price risk. Capital management includes the risk of there being insufficient capital, including insufficient capital of a particular type.

Credit risk

Credit risk is the risk of loss arising from failure of a counterparty to pay the amounts that they are contractually due to pay. The Group is exposed to credit risk principally through the Investment Company.

The Investment Committee approves all investment decisions, and all investments are subject to extensive due diligence prior to approval. The performance of each investment is monitored by the Investment Committee by way of regular reviews of the investment and any collateral. Sector and asset class concentrations across the investment portfolio are closely monitored and controlled, with mitigating actions taken where appropriate.

Credit risk is mitigated through first loss protection, where the Group is senior to equity in the partner and where the Group benefits from underlying collateral, as well as diversification across the wide range of platforms that makes up its portfolio.

Credit risk is analysed further in Note 23.

Market risk

In addition to the underlying trading performance of the Group's investment portfolio, the fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. Market risk can be summarised as comprising three types of risk:

- **Interest rate risk** - the risk of loss arising from changes in market interest rates;
- **Currency risk** - the risk of loss arising from changes in foreign exchange rates; and
- **Price risk** - the risk of loss arising from changes in other market rates.

The Group's exposure, sensitivity to and management of each of these risks is described in further detail below. Management of market risk is fundamental to the Group's investment objective. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward.

a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group invests in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or other benchmarks). The Group's borrowings are subject to a floating rate of interest.

The Group intends to manage the mismatch it has in respect of the income generated by its Credit Assets, on the one hand, with the liabilities in respect of its borrowings, on the other hand, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. To the extent that the Group is unable to match its funding in this way, it may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates, however some unmatched risk may remain. The Group has not used any interest rate derivative instruments in the current or prior year.

Exposure of the Group's and Company's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk) is shown below:

| Group | As at 31 December 2023 | | | As at 31 December 2022 | | |
|-----------------------------------------------|------------------------|----------------|----------------|------------------------|----------------|----------------|
| | Floating rate | Fixed rate | Total | Floating rate | Fixed rate | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Credit Assets at amortised cost | | | | | | |
| Credit Assets at amortised cost | 266,965 | 177,525 | 444,490 | 282,847 | 241,030 | 523,877 |
| Cash and cash equivalents | 19,746 | - | 19,746 | 23,303 | - | 23,303 |
| Interest-bearing borrowings | (210,764) | - | (210,764) | (263,633) | - | (263,633) |
| Total fixed and floating rate exposure | 75,947 | 177,525 | 253,472 | 42,517 | 241,030 | 283,547 |

| Company | As at 31 December 2023 | | | As at 31 December 2022 | | |
|-----------------------------------------------|------------------------|----------------|----------------|------------------------|----------------|----------------|
| | Floating rate | Fixed rate | Total | Floating rate | Fixed rate | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Credit Assets at amortised cost | | | | | | |
| Credit Assets at amortised cost | 266,965 | 177,525 | 444,490 | 282,847 | 241,030 | 523,877 |
| Cash and cash equivalents | 14,402 | - | 14,402 | 18,229 | - | 18,229 |
| Interest-bearing borrowings | (145,194) | - | (145,194) | (169,367) | - | (169,367) |
| Deemed loan | (63,526) | - | (63,526) | (93,036) | - | (93,036) |
| Total fixed and floating rate exposure | 72,647 | 177,525 | 250,172 | 38,673 | 241,030 | 279,703 |

A 1 per cent change in interest rates impacts Group income on the assets with a floating rate by £2.7 million for year to 31 December 2023 (for the year ended 31 December 2022: £2.8 million). For the year ended 31 December 2023, a 1 per cent change in interest rates impacts the debt expense on the floating rate liabilities by £2.1 million (for the year ended 31 December 2022: £2.6 million).

Effect of IBOR

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ("IBORs") became a priority for global regulators. The Group's risk exposure that is directly affected by the interest rate benchmark reform predominantly comprises its portfolio of GBP Credit Assets that are measured at amortised cost, which as at the 31 December 2023 had an outstanding principal of nil (31 December 2022: £24.8 million) and liabilities of nil (31 December 2022: £nil).

For the GBP LIBOR reforms, the FCA decided to no longer compel panel banks to participate in the GBP LIBOR submission process after the end of 2021. The Group is now using the SONIA reference rates to measure the variable elements of its Credit Assets and obligations. GBP LIBOR was a “term rate”, which means that it was published for a borrowing period, such as three months or six months, and was forward-looking, because it was published at the beginning of the borrowing period. SONIA is a backward-looking rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SONIA currently does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

As at 31 December 2023, the following table shows the Group and Company’s assets that reference synthetic GBP LIBOR, which is a temporary bridging benchmark to aid the smooth transaction of contracts to SONIA:

| Group and Company | Carrying Value/Nominal Amount at: | |
|---------------------------------|-----------------------------------|------------------------|
| | As at 31 December 2023 | As at 31 December 2022 |
| | Assets | Assets |
| | £'000 | £'000 |
| Credit Assets at amortised cost | - | 24,818 |
| Total exposure | - | 24,818 |

b) Currency risk

Currency risk arises from foreign currency assets and liabilities. The Group uses economic hedges to hedge currency exposure between the Pound Sterling and other currencies using foreign exchange contracts.

The Group monitors the fluctuations in foreign currency exchange rates and uses forward foreign exchange contracts to hedge the currency exposure of the Group’s non-GBP denominated investments. The Group re-examines the currency exposure on a regular basis in each currency and manages the Group’s currency exposure in accordance with market expectations. The Group did not designate any derivatives as hedges for accounting purposes as described under IAS 39 or IFRS 9 during the current or prior year and records its derivative activities on a fair value basis.

The Group and Company's foreign exchange exposures are summarised in the tables below:

| Group | As at 31 December 2023 | | As at 31 December 2022 | |
|----------------------------------------|------------------------|----------------|------------------------|---------------|
| | EUR £'000 | USD £'000 | EUR £'000 | USD £'000 |
| Credit Assets at amortised cost | | | | |
| Credit Assets at amortised cost | 42,062 | - | 47,681 | 4,656 |
| Investment Assets at fair value | 1,828 | 16,006 | - | 17,982 |
| Cash and cash equivalents | 1,350 | 1,592 | 882 | 3,057 |
| Total assets | 45,240 | 17,598 | 48,563 | 25,695 |
| Payables | - | - | (1,945) | - |
| Total liabilities | - | - | (1,945) | - |
| Net assets | 45,240 | 17,598 | 46,618 | 25,695 |
| Derivatives notional | (54,591) | (19,360) | (52,325) | (23,860) |
| Net exposure | (9,351) | (1,762) | (5,707) | 1,835 |

| Company | As at 31 December 2023 | | As at 31 December 2022 | |
|----------------------------------------|------------------------|----------------|------------------------|---------------|
| | EUR £'000 | USD £'000 | EUR £'000 | USD £'000 |
| Credit Assets at amortised cost | | | | |
| Credit Assets at amortised cost | 42,062 | - | 47,681 | 4,656 |
| Investment Assets at fair value | 1,461 | 16,006 | - | 17,982 |
| Cash and cash equivalents | 1,159 | 1,592 | 882 | 3,057 |
| Total assets | 44,682 | 17,598 | 48,563 | 25,695 |
| Net assets | 44,682 | 17,598 | 48,563 | 25,695 |
| Derivatives notional | (42,987) | (19,360) | (47,125) | (23,860) |
| Net exposure | 1,695 | (1,762) | 1,438 | 1,835 |

If the GBP exchange rate increased by 10 percent against the above currencies, the impact on Group profit for the year ended 31 December 2023 would be £(0.96) million (for the year ended 31 December 2022: £0.57 million) and the no change for the Company (for the year ended 31 December 2022: £0.08 million).

If the GBP exchange rate increased by 10 percent against the above currencies, there would be no impact on the profit of the continuing operations for the year ended 31 December 2023 (for the year ended 31 December 2022: £0.57 million) and the impact on the assets held for distribution to the new parent would be £(0.96) million (for the year ended 31 December 2022: nil).

c) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the Group and market prices of its investments. This risk applies to financial instruments held by the Group, including Equity Assets, Credit Assets and derivatives. Sensitivity analysis on the Equity Assets is included in Note 9.

Capital management

The Group manages its capital to ensure that the Group and its subsidiaries have sufficient capital and the optimum combination of debt and equity. The Group also manages its capital position to ensure compliance with capital requirements imposed by the Financial Conduct Authority ("FCA") on certain subsidiaries within the Group.

The Group monitors capital using a ratio of debt to equity. Debt is calculated as total interest-bearing borrowings (as shown in the Consolidated Statement of Financial Position). The Group's net debt to tangible equity ratio was 54 per cent as at 31 December 2023 (31 December 2022: 69 per cent). It is less than the borrowing limit of 100 per cent set by the Board.

The Company held a minimum share capital of £50,000 throughout the year. The Company was no longer required to meet this after it had converted to a private company, which occurred on 14 February 2024.

During the year the Group was fully compliant with regulatory capital requirements and the covenants on its debt facilities.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations in respect of financial liabilities as they fall due.

The Group manages its liquid resources to ensure sufficient cash is available to meet its expected contractual commitments both under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. It monitors the level of short-term funding and balances the need for access to short-term funding, with the long-term funding needs of the Group.

The Group has the power, under its Articles of Association, to take out both short and long-term borrowings subject to a maximum value of 100 per cent of its share capital and reserves.

As at 31 December 2023 the Group had committed debt facilities totalling £235.4 million (31 December 2022: £264.6 million) with maturity dates ranging from October 2024 to December 2071. The facilities include a term and revolving facility secured on a range of assets.

As at 31 December 2023 the Group and Company had a committed debt facility totalling £170.0 million (31 December 2022: £170.0 million) with a maturity date of 4 September 2025. This facility includes a term and revolving facility secured on a range of assets. The facility starts amortising from 4 September 2024. The Group also has a £54.9 million amortising facility that matures 30 October 2024. The facility is structured as run-off financing in that the debt will paydown over the term of the facility. The Group also has a £10.6 million (31 December 2022: £18.0 million) amortising term loan with a 48-year term. Further details of the Company's and Group's debt facilities are in note 11.

The Group utilises its treasury system data such as live cash balance, debt balances and upcoming payment obligations in order to monitor liquidity on an ongoing basis.

The tables below show the cash flows of the Group's and Company's financial assets and liabilities on an undiscounted basis by contractual maturity:

| As at 31 December 2023 | | | | | |
|--------------------------------------------------------|---------------------|--------------------|------------------|-----------------|------------------|
| Group | <3 months | 3-12 months | 1-5 years | 5+ years | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Credit Assets at amortised cost | 72,218 | 103,751 | 239,781 | 24,729 | 440,479 |
| Investment Assets at fair value through profit or loss | - | 13,137 | 62,751 | 12,332 | 88,220 |
| Receivables | 5,569 | 9,922 | 2,451 | - | 17,942 |
| Cash and cash equivalents | 19,747 | - | - | - | 19,747 |
| Total assets | 97,534 | 126,810 | 304,983 | 37,061 | 566,388 |
| Liabilities | | | | | |
| Payables | (14,042) | (3,314) | (1,793) | - | (19,149) |
| Interest-bearing borrowings | (2,052) | (130,686) | (74,912) | (3,114) | (210,764) |
| Total liabilities | (16,094) | (134,000) | (76,705) | (3,114) | (229,913) |

| As at 31 December 2022 | | | | | |
|--------------------------------------------------------|---------------------|--------------------|------------------|-----------------|------------------|
| Group | <3 months | 3-12 months | 1-5 years | 5+ years | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Credit Assets at amortised cost | - | 126,504 | 380,426 | 26,231 | 533,161 |
| Investment Assets at fair value through profit or loss | - | - | 14,760 | 49,746 | 64,506 |
| Receivables | 7,601 | 2,481 | 2,788 | - | 12,870 |
| Cash and cash equivalents | 23,303 | - | - | - | 23,303 |
| Total assets | 30,904 | 128,985 | 397,974 | 75,977 | 633,840 |
| Liabilities | | | | | |
| Payables | (15,073) | (1,684) | (2,464) | - | (19,221) |
| Interest-bearing borrowings | - | (30,000) | (216,563) | (18,050) | (264,613) |
| Total liabilities | (15,073) | (31,684) | (219,027) | (18,050) | (283,834) |

| As at 31 December 2023 | | | | | |
|--------------------------------------------------------|------------------------------|-----------------------------|---------------------------|--------------------------|-----------------------|
| Company | <3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | 5+ years £'000 | Total £'000 |
| Credit Assets at amortised cost | 72,218 | 103,751 | 239,781 | 24,729 | 440,479 |
| Investment Assets at fair value through profit or loss | - | 13,137 | 62,751 | 12,332 | 88,220 |
| Receivables | 1,162 | 3,613 | - | - | 4,775 |
| Cash and cash equivalents | 14,402 | - | - | - | 14,402 |
| Total assets | 87,782 | 120,501 | 302,532 | 37,061 | 547,876 |
| Liabilities | | | | | |
| Payables | (4,182) | - | - | - | (4,182) |
| Interest-bearing borrowings | - | (70,282) | (74,912) | - | (145,194) |
| Deemed loan | - | (60,412) | - | (3,114) | (63,526) |
| Total liabilities | (4,182) | (130,694) | (74,912) | (3,114) | (212,902) |

| As at 31 December 2022 | | | | | |
|--------------------------------------------------------|------------------------------|-----------------------------|---------------------------|--------------------------|-----------------------|
| Company | <3 months £'000 | 3-12 months £'000 | 1-5 years £'000 | 5+ years £'000 | Total £'000 |
| Credit Assets at amortised cost | - | 126,504 | 380,426 | 26,231 | 533,161 |
| Investment Assets at fair value through profit or loss | - | - | 13,897 | 48,956 | 62,853 |
| Receivables | 3,831 | - | - | - | 3,831 |
| Cash and cash equivalents | 18,229 | - | - | - | 18,229 |
| Total assets | 22,060 | 126,504 | 394,323 | 75,187 | 618,074 |
| Liabilities | | | | | |
| Payables | (5,174) | - | - | - | (5,174) |
| Interest-bearing borrowings | - | (30,000) | (140,000) | - | (170,000) |
| Deemed loan | 1,229 | - | (76,563) | (18,050) | (93,384) |
| Total liabilities | (3,945) | (30,000) | (216,563) | (18,050) | (268,558) |

23. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's credit risks arise principally through exposures to loans originated or acquired by the Group and cash deposited with banks, both of which are subject to risk of borrower default.

The Group establishes and adheres to stringent underwriting criteria. The Group invests in a granular portfolio of assets, diversified at the underlying borrower level, with each loan being subject to a maximum single loan exposure limit. This helps mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers.

The credit quality of loans is assessed through evaluation of various factors, including credit scores, payment data, collateral available from the borrower and other information.

The Group further mitigates its exposure to credit risk through structuring facilities whereby the facilities are secured on a granular pool of performing loans and structured so that the borrower provides the first loss, and the Group finances the senior risk.

Further risk is mitigated in the property sector as the Group takes collateral in the form of property to mitigate the credit risk arising from residential mortgage lending and commercial real estate.

Set out below is the analysis of the gross closing balances of the Group and Company's Credit Assets at amortised cost split by the credit risk band that each loan is assigned to at inception:

| Group and Company | As at 31 December 2023 | | |
|-------------------|------------------------|------------------|----------------|
| | Unsecured £'000 | Secured £'000 | Total £'000 |
| A & B | 68 | 452,733 | 452,801 |
| C, D & E | - | - | - |
| Total | 68 | 452,733 | 452,801 |

| Group and Company | As at 31 December 2022 | | |
|-------------------|------------------------|------------------|----------------|
| | Unsecured £'000 | Secured £'000 | Total £'000 |
| A & B | 21,444 | 511,715 | 533,158 |
| C, D & E | - | - | - |
| Total | 21,444 | 511,715 | 533,158 |

Each credit risk band is defined below:

| Credit Risk Band | Definition |
|------------------|----------------------------------------------------------------------------------|
| A | Highest quality with minimal indicators of credit risk |
| B | High quality, with minor adverse indicators |
| C | Medium-grade, moderate credit risk, may have some adverse credit risk indicators |

D/E

Elevated credit risk, adverse indicators (e.g. lower borrowing ability, credit history, existing debt)

24. CASH AND CASH EQUIVALENTS

On 11 October 2023, the Group classified the cash and cash equivalent arising within Pollen Street Capital Holdings Limited and its subsidiaries as assets held for distribution to the new parent. See Notes 1, 2 and 5 for further information.

Cash and cash equivalents consist of cash at bank and in hand.

| | As at 31 December 2023 | | | As at 31 December 2022 | |
|----------------------|------------------------|------------------|--------|------------------------|--------|
| | Continuing Operations | For Distribution | Total | Continuing Operations | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Group cash at bank | 18,550 | 1,196 | 19,746 | 23,303 | 23,303 |
| Company cash at bank | 14,402 | - | 14,402 | 18,229 | 18,229 |

Cash and cash equivalents comprise cash at bank including restricted cash that is held in reserve as part of the Group's borrowing arrangements. The Group's cash balances are generally held in call accounts with funds available on a same day basis and earn interest at the corresponding short-term interest rates.

The amount held in reserve for the continuing operations as at 31 December 2023 was £3.4 million (31 December 2022: £2.4 million). No amounts were held in reserve for assets held for distribution to the new parent (31 December 2022: nil).

25. DEEMED LOAN

The Company has two deemed loans as at 31 December 2023 (31 December 2022: two). Deemed loans only relate to the Company as they relate to loans originated by the Company and subsequently sold to a special purpose entity. The table below shows the deemed loans:

| Company | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|-------------------------|-------------------------------------|-------------------------------------|
| | £'000 | £'000 |
| Opening balance | 93,036 | 82,326 |
| Novations/(Redemptions) | (29,510) | 10,710 |
| Closing balance | 63,526 | 93,036 |

26. ORDINARY SHARE CAPITAL

The table below details the issued share capital of the Company. On 8 December 2023, the Company cancelled its treasury shares. There were no other movements in share issuances by the Company in the year ended 31 December 2023.

For the year ended 31 December 2022, the Company issued 29,472,663 of shares on 30 September 2022 with a total value of £235,781,304, which was valued at the market price of £8.00 per share using the closing share price as at 29 September 2022 being the date on which the terms of the issue were fixed. The nominal value of £0.01 per share totalled £294,727 and was recognised in ordinary share capital. The remaining value of the shares of £235,486,577 was recognised in Merger Reserves. The costs associated with the issuance of shares of £10,216,400 were presented in merger reserves in the Statement of Financial Position and Statement of Changes in Shareholders' Funds.

| No. Issued, allotted and fully paid ordinary shares of £0.01 each | For the year ended 31 December 2023 | For the year ended 31 December 2022 |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Opening number of shares | 64,209,597 | 35,259,741 |
| Shares issued during the year | - | 29,472,663 |
| Number of shares bought back | - | (522,807) |
| Closing number of shares | 64,209,597 | 64,209,597 |

| | Shares in issue at 1 January 2023 | Cancellation of treasury shares | Shares in issue at 31 December 2023 |
|-----------------|------------------------------------------|----------------------------------------|--------------------------------------------|
| Ordinary shares | 64,209,597 | - | 64,209,597 |
| Treasury shares | 4,712,985 | (4,712,985) | - |

| | Shares in issue at 1 January 2022 | Shares issued during the year | Buyback of Ordinary Shares | Shares in issue at 31 December 2022 |
|-----------------|------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------|
| Ordinary shares | 35,259,741 | 29,472,663 | (522,807) | 64,209,597 |
| Treasury shares | 4,190,178 | - | 522,807 | 4,712,985 |

The nominal value of ordinary shares as at 31 December 2023 was £0.6 million (31 December 2022: £0.6 million).

27. OTHER RESERVES

On 21 March 2016, the Company cancelled its share premium account, following shareholder and court approval. Accordingly, £98.1 million, previously held in the share premium account, was transferred to the Special Distributable Reserve in 2015. On 21 November 2023, the Company cancelled its share premium account again, following shareholder and court approval. Accordingly, £299.6 million, previously held in the share premium account, was transferred to the Special Distributable Reserve in 2023. As at 31 December 2023 the special distributable reserve balance was £351.6 million (31 December 2022: £52.0 million).

Following completion of the Scheme, the Company is no longer subject to the Association of Investment Company requirements to show the Revenue and Capital reserves. As such, the two reserves were reallocated to a newly created retained earnings reserve on 31 December 2023. As at 31 December 2023, the Group had a retained earnings reserve balance of £8.6 million and the Company had a retained earnings reserve balance of £0.3 million.

Merger Reserves include the additional reserves accounted for as part of the acquisition that occurred during 2022. The Merger Reserve also includes the costs associated with the issuance of shares.

The Foreign Currency Translation Reserve reflects the foreign exchange differences arising on translation that are recognised in the Consolidated Statement of Comprehensive Income.

28. NET ASSET VALUE PER ORDINARY SHARE

The following table shows the net asset value per ordinary share:

| Group | As at 31 December 2023 | As at 31 December 2022 |
|------------------------------------------|------------------------|------------------------|
| Net asset value per ordinary share pence | 912.4 | 899.5p |
| Net assets attributable £'000 | 585,828 | 577,539 |

| Company | As at 31 December 2023 | As at 31 December 2022 |
|------------------------------------------|------------------------|------------------------|
| Net asset value per ordinary share pence | 899.9 | 902.2p |
| Net assets attributable £'000 | 577,833 | 579,324 |

The Group net asset value per ordinary share as at 31 December 2023 is based on net assets at the year-end of £585.8 million (31 December 2022: £577.5 million) and ordinary shares of 64,209,597 (31 December 2022: 64,209,597) in issue at the year-end. The Company net asset value per ordinary share as at 31 December 2023 is based on net assets at the year-end of £577.8 million (31 December 2022: £579.3 million) and ordinary shares of 64,209,597 (31 December 2022: 64,209,597) in issue at the year-end.

29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2023 there were no contingent liabilities or capital commitments for the Group or Company (31 December 2022: none). As at 31 December 2023 the Group and Company had £6.3million (31 December 2022: £88.9 million) of undrawn committed structured credit facilities and undrawn commitments in relation to secured real estate loans of £35.6 million (31 December 2022: £99.1 million).

The Group and Company Credit Assets at fair value through profit and loss include investments made into three Private Credit funds that are also managed or advised by the Group: PSC Credit III (A) SCSp and (B) SCSp, PSC Credit (T) SCSp, one of the European Separately Managed Accounts ("SMAs"), and PSC US Badger LLC, one of the US SMAs. As at 31 December 2023, the

Group held 12% of Credit III (31 December 2022: 7.5%), 1% of PSC Credit (T) SCSp (As at 31 December 2022: 1%) and 0% of PSC US Badger LLC (31 December 2022: 49%) as PSC US Badger LLC was wound down during the year. As at 31 December 2023, the undrawn commitment for the investment into flagship Credit III was £4.7 million (31 December 2022: £11.9 million), £0.8 million (31 December 2022: £0.8 million) for the investment in PSC Credit (T) SCSp and £0 million for the investment in PSC US Badger LLC (31 December 2022: £6.8 million). As at 31 December 2023, the Company holds the investments in Credit III and PSC Credit (T) SCSp (31 December 2022: the investment in PSC Credit (T) SCSp was held by a subsidiary of the Group).

The Group and Company Equity Assets at fair value through profit and loss includes commitments in two private equity funds that are managed or advised by the Group: PSC Accelerator II (A) LP and PSC V (A) LP. As at 31 December 2023, the Group held 2% of PSC Accelerator II (A) LP's total commitments (31 December 2022: nil) and had drawn amounts of £10.4 million and undrawn commitments in PSC Accelerator II (A) of £10.5 million (31 December 2022: nil) and had 5% of the total commitments in PSC V (A) LP with no amounts drawn (31 December 2022: nil) and an undrawn commitment in PSC V (A) LP of £20 million (31 December 2022: nil).

30. RELATED PARTY TRANSACTIONS

IAS 24 '*Related Party Disclosures*' requires the disclosure of the details of material transactions between the Group and any related parties. Accordingly, the disclosures required are set out below.

The remuneration of the Directors is set out in the Directors' Remuneration Report. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business other than as set out in the Regulatory Disclosures section of the Directors' Report. There were no other transactions during the year with the Directors of the Company.

For the period from 1 January 2022 to 30 September 2022 the Company paid £9.1 million of fees to Pollen Street Capital Limited. Pollen Street Capital Limited became a subsidiary of the Group following the acquisition of Pollen Street Capital Holdings Limited by the Company on 30 September 2022, as such, these transactions were no longer considered to be related party transactions.

The Group considers all transactions with companies that are controlled by funds managed by the Group as related party transactions.

The Group has a forward facility in place with Oplo Group Limited, a consumer lender that is controlled by funds managed by the Group. As at 31 December 2023 the facility had an outstanding balance of £6.2 million (31 December 2022: £8.2 million) included in Credit Assets at amortised cost in Note 12.

During the year, the Group made an investment of £9.0 million in Saturn Holdings Limited, which is a wholly owned subsidiary of a Private Equity fund managed by the Group.

During the year, the Company made commitments to PSC Accelerator II (A) LP of £20.9 million and PSC V (A) LP of £20 million which are both funds management by the Group.

During the year, the Company carried out foreign exchange transactions with Lumon Risk Management LTD ("Lumon", formerly Infinity International Limited) in relation to EUR and USD derivative transactions. Lumon is a portfolio company owned by a private equity fund that is managed by the Group. The derivatives exposure with Lumon is disclosed in Note 20.

As at 31 December 2023, there was £3.9 million (31 December 2022: £3.4 million) payable to the Investment Manager by the Company.

During the year, the Company cancelled all 4,712,985 treasury shares. There were no purchases of own shares during the year.

31. ULTIMATE CONTROLLING PARTY

It is the opinion of the Directors that there is no ultimate controlling party throughout 2023 and up to 24 January 2024. As of 24 January 2024, Pollen Street Group Limited became the immediate parent and ultimate controlling party of Pollen Street Limited.

32. SUBSEQUENT EVENTS

On 9 January 2024, a dividend of 13.0 pence per ordinary share was approved and duly paid on 1 March 2024.

On 24 January 2024, the Group completed the Scheme that effectively transitioned the listing category of the Company's shares to that of a commercial company and introduced Pollen Street Group Limited as the new parent of the Group.

On 14 February 2024, the Company re-registered as a private company, changed its name from Pollen Street plc to Pollen Street Limited; and completed the Distribution of the entire issued share capital of Pollen Street Capital Holdings Limited to Pollen Street Group Limited. The distribution included 64,209,597 shares with a distribution value of £247.0 million.

As a result of the Reorganisation, the Company ceased to be classified as an investment trust and ceased to be classified as an AIF.

Further information on the Scheme and the Distribution is provided in Note 1 to the Financial Statements.