For immediate release

23 March 2023

Pollen Street plc Annual Report and Accounts

Pollen Street plc ("Pollen Steet" or, together with its subsidiaries, the "Group") today issues its Annual Report and Accounts for the year ended 31 December 2022.

It has been a transformative year for the Group, with Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc combining to form Pollen Street (the "**Combination**"). The Group 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 two complementary business models accelerate growth and unlock value for shareholders by bringing together the combined business models of income resilience and growth to provide a highly attractive proposition to investors.

Highlights for 2022: delivering in line with targets and well-positioned for growth

- AUM has grown to £3.4 billion supported by an impressive 36 per cent year on year growth in the Credit AUM
- Financial performance of the Asset Manager is in line with consensus with Fund Management EBTIDA for 2022 closing at £8.5 million, equivalent to a 21 per cent year-on-year growth
- The Investment Company delivered performance in line with expectations, with Net Investment Assets Return of 8.0 per cent per annum and net income for 2022 of £28.3 million. Against the current macro-economic backdrop, this performance demonstrates the resilience of the strategy
- The Group has maintained its track record of delivery across both Private Equity and Credit strategies with an early realisation in Private Equity IV and strong consistent performance in credit
- Sustainability remains a core part of Pollen Streets investment strategy and the Group has been recognised by CFI as Best Responsible Investment Team UK in 2023 for the third year running and also recognised by FT Adviser for its work in DE&I
- The Group is well-positioned to drive organic long-term growth and is well on track to deliver its objective of £4-5bn AUM in the medium term with good near term visibility on making steps towards that

Commenting on the 2022 performance, Lindsey McMurray, Chief Executive Officer, said:

"Pollen Street offers a unique combination of high-quality income resilience together with growth, and I am pleased that our first set of full year results reflects a strong and stable performance. Against a challenging macro-economic backdrop, Pollen Street has shown resilience and consistent delivery to perform well, which has seen our AuM grow to £3.4bn. Our outlook remains strong, and we are well positioned through our core strategies to drive long-term organic growth."

Shareholder proposals

In the circular published in May 2022, the Board announced an intention to put forward a proposal to shareholders for the establishment of B Shares prior to the 2023 AGM. These shares would be 8% preference shares with recourse to the capital and income deriving from a representative proportion of the credit portfolio, with a net asset value of up to £50 million. Given the changed market environment, the Board has consulted with shareholders before progressing with the proposal and based upon that consultation, the Board does not believe sufficient shareholders would support it at this time and as such the Board does not intend to pursue this matter further.

The Directors intend to put forward proposals to shareholders, to:

- insert a Guernsey company as a holding company for the Group; and
- change the Company's listing classification to be a commercial company, as such the Company will cease to have investment trust status.

A General Meeting will be convened to consider the proposals. The Directors believe that new corporate structure will be better reflect the Group's operations as a commercial enterprise and that a classification as a commercial company would broaden the universe of potential investors, improve the marketability and liquidity of Pollen Street's shares and bring the listing classification in line with Pollen Street's quoted peer group.

Results presentation:

Pollen Street will host its results presentation at 8:30 AM on 23 March 2023.

Register for the webinar:

https://2022resultswebinar.pollencap.com/

The full results presentation is available on the Group's website www.pollenstreetgroup.com.

About Pollen Street plc

Pollen Street is an alternative asset manager dedicated to investing with 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, referred to as the Asset Manager, and on-balance sheet investments, referred to as the Investment Company.

The Investment Company portfolio is well-diversified and focused on senior asset-based direct lending investments. These investments target stable high-income returns together with strong capital preservation. 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.pollencap.com.

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Annual Report and Accounts

The Annual Report and Accounts have been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and are available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism in accordance with DTR 6.3.5(1A) of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The Annual Report and Accounts are also 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 2022 but is derived from those accounts. Statutory accounts for the year ended 31 December 2022 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 & Accounts.

Pollen Street at a glance

Pollen Street plc (the "Company") 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 assets under management ("AuM"). The business had £3.4 billion in AuM as at 31 December 2022, up 31 per cent per annum over the past two years.

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 Investment Company portfolio is well diversified and focused on senior asset-based direct lending investments. These investments target stable high-income returns together with strong capital preservation. The portfolio consists of both direct investments and investments in funds managed by Pollen Street.

The Company is an investment trust. It was formed through an all share combination of Honeycomb Investment Trust plc with Pollen Street Capital Holdings Limited (the "Combination"). The Combination occurred on 30 September 2022 and was effected by Honeycomb Investment Trust plc 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 financial statements only incorporate Pollen Street Capital Holdings Limited from 30 September 2022, the point at which it became a subsidiary of the Company. The combined group was renamed Pollen Street plc and together with its subsidiaries is referred to as the "Group" or "Pollen Street".

Key Figures[1]

- Assets under management ("AuM") - £3.4 billion (31 December 2021: £3.0 billion)
- Growth in Credit AuM1 - 36% (2021: 69%)
- Statutory operating profit1 - £27.3 million (2021: £30.3 million)
- Proforma operating profit1 - £36.8 million (2021: £37.3 million)
- Net Investment Asset Return1 - 8.0% (2021: 8.5%)
- Dividends declared1 - £30 million (2021: £28 million)

[1] *See section 5, page 212 of the Annual Report, for the definition of terms and the Reconciliation to Alternative Performance Measures ("APM"). The APMs include AuM, proforma operating profit and Net Investment Asset Return. APMs are not audited.*
Statutory operating profit is the consolidated operating profit for the Group according to IFRS reporting standards. Proforma operating profit is the EBITDA of the Group as if the combination had occurred prior to 1 January 2021. Proforma measures are not audited.
Statutory operating profit does not include profits arising in Pollen Street Capital Holdings Limited prior to 30 September 2022, being the date of completion of the Combination.
Proforma operating profit is calculated as the operating profit of the Group's Investment Company plus the operating profit of the Group's Asset Manager according to IFRS reporting standards excluding exceptional items and start-up losses of the US business, but including the full cost of the office leases despite these costs being reported as depreciation of a right-of-use asset and financing costs under IFRS 16.
Net Investment Asset Return is defined as the ratio of the income from Investment Company to the average Net Investment Assets, expressed as an annualised ratio.

Chairman's statement

Robert Sharpe – Chairman

Welcome to the Annual Report and Accounts for Pollen Street, which covers the year ending 31 December 2022.

A successful year of change

2022 was a transformative year for us with Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc combining to form Pollen Street.

In February 2022, we announced the proposed Combination to accelerate growth and unlock value for shareholders by bringing together the combined business models of income and growth to provide a highly attractive proposition to investors.

The Combination was strongly supported by Shareholders and completed on 30 September 2022.

Over the year, the rationale for the Combination has been reinforced. Pollen Street continues to deliver returns and grow AuM, despite a challenging macro environment, and the investment portfolio has continued to deliver robust, attractive returns demonstrating the resilience of the strategy.

On the Asset Manager side, the focus for the year has been on growing AuM, specifically under the Credit strategy. Pollen Street plc has increased Credit AuM to £1.6 billion – a 36 per cent increase on prior year – with capital raised in flagship Credit III and separately managed accounts ("SMAs"). The Private Equity business was not actively fundraising in 2022 whilst flagship Private Equity IV is being deployed, however good progress has been made towards the launch of flagship Private Equity V in 2023.

The Investment Company has continued to perform consistently, in line with its historic track record, with Net Investment Asset Return of 8.0 per cent per annum.

Pollen Street declared dividends of £30 million for 2022, an increase of £2 million from the prior year (2021: £28 million). This was in line with the Board's dividend targets previously issued. These figures reflect a quarterly dividend of 20.0p per share in respect of the first half of the year prior to the Combination, and 16.0p per share in respect of the second half of the year.

We target dividends of £32 million for 2023, and aim to grow dividends progressively, thereafter, reflecting the strong earnings trajectory of the combined business. The Group targets a dividend that is no lower than £33 million in 2024[2].

Shareholder proposals

In the circular published in May 2022, the Board announced an intention to put forward a proposal to shareholders for the establishment of B Shares prior to the 2023 AGM. These shares would be 8% preference shares with recourse to the capital and income deriving from a representative proportion of the credit portfolio, with a net asset value of up to £50 million. Given the changed market environment, the Board has consulted with shareholders before progressing with the proposal and based upon that consultation, the Board does not believe sufficient shareholders would support it and as such the Board does not intend to pursue this matter further.

However, the Directors intend to put forward proposals to shareholders to insert a Guernsey company as a holding company for the Group and to change the Company's listing classification to be a commercial company. As such the Company will cease to have investment trust status. A General Meeting will be convened to consider the proposals. The Directors believe that the new corporate structure will better reflect the Group's operations as a commercial enterprise and that a classification as a commercial company would broaden the universe of potential investors, improve the marketability and liquidity of Pollen Street's shares and bring the listing classification in line with Pollen Street's quoted peer group.

The Board is mindful of the disconnect between the share price and the fundamental value of the Group. The Board continues to discuss this matter with advisers and shareholders. However, the Group remains focused on delivering substantial growth in the business to drive further interest in Pollen Street shares.

[2] This is a target and not a formal dividend forecast or a profit forecast. The targets stated in GBP amounts are based on the outstanding shares at the time of publication (64,209,597) and would be scaled according to any buybacks or new issuance

Environmental, Social and Governance ("ESG")

ESG is core to Pollen Street's strategy, purpose and culture, and our ESG framework aligns to the UN Sustainable Development Goals ("SDGs"). Over the year progress has been made in embedding a proprietary ESG scoring mechanism.

The data we collect and proprietary scoring mechanism enables us to:

- measure our impact more consistently;
- track progress against targets;
- create league tables; and
- set a base level for improvement plans for portfolio companies and investments across our strategies.

A cautious but energised outlook

We closely monitor the impact of the more challenging macroeconomic environment, however our strategies continue to demonstrate strength and resilience during volatile periods and are well-positioned for the current climate.

We are continuously building investor relationships and AuM across the Asset Manager in line with our medium-term guidance. The Investment Company assets are well positioned and structured to withstand significant macro stress. Current market dynamics also bring compelling investment opportunities which we approach with care and selectivity.

Overall, we are pleased with the financial results and we are excited as we move into 2023. Our compelling combination of balance sheet capital and deep asset management expertise positions us to deliver the growth we have promised to the market.

I would like to thank the management team for their hard work as part of the combined Group and look forward to working with the team going forwards.

Robert Sharpe

Chairman
22 March 2023

CEO report

Lindsey McMurray – Chief Executive Officer

At Pollen Street we recognise the importance of financial services providing critical infrastructure across the financial ecosystem. We look to work with businesses that seek to grow by taking share and to build the next generation of leaders across the sector and as stewards of capital we are conscious of our responsibility to invest with care, one of our core values.

Since our inception in 2013, we have built an institutional infrastructure for Pollen Street, led by a common purpose and values. We accelerated this in 2022 completing the combination of Honeycomb Investment Trust plc and Pollen Street Capital Holdings Limited to create Pollen Street, a differentiated and purpose-led alternative asset manager.

Unique advantages of the Combination

Pollen Street offers a unique combination of high-quality, stable income and growth of long-term recurring fee income. The Group benefits from a complementary and synergistic set of asset management activities focused on managing third-party assets under management, referred to as AuM (the "Asset Manager") and on-balance sheet investments (the "Investment Company") aligned to the Company's investment strategies.

The Asset Manager provides exposure to high-margin, capital light recurring revenue streams. The Investment Company portfolio generates stable returns through investment in high-quality, diversified, low-risk, asset-based direct lending debt facilities.

The Combination allows Pollen Street to enable business growth by deploying our Investment Company capital to accelerate the growth in third-party AuM through helping to scale existing funds and seed new strategies.

As a purpose-led asset manager, Pollen Street is committed to delivering sustainable growth and consistent returns for our shareholders and private investors alongside positive impact for our people, portfolio companies and wider society.

Delivering strong performance

In our first Annual Report and Accounts as a combined business I am pleased to report that Pollen Street delivered strong performance in 2022. The Group continued its track record of consistent delivery, which is particularly pleasing against a backdrop of increasingly uncertain economic conditions; increasing our AuM to £3.4 billion and maintaining momentum in deployment into new investments.

Despite the more challenging macro environment, returns across all funds managed by the Group, including the Investment Company have been strong and in line with targets for each strategy.

This strong overall performance confirms the rationale for the bringing together of Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc, as we demonstrate the combination has enhanced the excellent work of our teams. We continue to grow at a steady and sustainable pace with a strong platform for the future.

Our Asset Manager business

Pollen Street was founded to provide capital to businesses well-positioned to benefit from the huge structural changes in the financial ecosystem. We invest aligned with megatrends that drive structural and technological change across the industry and we have built expertise that enables us to identify and champion businesses that can deliver consistent and sustainable revenue and profit growth.

We work with agile and innovative firms that deliver high quality products and services to their customers and help enable market share gain and positive change.

We support our businesses with The Hub. The Hub is our powerful eco-system; a dedicated team responsible for driving technology development, sales performance and what we believe to be best practice across our portfolio in both Private Equity and Credit. The core principle of our Hub is a culture of continuous improvement. We have a team of experts and advisers who can support our portfolio on digital transformation, cloud-based IT, digital marketing, technology scalability, data-led products and ESG.

A Private Equity strategy building next generation market leaders

In Private Equity, we seek to invest and build the next generation of leaders across the financial eco-system. We work closely with our portfolio companies and their teams to implement our established playbook to accelerate multiple routes to growth... We build on the solid foundations of our portfolio companies to create customer-centric, data-driven organisations that can become market leaders. We have seen strong performance across the Private Equity portfolio, which has proven to be extremely resilient and adaptive to the changing landscape.

Our macro-resilient Credit strategy

In Credit, we partner with high-quality non-bank lenders, technology companies, and other mid-market companies with diverse portfolios of cash generative assets, offering something better to their customers. Our credit facilities are typically on a senior asset-secured basis – where we take direct security over the cash flow producing assets together with additional corporate security. We believe this is an underpenetrated non-correlated investment strategy with a huge market opportunity and provides attractive relative value when compared with public or private comparable transactions alongside strong downside protection.

We recognise the challenging macro environment and across our strategies we are seeing the dislocation in the market presenting opportunities... We are deploying a highly selective approach, but moving with conviction where we see good opportunities with attractive characteristics.

Fundraising momentum

The fundraising market was more challenging over 2022 and into 2023 with many managers reporting that fund raises were either smaller than expected and/or taking longer to complete.

The market has been impacted by the 'denominator effect' where declines in investors' public portfolio valuations have led to lower allocations of new capital to the sector. With this backdrop, we continue to build and deepen our engagement with long term partners and remain confident that we will continue our momentum in AuM growth. Pollen Street has delivered 36 per cent growth in AuM in the Credit business to £1.6 billion in 2022. In 2023, we expect continued momentum for fundraising in Credit, with the final close of Credit III expected in Q2 2023 and further growth in the SMAs. On our Private Equity side, our core focus in 2022 has been in laying the foundations for a successful launch of flagship Private Equity V. Flagship Private Equity IV is approaching full deployment with 76 per cent of the fund committed to investment as at 31 December 2022. The first close of flagship Private Equity V is expected during 2023.

Investment Company Stable Delivery

The Investment Company has a £588 million portfolio. We have maintained our track record of performance throughout the year and delivered Net Investment Asset Return of 8.0 per cent per annum, demonstrating a consistent and robust performance despite the more challenging macroeconomic backdrop.

We seek to use the Investment Company's balance sheet to seed assets or funds originated under our Asset Manager strategies. We believe that this approach will help to accelerate the launch of new strategies and grow AuM. To date the Investment Company has committed over £50 million across three of our vehicles. We expect this to grow in the future to help accelerate the growth of the Asset Manager. However, we intend to maintain the historic risk profile and the stability of the returns of the Investment Company by limiting the non-credit investments to be no more than 10 per cent of the investment portfolio.

A sustainable approach to ESG

Pollen Street is committed to maintaining and enhancing our focus on actions that generate positive impact for our investors, people, portfolio companies and wider society, linked to our purpose.

Sustainability is key to our investment strategy and our goals include helping portfolio companies reach carbon neutrality; set diversity and inclusion targets; and promote the strongest possible governance standards.

We are proud that our Responsible Investing approach has been recognised as a leader by Capital Finance International ("CFI") for the third year running, and our approach to Diversity, Equity and Inclusion ("DEI") has been recognised by awards from FTAdviser.

We also recently signed the Social Mobility Pledge, committing to outreach, access and recruitment. There are currently over 700 organisations signed up across the UK.

Alongside continuing to strengthen our ESG programme and foundations, our focus for ESG in 2023 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.

A resilient outlook: opportunities ahead

Our business is well positioned to drive long-term organic growth. Our core strategies are performing well and are proving to be resilient to the changed macroeconomic environment over 2022. Our key priorities for 2023 are:

- continue to build AuM steadily in Credit;

- first close of flagship Private Equity V;
- maintaining our track record of deployment and performance across our strategies including stable and resilient returns in the Investment Company;
- building cross product relationships with strategic investors; and
- delivering operational leverage through our platform as we continue to growth AuM.

Looking back over a successful and transformative year, I thank our investors for their support; my colleagues for all their hard work and dedication; and the Board for its guidance. I look forward to the opportunities and growth ahead as we work together to deliver for our investors and shareholders.

Lindsey McMurray
Chief Executive Officer

22 March 2023

Private Equity strategy

This section gives insight into the strategy for our Private Equity funds. The Group earns fees from managing these funds.

Key highlights of the strategy are:

- Building next generation leaders for the European financial ecosystem
- Strong track record with 3.0x gross returns and zero losses
- Sector specialist knowledge and proven operational framework to accelerate revenue and profit growth

As a financial services specialist, we see significant whitespace in our sector which serves as critical infrastructure to the economy. We operate around megatrends that drive structural and technological change and market share gain for mid-market innovators.

Our strategy has been in place since 2008 and has been tested through many market cycles. Throughout this period, we have developed a robust and disciplined approach to investing as evidenced by our strong track record of returns over time. We identify companies that can thrive in times of structural changes in the industry by delivering high quality products and services to their customers. This experience has given us valuable skills and a keen understanding of risks and opportunities in the market. Ultimately we believe that change creates opportunity for market share gain and our strategy is built around capitalising on this to build businesses that are next generation leaders.

Our Pollen Street portfolio is made up of businesses with sustainable growth at their core. This encompasses our drive for both long term sustainable performance and to help the businesses we work with deliver positive impact for their people, stakeholders and wider society.

How it works: clear opportunity set and established playbook

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 thematic investment theses, we seek to drive growth through our established operational framework which his built upon three key pillars:

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

2022 – Driving growth and change

2022 was a successful year for our Private Equity funds, delivering returns and sustainable growth for our investors and stakeholders. The funds had a strong year with continued growth across the portfolio, continued deployment activity in flagship Private Equity IV and strong exits, including Private Equity IV's first investment being realised within two years of Pollen Street sourcing the investment. This was particularly pleasing with challenging equity markets as a backdrop and demonstrates the continued demand for strongly growing businesses; the market leaders that we are helping to create.

Three new platforms were added to the portfolio in the year. PAIR Finance, the digital collections platform operating from Berlin and focused on the high-growth eCommerce sector was acquired in October, Autopay the payments platform based in Poland was acquired in July and Tandem, the UK bank focused on financing the green transition, was completed in January. 76 per cent of flagship Private Equity IV has been committed to investments.

Our core focus for fundraising in 2022 has been in laying the foundations for a successful launch of flagship Private Equity V in 2023. AuM has remained stable at £1.8 billion with new co-investments offsetting our realisations and throughout the year we have continued to develop and deepen our relationships with investors.

Whilst we are mindful of potential economic challenges, we believe our funds remain well positioned for continued growth. Our new deal pipeline remains strong and potential for future exits remains attractive.

Key Figures

- AUM - £1.8 billion
- Strategy in place for 17 years
- Realised returns since inception of 3.0x gross[3], zero loss ratio

Michael England
Partner

22 March 2023

[3] Track record as of 31 December 2022 unless stated.

Credit strategy

This section gives insight into the strategy for our Credit funds. The Group earns fees from managing these funds.

Key highlights of the strategy are

- Asset-backed, senior secured lending
- Attractive returns with strong downside protection
- Potential for positive impact financing green transition, regional growth and financial inclusion

In an uncertain world, our senior secured, asset-based lending has a track record of attractive returns and has demonstrated resilience through various economic cycles.

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 senior secured lending provides capital primarily to non-bank lenders, technology companies and other companies with a diverse portfolio of assets that our debt is secured against providing a highly resilient approach. This asset backing combined with seniority, comprehensive covenants, bespoke structuring negotiated bilaterally by our large and expert team means we are able to generate premium returns versus other public and private debt strategies with strong downside protection.

We are also passionate about the potential for positive impact through the financing that we provide whether by funding green alternatives for homes and transport, building new mass market homes or driving regional economic growth 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. The Environmental, Social and Governance section of the Strategic Report gives more information about how our investments align to the United Nations SDGs.

How it works: structuring for protection

Pollen Street's Credit strategy was formed following the global financial crisis. The strategy addresses a growing funding gap but at its core is a highly considered approach built to withstand extreme stresses in the economic environment.

Since inception, when making decisions about lending, we do not judge based on current market conditions, rather assessing on the basis of a very stressed macro environment. We calculate the loan amount for each deal allowing for significant deterioration in performance, aiming to ensure no impairments. The stresses we run are broadly equivalent to rating agency stresses to determine investment grade risk exposure and are more severe than the global financial crisis and other prior recessions.

The nature of our lending also means that we are protected by the diversification of the underlying assets we lend against. For example, our senior facility to IWOCA, a leading SME lender, is secured on more than 6,500 individual SME loans making repayments monthly; or our senior facility to ONTO, Europe's largest electric car subscription provider, is secured on over 4,500 electric cars and associated monthly customer payments. This diversification means that cashflows are stable with low volatility even in a more uncertain environment where credit defaults are predicted to rise.

The terms of our relationship with borrowers are also critical to ensuring resilience. At Pollen Street the comprehensive covenants that we negotiate with our credit partners are integral to our strategy and ensure that we have the right to step in early if there are signs of underperformance. Covenant packages cover not only borrower financial performance but also asset performance and diversification with levels set significantly inside underwriting stress tests.

In addition the terms of our facilities mean that we are only lending against performing assets and therefore as any underperformance emerges our facilities automatically de-gear and reduce LTV as borrowers are required to increase their equity subordination to finance those underperforming assets. Added to that automatic de-gearing, we retain senior ranking over both the asset and the cash of the borrower, which means we can control the flow of loans in and out of the business if a critical moment emerged.

2022 – Good performance and growing AuM

Throughout 2022 the Credit business has been focused on both raising capital and building long term investor relationships alongside deploying funds in attractive transactions and ensuring the existing portfolio continues to perform well. AuM increased in the year by 36 per cent to £1.6 billion with flagship Credit III nearing its final close in April 2023 with a good pipeline of new investors in late-stage discussions.

The portfolio performed well in the year despite the challenging macro environment with structuring, prudent loan to value ratios ("LTVs") and seniority leading to consistent performance whilst the benefit of the higher interest rate environment drives increased deal returns. 25 new transactions or upsizes were completed during the year totalling £0.7 billion of commitments with all new deals now incorporating sustainability linked factors including ESG margin ratchets to incentivise our borrowers to improve their impact.

The pipeline of new opportunities continues to be strong as we observe a shift to a less competitive environment on the lending side as banks become less active and public markets are largely closed for new debt issuances. Pollen Street is maintaining a highly selective approach and cautious underwriting but believes it is an attractive time to deploy capital with opportunities to generate higher returns through financing well capitalised borrowers who are leaders in their markets, underpinned by strong performing assets with prudent LTVs.

Key Figures

- AuM - £1.6bn
- Deals over the last 6 years - 104
- Gross unlevered returns – 11%

Matthew Potter
Partner

22 March 2023

CFO Report

Julian Dale – Chief Financial Officer

Delivering in line with targets

I am pleased to present Pollen Street's first financial results following completion of the Combination on 30 September 2022. It was a successful year with financial performance in line with guidance issued to the market and with the consensus of equity analysts.

Over 2022, we have been focused on growing assets under management, referred to as AuM, from organic fundraising under the credit strategy. We raised £0.4 billion of funds into flagship Credit III and SMAs, equivalent to 36 per cent per annum growth.

Under the Private Equity strategy, AuM was maintained at £1.8 billion with portfolio realisations offset by increases in co-investment capital. The Private Equity business was not actively fundraising in 2022, however good progress has been made towards the launch of flagship Private Equity V. We expect the first close in 2023.

Deployment under the Credit strategy has also been strong with Average Fee-Paying AuM across the whole Group increasing by 29 per cent to £2.3 billion as at 31 December 2022 (31 December 2021: £1.8 billion).

The Combination of Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc to form Pollen Street plc has been transformative. The Combination unlocks value by enabling us to deploy capital from the Investment Company to accelerate the growth in third-party AuM in the Asset Manager through helping to scale existing funds and seed new strategies. The Combination occurred on 30 September 2022 and was effected by Honeycomb Investment Trust plc 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 statutory financial statements only incorporate Pollen Street Capital Holdings Limited from 30 September 2022, the point at which it became a subsidiary of the Company. The combined group was renamed Pollen Street plc. Pollen Street has two complementary business segments: the Asset Manager, which encompasses all activities focused on managing third-party AuM, and the Investment Company, which encompasses all on-balance sheet investment activity and the Group's debt facilities. The Asset Manager activities solely reside in Pollen Street Capital Holdings Limited and its subsidiaries. The Investment Company business segment has £588 million of Investment Asset, £2 million of which are held in Pollen Street Capital Holdings Limited and its subsidiaries, the remainder are held within Pollen Street plc, Bud Funding Limited and Sting Funding Limited.

Earnings from the Asset Manager are incorporated into the Group's statutory consolidated financial statements from 30 September 2022, being the date of completion of the acquisition of Pollen Street Capital Holdings Limited which effect the Combination. This basis (the "Statutory Basis") excludes earnings arising in Pollen Street Capital Holdings Limited and its subsidiaries prior to 30 September 2022. In addition to the statutory results, we also present proforma results for the business that incorporate the earnings from the Asset Manager as if the Combination had completed prior to the start of the period. This basis (the "Proforma Basis") explains the performance of the newly combined entity more fully because it includes a full history of Pollen Street Capital Holdings Limited and its subsidiaries. It is also aligned to the basis on which equity analysts forecasts are prepared for the combined business. A reconciliation between the two bases is presented in the Annual Report on page 27. There is no material difference between the Statutory Basis and the Proforma Basis profitability measure for the Investment Company segment. Comparable results under the Proforma Basis have also been shown for 2021 to show the profitability trend of the Asset Manager.

On the Statutory Basis, the operating profit for the Group was £27.3 million (2021: 30.3 million). As noted above, this measure does not include profits arising in Pollen Street Capital Holdings Limited prior to 30 September 2022, being the date of completion of the Combination. It also includes a charge of £3.4 million of business combination expenses associated with the acquisition of shares in Pollen Street Capital Holdings Limited.

The profit on a Proforma Basis incorporates the earnings of the Asset Manager for the whole of 2022. On this basis, EBITDA closed the year at £36.8 million (2021: £37.3 million) with earnings well positioned to grow with the Asset Manager. Fund Management EBITDA increased by 21 per cent in 2022 to £8.5 million (2021: £7.0 million) driven by growth in the Fund Management Income.

Net Investment Asset Return from the Investment Company was stable at 8.0 per cent per annum. This corresponds to Net Investment Return of £28.3 million (2021: £30.3 million). The return for 2022 is in line with the historical track record and guidance issued to the market. This performance in the current economic backdrop shows the resilience of the strategy. The investments are senior and asset-secured with modest LTVs, which provides strong downside protection.

Proforma Profitability (Incorporating the Asset Manager for full year)	2022 £ million	2021 £ million
Fund Management EBITDA	8.5	7.0

Net Investment Return	28.3	30.3
EBITDA	**36.8**	**37.3**

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 fee, with the average calculated from the opening and closing positions.

For Private Equity, the Fee-Paying AuM is the committed capital in the funds, stepping down to invested capital at the point when the subsequent flagship 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 page 212 of the Annual Report for full definitions.

Total AuM grew to £3.4 billion as at 31 December 2022, driven by organic fundraising under the Credit strategy. £0.4 billion of funds were raised in the flagship Credit III and SMAs, equivalent to 36 per cent per annum. £0.1 billion of these funds were raised in the fourth quarter, the period over which the statutory accounts are prepared, demonstrating the consistency of the AuM growth over the year. Under the Private Equity strategy we have been preparing for the launch of flagship Private Equity V in 2023 and not actively fund raising during 2022. AuM for the Private Equity strategy was maintained at £1.8 billion.

Assets under management	31 December 2022 £ billion	30 September 2022 £ billion	31 December 2021 £ billion
Flagship Private Equity IV	0.7	0.7	0.7
Flagship Private Equity III	0.3	0.3	0.3
Satellite and co-investment vehicles	0.8	0.8	0.8
Private Equity	1.8	1.8	1.8
Flagship Credit III	0.4	0.4	0.3
SMAs	0.6	0.5	0.3
Investment Company assets	0.6	0.6	0.6
Credit	1.6	1.5	1.2
Total AuM	**3.4**	**3.3**	**3.0**

The momentum in deployment under the Credit strategy continued in 2022, with a 29 per cent per annum increase in Average Fee-Paying AuM from 2021 to 2022. Average Fee-Paying AuM increased to £2.3 billion by the end of 2022, up from £1.8 billion at the end of 2021. Private Equity constituted £1.1 billion of the Asset Manager's Average Fee-Paying AuM over 2022 (2021: £1.0 billion) with Credit making up £1.2 billion (2021: £0.8 billion).

The Asset Manager earns management fees from managing and advising third-party funds. These fees are long-term contracted revenues that are recurring and stable and driven by the quantum of Fee-Paying AuM.

In general, Private Equity funds charge fees on committed capital. Investors who join these funds after the first investors' admission date are charged catch-up fees, so all investors pay fees from the date of the first close. When the next flagship fund holds its first close, the fees are charged on invested capital for earlier funds in the same strategy.

In general, Private Credit funds charge fees on net invested capital. Capital is generally recycled until the end of the investment period. Management fee rates remain the same for the duration of the funds, irrespective of strategy. We have guided to a long-term management fee rate of between 1.25 per cent and 1.5 per cent. This depends on the revenue mix including the relative size of Private Equity compared to Private Credit.

In addition to management fees, the Group earns performance fees and carried interest. These fees allow the Group to share in the profits of the funds under management subject to meeting certain hurdles.

As part of the terms of the Combination, the Group earns 25 per cent of the carried interest in the most recent vintage of all flagship funds and all future funds. For the Private Equity strategy, this includes flagship Private Equity IV. Carried interest is generally 20 per cent of the Private Equity fund returns over a hurdle of 8 per cent per annum with full catch-up. For the Private Credit strategy, carry is earned on flagship Credit III and certain SMAs. Carried interest for the Private Credit funds is generally 10 per cent of returns with a 5 per cent hurdle and full catch-up.

The Asset Manager segment delivered £2.9 million of Operating Profit on a Statutory Basis over the fourth quarter of 2022 (2021: nil). Annualising the Statutory profitability metrics demonstrates the returns are consistent. The annualised Total Income was £40.6 million. Fund Management Income has been growing over the year with the growth in Fee-Paying AuM. The annualised Statutory Asset Manager Administration Costs were £28.9 million. This resulted in an annualised Statutory Operating Profit of £11.7 million. Operating profit excludes depreciation of the right of use asset which was £1.0m on an annualised basis over 2022. The depreciation is part of Fund Management Administration Costs on a proforma basis.

Statutory Basis (Incorporating the Asset Manager from 30 September 2022)	2022 £ million	2021 £ million
Total income	10.2	-
Administration costs	(7.3)	-
Operating profit	**2.9**	**-**

The Management Fee Rate for 2022 was 1.28 per cent. This is within the range of our medium-term guidance of 1.25 per cent to 1.5 per cent. Statutory performance fees and carried interest for the three months ended 31 December 2022 were 24 per cent of Fund Management Income for the quarter. This is at the top end of the long-term guidance range of 15 per cent to 25 per cent and reflects the strength of the underlying investment performance despite the macroeconomic environment. The Fund Management EBITDA Margin was 26 per cent for 2022. We are continuing our journey to raising a long-term EBITDA Margin above 50 per cent.

Financial Ratios for the 3 months ended 31 December 2022	2022
Management Fee Rate (% of Average Fee-Paying AuM)	1.28%
Performance Fee (% of Fund Management Income)	24%
Fund Management EBITDA Margin (%of Fund Management Income)	26%

On a Proforma Basis, the Asset Manager segment delivered £8.5 million (2021: £7.0 million) of EBITDA over 2022. This was an increase of 21 per cent from 2021. This is consistent with the technical guidance we issued to the market at the half year and in line with analysts' consensus forecasts.

Proforma Basis (Incorporating the Asset Manager for full year)	2022 £ million	2021 £ million	Change %
Fund Management Income	37.4	33.9	+10%
Fund Management Administration Costs	(28.9)	(26.9)	+7%
Fund Management EBITDA	**8.5**	**7.0**	**+21%**

Fund Management Income increased by 10 per cent (2022: £37.4 million, 2021: £33.9 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. The growth was offset by catch-up fees received on flagship Private Equity fund IV occurring during 2021 but not 2022.

The Management Fee Rate for 2022 was 1.27 per cent. This is ahead of the guidance issued for 2022 of 1.25 per cent, and within the range of our medium-term guidance of 1.25 per cent to 1.5 per cent. We expect this to increase in 2023 as Private Equity capital is raised.

Performance fees and carried interest for 2022 were 23 per cent of Fund Management Income for the period. This is at the top end of the long-term guidance range of 15 per cent to 25 per cent and reflects the strength of the underlying investment performance.

Fund Management Administration Costs were £28.9 million for 2022 (2021: £26.9 million). The increase of 7 per cent is driven by incremental headcount as well as inflation. This moderate increase reflects a well-invested cost base leading to a high drop through from incremental revenue to profitability. We are investing in headcount in the Investor Relations team to support capital raising across the Group and to internalise some capital raising costs. This will increase the capacity and improve the efficiency of capital raising in the longer term with some modest overlap in costs in the shorter term. We are also investing in dedicated talent in the adjacent strategies that we described in the capital markets day to support growth in those business lines.

The Fund Management EBITDA increased by 21 per cent in 2022 to £8.5 million (2021: £7.0 million) driven by growth in the Fund Management Income. The Group is well positioned for EBITDA growth in future, given the momentum in AuM growth and operational leverage.

The Fund Management EBITDA Margin was 23 per cent for 2022. We are continuing our journey to raising a long-term EBITDA Margin above 50 per cent.

Financial Ratios for the year ended 2022	2022	2021
Management Fee Rate (% of Average Fee-Paying AuM)	1.27%	1.73%
Performance Fee (% of Fund Management Income)	23%	10%
Fund Management EBITDA Margin (%)	23%	21%

Investment Company resilience

The Group's £588 million investment portfolio is well diversified across deals and borrowers and is 97 per cent invested in Credit Assets originated under our credit strategy. Investments are all either senior secured or portfolios of well-seasoned mortgages. The investment portfolio includes a £30 million commitment to flagship Credit III in line with the strategy of deploying the balance sheet to align interests with our investors and drive third-party AuM growth.

Our Investment Asset portfolio maintained its track record of performance throughout the year and delivered Net Investment Asset Return of 8.0 per cent per annum, demonstrating a consistent and robust performance despite the more challenging macroeconomic backdrop. This is in line with the historic track record and our guidance previously issued. We believe that our Investment Asset portfolio strategy, combining bespoke structuring and built to withstand highly stressed scenarios with backing by diverse pools of financial and hard assets, enables us to deliver consistent performance.The income on Net Investment Assets was £28.3 million (2021: £30.3 million). The income was higher in 2021, reflecting a slightly larger Investment Asset base prior to some share buy-backs in early 2022 and some higher yielding investments in 2021.

Investment Asset Segment	2022	2021 [4]
Investment Assets	£588 million	£615 million
Average Net Investment Assets	£355 million	£359 million
Income on Net Investment Assets	£28.3 million	£30.3 million
Return on Net Investment Assets	8.0%	8.5%

This robust performance was driven by strong credit asset return of 9.4 per cent annualised (2021: 9.5 per cent). The credit impairment charge for the year was minimal, a release of £0.2 million (2021: £0.8 million). The low impairment charge, despite the macroeconomic headwinds, reflects Pollen Street's underwriting approach where the deals are stress tested to withstand a materially more adverse macroeconomic environment than has occurred over 2022. See the Credit strategy section on page 10 of the Annual Report for further information. Investment Assets reduced slightly in the year (31 December 2022: £588 million; 31 December 2021 £615 million) with the Company redeploying capital from realised deals into new facilities as well as upsizing existing investments. New transactions in the period have included five structured deals including Onto, an electric vehicle subscription service with a commitment of £25 million. There were also two real estate partnerships, Earlsfort and MM Capital, that target loans between €1 million and €25 million in Ireland. The Investment Asset portfolio comprises 38 investments, with an average balance outstanding of £15 million and an average LTV of 68 per cent. The remainder of the portfolio is made up of the small equity portfolio of 3 per cent.

[4] Note 2021 return is calculated as the NAV return for the period

The Investment Company is well-positioned for an interest rate rise with more floating rate assets than floating rate liabilities. As such, we expect yield on the Credit Assets to rise with the increase in interest rates over the period.

Profit after tax

The statutory profit after tax was £26.4 million (2021: £30.3 million). The main drivers of this change were the operating profit from the new Asset Manager segment of £2.9 million (2021: nil) and the operating profit of the Investment Company segment closing the year at £28.3 million (2021: £30.3 million), offset by £3.4 million of expenses incurred by Pollen Street plc in acquiring the share capital of Pollen Street Capital Holdings Limited and £0.5 million of costs relating to the start-up losses of the US asset management business, which form part of the operating profit of the Central segment. The US business comprises a team of six individuals building our franchise in that market. The start-up losses are expected to reduce as the US business raises AuM and increases revenue. The charge for depreciation and amortisation was £0.4 million. This principally relates to the computer and office equipment and a charge of £0.7 million per annum effective from completion of the acquisition in the shares in Pollen Street Capital Holdings limited until 2028, associated with the amortisation of the intangible assets representing the value of customer relationships.

Statutory Basis (Incorporating the Asset Manager from 30 September 2022)	2022 (£ million)	2021 (£ million)
Operating profit of Asset Manager	2.9	-
Operating profit of Investment Company	28.3	30.3
Operating profit of Central segment	(3.9)	-
Operating profit of Group	**27.3**	**30.3**
Depreciation and amortisation	(0.5)	-
Profit before tax	**26.8**	**30.3**
Corporation tax	(0.4)	-
Profit after tax	**26.4**	**30.3**

The profit after tax on the Proforma Basis increased to £32.9 million (2021: £31.3 million) with the growth principally coming from the Asset Manager.

Proforma Basis (Incorporating the Asset Manager for full year)	2022 (£ million)	2021 (£ million)
EBITDA	36.8	37.3
US costs	(2.0)	(2.1)
Depreciation and amortisation	(0.4)	(0.4)
Profit before tax	**34.4**	**34.8**
Corporation tax	(1.5)	(3.5)
Profit after tax	**32.9**	**31.3**

The Investment Company has not incurred corporation tax, because it is an investment trust. However, the Group incurs corporation tax in its Asset Manager business, which is not an investment trust. The effective tax rate for 2022 was 14 per cent of Operating profit on a Statutory Basis or 18 per cent of the Fund Management EBITDA on a Proforma Basis[5]. This is slightly favourable compared to the illustrative tax rate described in the capital markets day presentation.

The following table shows a reconciliation between the profit before tax under the Statutory Basis and the Proforma Basis.

Reconciliation of Proforma Basis profit after tax to Statutory Basis profit after tax	2022 (£ million)	2021 (£ million)
Proforma Basis	**32.9**	**31.3**
Profit after tax in Pollen Street Capital Holdings Limited prior to Combination	(3.1)	(1.0)
Business combination expenses	(3.4)	-

[5] Effective tax rate is calculated as the ratio of the tax charge (£ 1.5 million) to the Fund Management EBITDA (£8.5 million), expressed as a percentage

Statutory Basis	26.4	30.3

Leverage

The Group uses leverage in the Investment Company. The leverage facilities were extended and upsized during 2022 to provide long-term liquidity to the business and a lower blended margin. As at 31 December 2022 the Group had £263.6 million of leverage and £23.3 million of cash. This is equivalent to a net debt-to-tangible equity ratio of 69 per cent. It is less than the borrowing limit set by the Board of 100 per cent and within the target range of 50 to 75 per cent.

Dividends

Pollen Street declared dividends of £30 million for 2022, an increase of £2 million from the prior year (2021: £28 million). This was in line with the dividend targets issued by the Board on capital markets day on 1 March 2022. They reflect a quarterly dividend of 20.0p per share for the first half of the year and 16.0p per share for the second half.

The Board's dividend targets published in March 2022 remain in place. Dividends for 2023 are targeted at £32 million with the Group aiming to grow dividends progressively thereafter, with a dividend no lower than £33 million in 2024[6]. The dividend will be paid quarterly for 2022 and 2023, and semi-annually from 2024 onwards.

As part of the terms of the Combination, former Pollen Street Capital Holdings Limited shareholders waived dividends paid to them in 2022 and 2023 with respect to around 50 per cent of the shares issued to them by the Group. As such, the dividend targets correspond to a dividend per share of 16p for each quarter for 2023 and at least 25.5p for each half year for 2024.

Outlook

The Group remains in a strong position for growth in 2023. Fund Management Income is expected to step up following the anticipated closing of the flagship Private Equity V in 2023 and continued capital deployment under the credit strategies. The balance sheet assets have strong downside protection from credit risk and are positioned to benefit from rising interest rates.

Our financial guidance for the medium term remains in place. The medium term is defined as two to three years from completion of the Combination, being 30 September 2022.

	Financial Guidance
AuM	£4 to £5 billion medium-term Fee-Paying AuM
Management Fee Rates	c.1.25%–1.50% Average Fee-Paying AuM over the long term
Performance Fees and Carry	c.15%–25% of total Fund Management Income on average over the long term
Fund Management EBITDA Margin	Long-term fund management adjusted EBITDA margin in excess of 50%
Net Investment Income	c.8% long-term target return on net investment assets
Dividend	Targeted at £32 million in respect of 2023 and no lower than £33 million in 2024

Julian Dale
Chief Financial Officer

22 March 2023

[6] Dividend targets stated in GBP amounts are based on the outstanding shares at the time of publication (64,209,597) and would be scaled according to any buybacks or new issuance

Investment Company top ten holdings

		Country	Deal Type	Sector	Value of Holding at Year-end (£m)	LTV	Percentage of Investment Assets
1	Sancus Loans Limited	United Kingdom	Senior	Short Term Property Loans	60.2	56%	10.5%
2	Creditfix Limited	United Kingdom	Senior	Discounted Fee Receivables	58.2	44%	10.2%
3	UK Agricultural Loans Limited	United Kingdom	Senior	Short Term Property Loans	45.7	51%	8.0%
4	Beaufort	United Kingdom	Senior	Short Term Property Loans	45.4	67%	7.9%
5	IWOCA Loans Limited	United Kingdom	Senior	SME	31.0	89%	5.4%
6	Downing Development Loans	United Kingdom	Senior	Short Term Property Loans	29.8	66%	5.2%
7	Nucleus Limited	United Kingdom	Senior	CBILS SME	26.2	92%	4.6%
8	GE Portfolio	United Kingdom	Secured	Secured Consumer	23.7	66%	4.1%
9	Duke Royalty	United Kingdom	Senior	SME	23.5	21%	4.1%
10	Tier	United Kingdom	Senior	Micro Mobility Fleet Finance	20.6	64%	3.6%

Data as at 31 December 2022

Risk management

The Group has developed a comprehensive risk management framework to ensure that risks are managed within a risk appetite. 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. The Board acknowledges that risk exists in the pursuit of targeted returns for shareholders, its strategies, and objectives and has implemented a risk management framework that is proportionate to the Group's activities and aligned to its objectives.

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. The Group has an open, risk-management orientated culture that encourages and facilitates clear communication and challenge where appropriate and the Group's governance framework is designed to safely deliver the agreed business strategy, ensuring its shareholders and clients' best interests are safeguarded and are at the forefront of the Group's business. As well as the adoption of a robust governance structure, the Group demonstrates compliance with its governance requirements by the adoption of a tailored set of systems and controls. The Group has maintained a strong control environment during periods of remote working.

The monitoring and control of risk is a fundamental part of the management process within the Group. The Board oversee the management of the key risks across the organisation, along with capital and liquidity adequacy.

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 so that any emerging risk matters can be addressed promptly.

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 ("ROC") 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.

The Group has established a risk management function consisting of the risk and compliance teams, headed by the Group's Chief Financial Officer and the Group's General Counsel respectively.

The individuals making up the risk management function possess an appropriate knowledge to deliver the level of oversight required to monitor adherence to the Group's stated risk appetite and tolerance limits, along with the skill set required to implement the risk framework and react to changes to the risks affecting the Group and its ability to deliver its business objectives.

Risk management framework

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 are 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 are 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 and checks 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 programme is tailored to key risks and thematic issues that arise and output is provided to the Risk and Operations Committee, which is the Group's management-level risk Committee, on a regular 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 proving 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 has been outsourced to a third party thereby 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 2022

2022 remained a year of uncertainty. As the world began to see green shoots of recovery following the Covid-19 pandemic, other geopolitical events such as Russia's unprovoked invasion of Ukraine caused the markets to suffer further instability. Tensions between Russia and the US, the UK and a number of European states have heightened significantly as a result and should the conflict escalate further, geopolitical instability could increase causing additional negative impacts on the global economic environment. The Risk Committee has conducted an assessment across the funds, which concluded that there was no direct exposure to Russia and Ukraine through revenues, suppliers and staff. We continue to work closely with our portfolio companies to assess and respond to the current economic challenges.

2022 also saw a number of climate-related records broken. The changes in the physical climate system, most notably more intensive extreme events, have adversely affected natural and human systems around the world. This has contributed to a loss and degradation of ecosystems, including tropical coral reefs; reduced water and food security; increased damage to infrastructure; additional mortality and morbidity; human migration and displacement; damaged livelihoods; increased mental health issues; and increased inequality. It is now more evident than ever that a period of great change must occur if we are to avoid the worst predictions. Pollen Street is determined to be part of this change, more information on our ESG approach can be found in the ESG Report on page 30..

Financial instability, macroeconomic deterioration and monetary and fiscal stress also increased during the year. Inflation is becoming an important concern for both experts and the general public and the increase in interest rates in the UK, and globally, has fuelled social tensions and destabilised markets further. We continue to monitor our exposure and make amendments to our strategy where required.

Notwithstanding these pressures, we have seen continued positive momentum in the portfolio performance across both business lines during the year, and performance has been underpinned by consistent deployment and a strong asset base. There are, however, a number of potential headwinds which will affect the global economy and consumer and investor confidence, and we continue to monitor performance closely and update our outlook and risk profile accordingly.

Principal risks & uncertainties

The Group's assessment of risk has identified a broad range of risks and uncertainties which it believes could adversely impact the Group. The following key risks have been identified as having the potential to be material. They include emerging risks and have been reviewed by the Risk and Operations Committee and the Risk Committee regularly and recorded on the risk register.

Economic & Market Conditions

• Economic and market factors, may affect the Group's investments, track record or ability to raise new capital	Regular investment reviews are undertaken. The Investment Committee focuses on investment strategy, exit processes and refinancing strategies throughout the life of an investment or Credit Asset. Early involvement of Investment Committee as new investment ideas are identified ensures that the Group can capitalise from downturns in markets in certain conditions. Periods of market volatility may allow the Group to make investments at attractive prices and terms.	Despite macroeconomic factors seen during 2022, the portfolios remained resilient, and performance remained robust. We continue to monitor performance and act accordingly when required.

Key

Risk Description

Risk Management

2022 Summary

Fund Raising

• An inability to secure new fund mandates or raise capital under existing mandates	The Group has a strong and consistent track record of delivering top tier returns. The Group has sector specialism, knowledge of and expertise in the industries that it invests in, and the investment team have an extensive network and investment experience to enable them to identify opportunities attractive to potential investors. The Group maintains open communications with fund advisory boards and investors to ensure any potential issues are detected.	The risk at the end of 2022 was somewhat elevated given recent market volatility. Management remains actively focused on fund raising across the business. The Group is making efforts to broaden its investor base and is targeting new geographies and investors as part of its ongoing fundraising activities.

Management Fee Rates and Other Fund Terms

• 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	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	Pollen Street's management fee revenue is long term and contractual in nature. Its investment performance during 2022 was stable and no change in management fee revenue is anticipated.

Recognition of Performance Fees and Carried Interest

• The risk that carried interest recognised on current or future funds is less than anticipated	The Group forecasts its income, and budgets carefully using the latest information available	Pollen Street recognition of carried interest and performance fees was in line with management's expectations

On-Balance Sheet Investment Underperformance

• The risk of returns of Pollen Street's Investment Company falling below target levels due to poor investment decisions or a deterioration in the macro environment • This includes credit risk, market risk (such as interest rate risk, currency risk & price risk), capital management risks and liquidity risk	The Group has a clear track record of delivering investment returns that are resilient to market conditions and in line with published guidance. Investments are monitored closely as part of the Group's ongoing investment monitoring programmes and input is given by all investment Committee members to ensure return objectives are met, and to anticipate and discuss any underperformance.	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. The Group has a diversified, granular portfolio of assets. Loans are subject to stringent underwriting and stress testing. Investment performance remains strong. Further information is set out in more detail in Note 20

ESG and Sustainability Performance

• 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[7], TCFD[8], FCA[9], SEC[10] etc. reporting. • Poor or insufficient management of ESG risks or adverse developments impact the Group's reputation as an investor.	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. 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. 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.	Progress has been made over the past year in respect of advancements in data and measurement, socially impactful examples from across the portfolio, becoming carbon neutral and recognition for work on DE&I. Pollen Street believes that the Group has a important role to play in manging ESG risks for society. However, the Group has not identified any material ESG risks related to the financial statements for 2022.

7 Sustainable Finance Disclosure Regulation
8 Task Force on Climate-related Financial Disclosures
9 Financial Conduct Authority
10 U.S. Securities and Exchange Commission

Talent and Retention

• Failure to attract, retain and develop 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, heightened by an ever-increasing competitive job marketplace. • Inadequate succession planning for key individuals.	The Group has competitive reward and retention schemes in place for all employees, aligning individual, team and organisational goals, driving value for the Group. For senior management, these include a blend of short and long-term incentives. The Group invests in leadership development. Pollen Street is committed to raising awareness and encouraging diversity amongst the workforce and has established a DEI Working Group. Key persons have been identified and protections are in place.	The business has made a number of key hires in 2022 and has invested in the investment team which possesses a broad skill set covering analytical, technical and strategic capabilities and an operational team which has industry experience across servicing, collections, finance, technology, compliance and risk.

Information Security & Resilience

• Risks associated with information security and resilience, including: – 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 – Financial or reputation losses arising from a cyber attack	The Group has implemented appropriate security controls against common threats, including cyber-security threats. Awareness of the need for security of the Group's information systems is promoted and encouraged, and the importance of processing personal data in accordance with the Group Data Protection policy is set out. The Group's information security incident response plan is 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 remediate and minimise the impact of the breach as quickly as possible and the plan sets out communication, oversight, and other considerations to be undertaken.	The Group continues to invest in external reviews and cyber penetration testing and all policies and procedures have been refreshed during the year. The technology team has been strengthened and new hires made to cope with the increased demands of the Group.

Reputational Risk

• Risks that could result in damage to Pollen Street's reputation	The Group's reputation in the eyes of our customers, regulators, employees, partners and society is critical to delivering our strategic objectives. Business is conducted in a transparent and fair manner, minimising actions that could damage the Group's reputation or result in customer detriment of any kind.	The Group has established a best practice risk management framework with a full suite of policies, procedures, compliance testing and senior management oversight in place. The Group engages professional third parties to ensure all activities are performed to a high standard. The Group engages an external PR agency to handle communications.

Emerging risk identification

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 have dominated the headlines during 2022 and look set to continue throughout 2023 and beyond. Technology risk also continues to be a challenge for companies, with both the emergence of new technologies whose effects have yet to be understood, and the volatile nature of digital assets, e.g., cryptocurrencies bringing challenges to the markets. The Risk Committee will continue to monitor these risks and respond to the evolving risk landscape.

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December 2022			For the year ended 31 December 2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee income	5	6,212	-	6,212	-	-	-
Carried interest and performance fee income	8	1,578	-	1,578			
Interest income on Credit Assets held at amortised cost	5	51,986	-	51,986	56,484	-	56,484
Gains on Investment Assets held at fair value	7	3,909	-	3,909	1,874	(1,337)	537
Total income		**63,685**	**-**	**63,685**	**58,358**	**(1,337)**	**57,021**
Credit impairment release	10	206	-	206	844	-	844
Third-party servicing costs		(2,511)	-	(2,511)	(2,810)	-	(2,810)
Net operating income		**61,380**	**-**	**61,380**	**56,392**	**(1,337)**	**55,055**
Administration costs	5	(19,468)	(117)	(19,585)	(11,720)	(158)	(11,878)
Finance costs	9	(14,517)	-	(14,517)	(12,859)	-	(12,859)
Operating profit		**27,395**	**(117)**	**27,278**	**31,813**	**(1,495)**	**30,318**
Depreciation	13, 14	(322)	-	(322)	-	-	-
Amortisation	4	(160)	-	(160)	-	-	-
Profit before tax		**26,913**	**(117)**	**26,796**	**31,813**	**(1,495)**	**30,318**
Tax	11	(435)	-	(435)	-	-	-
Profit after tax		**26,478**	**(117)**	**26,361**	**31,813**	**(1,495)**	**30,318**
Earnings per share (basic and diluted)	12	62.4p	(0.3)p	62.1p	90.2p	(4.2)p	86.0p

The total column of this statement represents the statement of comprehensive income 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. The revenue return and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations.

No operations were discontinued during the year.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly, the net profit for the year is also the total comprehensive Income for the year, as defined in IAS1 (revised). There is no other comprehensive income for the year.

The notes on pages 134 to 206 of the Annual Report form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Credit Assets at amortised cost	10	523,877	565,994
Investment Assets held at fair value through profit or loss	7	64,506	48,770
Fixed assets	13	1,414	-
Goodwill and intangible assets	4	231,031	-
Lease assets	14	4,776	-
Carried interest	8	7,052	-
Total non-current assets		**832,656**	**614,764**
Current assets			
Cash and cash equivalents	22	23,303	12,948
Receivables	15	12,870	6,554
Total current assets		**36,173**	**19,502**
Total assets		**868,829**	**634,266**
Current liabilities			
Payables	16	19,221	7,159
Lease payables	14	1,201	-
Current tax payable	11	2,158	-
Derivative liabilities held at fair value through profit or loss	18	916	108
Interest-bearing borrowings	9	60,598	49,339
Total current liabilities		**84,094**	**56,606**
Total assets less current liabilities		**784,735**	**577,660**
Non-current liabilities			
Lease payables	14	4,067	-
Deferred tax liability		94	-
Interest-bearing borrowings	9	203,035	218,318
Total non-current liabilities		**207,196**	**218,318**
Net assets		**577,539**	**359,342**
Shareholders' funds			
Ordinary share capital	24	689	352
Share premium		299,599	299,599
Revenue reserves		2,363	4,790
Capital reserves		(2,361)	(2,244)
Other reserves	25	277,249	56,845
Total shareholders' funds		**577,539**	**359,342**
Net asset value per share (pence)	27	**899.5**	**1,019.1**

The notes on pages 134 to 206 of the Annual Report form an integral part of the financial statements. The financial statements on pages 127 to 133 of the Annual Report were approved by the Board of Directors of Pollen Street plc (a public limited company incorporated in England and Wales with company number 09899024) and authorised for issue on 22 March 2023. They were signed on its behalf by:

Robert Sharpe, Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Credit Assets at amortised cost	10	523,877	565,994
Investment Assets held at fair value through profit or loss	7	62,853	48,770
Investments in subsidiaries	19	239,027	-
Total non-current assets		**825,757**	**614,764**
Current assets			
Cash and cash equivalents	22	18,229	10,500
Receivables	15	3,831	6,554
Total current assets		**22,060**	**17,054**
Total assets		**847,817**	**631,818**
Current liabilities			
Payables	16	5,174	6,860
Derivative liabilities held at fair value through profit or loss	18	916	108
Deemed loan	23	29,227	4118
Interest-bearing borrowings	9	30,141	15,072
Total current liabilities		**65,458**	**54,158**
Total assets less current liabilities		**782,359**	**577,660**
Non-current liabilities			
Deemed loan	23	63,809	50,208
Interest-bearing borrowings	9	139,226	168,110
Total non-current liabilities		**203,035**	**218,318**
Net assets		**579,324**	**359,342**
Shareholders' funds			
Ordinary share capital	24	689	352
Share premium		299,599	299,599
Revenue reserves		4,148	4,790
Capital reserves		(2,361)	(2,244)
Other reserves	25	277,249	56,845
Total shareholders' funds		**579,324**	**359,342**
Net asset value per share (pence)	27	**902.2**	**1,019.1**

The notes on the Annual Report form an integral part of the financial statements.

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 the year ended 31 December 2022 was £28.1 million (2021: £30.3 million). The financial statements of the Annual Report were approved by the Board of Directors of Pollen Street plc (a public limited company incorporated in England and Wales with company number 09899024) and authorised for issue on 22 March 2023. They were signed on its behalf by:

Robert Sharpe, Chairman

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2022

	Ordinary Share Capital[11] £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves[11] £'000	Merger Reserves £'000	Total Equity £'000
Shareholders' funds 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	-	-	26,478	(117)	-	-	26,361
Dividends paid in the year	-	-	(28,905)	-	-	-	(28,905)
Shareholders' funds at 31 December 2022	**689**	**299,599**	**2,363**	**(2,361)**	**51,979**	**225,270**	**577,539**

For the year ended 31 December 2021

	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 at 1 January 2021	**352**	**299,599**	**1,185**	**(749)**	**56,845**	**-**	**357,232**
Profit after taxation	-	-	31,813	(1,495)	-	-	30,318
Dividends paid in the year	-	-	(28,208)	-	-	-	(28,208)
Shareholders' funds at 31 December 2021	**352**	**299,599**	**4,790**	**(2,244)**	**56,845**	**-**	**359,342**

The notes pages of the Annual Report form an integral part of the financial statements.

[11] *Includes a re-presented amount of £0.04 million from Ordinary Share Capital to the Special Distributable Reserves for buybacks that occurred in 2020*

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2022

	Ordinary Share Capital £'000[12]	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000[12]	Merger Reserve £'000	Total Equity £'000
Shareholders' funds 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 at 31 December 2022	**689**	**299,599**	**4,148**	**(2,361)**	**51,979**	**225,270**	**579,324**

For the year ended 31 December 2021

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Merger Reserve £'000	Total Equity £'000
Shareholders' funds at 1 January 2021	**352**	**299,599**	**1,185**	**(749)**	**56,845**	**-**	**357,232**
Profit after taxation	-	-	31,813	(1,495)	-	-	30,318
Dividends paid in the year	-	-	(28,208)	-	-	-	(28,208)
Shareholders' funds at 31 December 2021	**352**	**299,599**	**4,790**	**(2,244)**	**56,845**	**-**	**359,342**

For both year ended 2021 and 2022, the Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of capital reserve arising on investments held is non-distributable. There may be factors that restrict the value of the reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of the capital reserve arising on investments sold.

The notes pages of the Annual Report form an integral part of the financial statements.

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[12] *Includes a re-presented amount of £0.04 million from Ordinary Share Capital to the Special Distributable Reserves for buybacks that occurred in 2020*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Cash flows from operating activities:			
Profit after taxation		26,361	30,318
Adjustments for:			
(Advances) / repayments of Investments at amortised cost		42,322	(22,883)
Purchase of Investments at fair value		(12,237)	(31,309)
Receipt of Investments at fair value		1,033	9,726
Change in expected credit loss	10	(206)	(844)
Net change in unrealised (gains)/losses		(1,804)	(801)
Finance costs	9	14,517	12,859
Foreign exchange revaluation		(2,263)	(53)
Corporation tax		(2,480)	-
Change in carried interest		(1,593)	-
Depreciation of fixed assets		322	-
Amortisation of intangible assets	4	160	-
(Increase) / decrease in receivables		2,668	219
Decrease / (increase) in derivatives		808	130
Increase in payables		1,744	(13)
Net cash inflow from operating activities		**69,352**	**(2,651)**
Cash flows from investing activities:			
Cash acquired from Pollen Street Capital Holdings		2,662	-
Purchase of fixed assets		(269)	-
Net cash (outflow) / inflow from investing activities		**2,393**	**-**
Cash flows from financing activities:			
Redemption of shares		(4,824)	-
Transaction costs for issuance of shares		(9,120)	-
Drawdown of interest-bearing borrowings	22	76,925	27,000
Repayments of interest-bearing borrowings	22	(82,291)	(34,375)
Interest paid on financing activities		(13,175)	(11,366)
Dividends paid in period	9	(28,905)	(28,208)
Net cash (outflow) from financing activities		**(61,390)**	**(46,949)**
Net change in cash and cash equivalents		**10,355**	**(49,600)**
Cash and cash equivalents at the beginning of the year		12,948	62,548
Cash and cash equivalents	**22**	**23,303**	**12,948**

The notes pages of the Annual Report form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Cash flows from operating activities:			
Profit after taxation		28,146	30,318
Adjustments for:			
(Advances) / repayments of Investments at amortised cost		42,322	(22,883)
Purchase of Investments at fair value		(12,145)	(1,309)
Receipt of Investments at fair value		1,033	9,726
Change in expected credit loss	10	(206)	(844)
Net change in unrealised (gains)/losses		(1,804)	(801)
Finance costs	9	10,950	9,678
Foreign exchange revaluation		(2,262)	(53)
Business combination expenses		(3,246)	-
Decrease in receivables	19	2,723	219
Decrease in derivatives		808	130
(Decrease) / Increase in payables		(1,686)	91
Net cash inflow from operating activities		**64,363**	**(5,728)**
Cash flows from financing activities:			
Redemption of shares		(4,824)	-
Transaction cost for issuance of shares		(9,120)	-
Receipt of deemed loans		22,789	981
Repayment of deemed loans		(12,079)	(22,374)
Drawdown of interest-bearing borrowings	22	35,000	27,000
Repayments of interest-bearing borrowings	22	(50,000)	(12,000)
Interest paid on financing activities		(9,765)	(8,844)
Dividends declared and paid	9	(28,905)	(28,208)
Net cash (outflow) from financing activities		**(56,904)**	**(43,445)**
Net change in cash and cash equivalents		**7,729**	**(49,173)**
Cash and cash equivalents at the beginning of the year		10,500	59,673
Cash and cash equivalents	**22**	**18,229**	**10,500**

The notes pages of the Annual Report form an integral part of the financial statements.

Notes to the Financial Statements

1. 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, including interpretations issued by the IFRS Interpretations Committee and interpretations issued by the International Accounting Standard Committee ("IASC") that remain in effect.

The financial statements have been prepared on a consistent basis year on year, on a going concern basis and under the historic cost convention 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 signing of these accounts, being the 22 March 2023. In order to reach this conclusion, the Directors have reviewed the financial projections of the Group from the date of this report until December 2025, 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 considered included ceasing to raise future funds, halting future Investment Asset originations by the Group, late repayments of significant structured facilities and individual exposures experiencing ongoing performance at the worst monthly impact noted throughout 2020 and 2021; which incorporated one-off macroeconomic charges for Covid-19. As part of these projections, the Directors have also considered the discontinuation resolution, which is described in the Share capital section, and do not consider that it will affect the Group given the shareholder support already received and reviewed financial and non-financial covenants under all debt facilities in, with no breaches anticipated even in our stressed scenario.

The principal accounting policies adopted by the Company and Group are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in July 2018 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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. At the date of authorisation of these financial statements, the following standards and interpretations have been applied in these financial statements:

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. Subsidiaries are valued at the Company level at cost. 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 the 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.

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

For the carried interest partnerships, 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 setup 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 2 – 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 setup 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 of funds 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 2 – 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 in preparing consolidated financial statements. All entities within the Group have co-terminus reporting dates.

Refer to note 19 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 Company 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 28 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 partnership are considered to be an associate. Income from these associates is presented in the carried interest and performance fee income line item on the consolidated statement of comprehensive income and the carried interest line item on the consolidated statement of financial position. The carried interest partnerships are presented in the 'Carried interest' line on the 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 in the Consolidated Statement of Comprehensive income.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 24 to the financial statements and further details of how the Group classifies and measures assets at FVTPL are in the classification and measurement section on page 137 of the Annual Report.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 24 to the financial statements.

Foreign currency

The financial statements are 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.

Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses and finance costs, which are accounted for on an accruals basis, have been presented as revenue items except those items listed below:

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

The following are presented as capital items:

- Gains and losses on the realisation of capital investments (equity investments reported in Note 7);
- Increases and decreases in the valuation of capital investments held at the 31 December 2021 and 31 December 2022;
- Realised and unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature;
- Realised and unrealised exchange differences of a capital nature; and
- Expenses, together with the related taxation effect, allocated to capital in accordance with the above policies.

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 periods, 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 should be 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.

The Group and Company do not hold any FVOCI assets.

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 income statement 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. Refer to Carried interest receivable section for further details.

The Group and Company do not hold any FVOCI assets.

Classification and measurement – Financial liabilities

In both the current period 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 periods, the Company recognises any expense incurred on the financial liability; and
- 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 such as broker and packaging fees. After initial recognition loans are subsequently measured at amortised cost using the effective EIRM less expected credit losses (see Note 10 to the financial statements).

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 Company'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
– 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
- Whether the remaining lifetime PD at the reporting date has increased, compared 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. At 31 December 2022 as well as 31 December 2021, all the portfolios of the Group use one positive, more optimistic and one downside, more pessimistic outcomes. The 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 construct 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.

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 on an annual basis.

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 IFRS9 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 21. 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 22), 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 Company 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 3 or Stage 2.

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. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also 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 Company has not retained control.

The Company 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 are instruments that meet the definition of equity from the issuer's perspective; 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.

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 later in this note. Examples of credit instruments include investment in credit funds managed or advised by Pollen Street or other credit instruments where incremental cash flows are due contingent on certain events occurring.

Equity Assets and Credit 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. The valuation incorporates 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.

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

IFRS 13 requires the Company 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.); and
- Level 3 – significant unobservable inputs (including the Company'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 statement of profit and loss and there were no movements from Level 3 valued investment assets during the year.

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 one to three 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
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 profit or loss.

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 profit or loss.

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 cash-generating units ("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.

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 annually assessed for impairment when there are indicators of impairment.

Amortisation is calculated using the straight-line method to allocate the depreciable 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 right-of-use assets representing the right to use the underlying assets.

Lease assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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. Right-of-use 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 "Revenue from contracts with customers". The carried interest receivable amounts are 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 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 probably that it will not be subject to significant reversal.

The Group acquired carried interest rights in the most recent flagship funds as 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 1 and 28 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 are 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 year 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

As an investment trust, Pollen Street plc has approval under Section 1158 of the Corporation Tax Act 2010 and so is not liable for taxation on capital gains. The Company has been approved as an investment trust by HMRC and continues to monitor itself against the conditions required to satisfy the investment trust criteria, including but not limited to making sufficient interest distributions.

The tax expense of the Group arises within the Asset Manager segment and comprises current and deferred tax.

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 statement of profit or loss. 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.
- 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.
- 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 year 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 outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either 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 profit or loss.

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.
- 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.

Dividends

Dividends to shareholders are recognised in the year 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 of time, 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 plc. These fees are shown in the Company accounts and note 5, operating segments. However, they are eliminated on consolidation.

Interest income on Credit Assets held at amortised cost is generated from loans originated by the Company. Interest from loans are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate method ("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 profit or loss 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. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except:

- 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 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 the Asset Manager segment for the first three quarters of the year were allocated to the Capital column on the consolidated statement of comprehensive income.

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 Credit funds. The Investment Company segment primarily consists of the Company's 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 and the Company financial statements. However, they are eliminated in the consolidated financial statements. Refer to Note 5 for further details.

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

2. 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.

The critical judgements relate to the application of consolidation accounting principles and determination of associates, and within the Company, the treatment of asset derecognition and deemed loans. These have been explained in the accounting policies section of the Notes.

Estimates

The estimates of most significance to the financial statements are detailed below. There were a number of new accounting estimates as a consequence of the acquisition of Pollen Street Capital Holdings Limited.

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 Company is described in expected credit loss allowance for financial assets measured at amortised cost above. As noted on page 140 of the Annual Report, 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 Company 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 Company 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 2022.

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 year if economic conditions change significantly.

The Group's UK mild upside scenario can be thought of as an alternative, more optimistic, base case in which the cost-of-living causes households run down savings at a more gradual pace than assumed in the baseline, inflation tapers off and the economy recovers to its pre-crisis trajectory within a couple of years. This mild-upside case scenario sees UK GDP recovering, with growth accelerating to 1.4 per cent by 2023 and 3 per cent in 2024. The labour market is still deteriorated in the near-term, as higher interest rates and lower real incomes impact employment growth, but the unemployment rate recovers swiftly and falls back to 3.6 per cent by 2027. Consequently, for the mild upside scenario the Bank of England base rate is forecast to rise to around 5.25 per cent by mid-2023. The one-year forecast changes in these key economic drivers are shown in the table below.

The base case forecasts unemployment to remain stable at 4.0 per cent by the end of 2023; and the Bank of England base rate to rise up to 4.0 per cent by the end of 2023, before gradually decreasing. The downside scenario, however, forecasts a significantly greater impact from the cost-of-living crisis and war in Ukraine, with a much slower recovery, with unemployment at 6.0 per cent by December 2023 and HPI 14.5 per cent lower in December 2023 than at the end of 2022.

See Note 10 for the sensitivity analysis.

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%

2021	Base	Upside	Down-side
UK unemployment rate yearly change	(0.17%)	(0.84%)	1.64%
UK HPI yearly change	0.45%	4.25%	(9.43%)
UK Base Rate	0.37%	0.75%	(0.13%)

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 11.

Impairment assessment for Goodwill

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. 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 a 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. The modelling showed that the option value of the carried interest was not material at 31 December 2022.

Sensitivity analysis has been performed on carried interest valuations in Note 8.

Judgements

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 year 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 Company 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 *"Consolidated Financial Statements"* 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 Limited Partners 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 a threshold or hurdle. The rights are in the form of partnership interests in carried interest partnerships. The Group has between 1 and 28 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, Consolidated Financial Statements, 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 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 19.

3. BUSINESS COMBINATION

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.

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	(4,090)
Intangible assets	(4,000)
Total value of assets acquired	**(8,090)**
Goodwill	**227,691**

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 plc to the owners of Pollen Street Capital Holdings Limited. The gross amount was £235,781,304, which was the number of shares issued on the 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 plc 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:

	£'000
Pollen Street Capital Holdings Limited net asset value:	
Receivables	14,554
Payables	(23,729)
Carried interest	5,459
Other assets	7,806
Pollen Street Capital Holdings Limited book value 30 September 2022	**4,090**

Receivables

The fair value of the receivables acquired in Pollen Street Capital Holdings Limited are equal to the gross contractual amounts receivable. The main receivables consist of trade and other debtor balances, prepayments and accrued income. Receivable balances are 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 receivable balances are generally collected on a monthly or quarterly basis and are therefore short-term in nature. 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 all contractual cash flows are expected to be collected.

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 watermarks.

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 includes £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 4 for further details.

Pollen Street Capital Holdings Limited

Income arising in Pollen Street Capital Holdings Limited has been incorporated into the consolidated statement of comprehensive income from the date of completion of the acquisition, being 30 September 2022. Income arising between 1 January 2022 and 30 September 2022 is not included in the consolidated statement of comprehensive income. The following table shows income arising in Pollen Street Capital Holdings Limited and its subsidiaries for the whole of 2022:

Pollen Street Capital Holdings Limited	2022 £'000
Management fee income	28,980
Carried interest and performance fee income	8,452
Total income	**37,432**
Administration costs	(29,850)
Operating profit	**7,582**
Depreciation	(1,327)
Profit before tax	**6,255**
Tax	(1,544)
Profit after tax	**4,711**

4. GOODWILL AND INTANGIBLE ASSETS

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

Group	Goodwill £'000	Intangibles £'000	Total £'000
Cost			
Balance as at 1 January 2022	-	-	-
Additions	227,191	4,000	231,191
Disposals	-	-	-
Balance as at 31 December 2022	**227,191**	**4,000**	**231,191**
Amortisation			
Balance as at 1 January 2022	-	-	-
Amortisation	-	(160)	(160)
Balance as at 31 December 2022	-	**(160)**	**(160)**
Net book value 31 December 2022	**227,191**	**3,840**	**231,031**

There were no goodwill or intangible assets held by the Company as at 31 December 2022 (2021: none).

Goodwill

Goodwill is calculated as the consideration for an acquisition less the value of the assets acquired. The goodwill, shown in Note 3 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 Steet 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 at the end of the reporting period and no impairment was identified. The cashflows have been forecast three years into the future, where the final year is assigned a terminal value.

As at December 2022, the value in use of goodwill was £300 million which is £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 11 per cent, and the long-term growth rate of 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 discount rate and long-term growth rates used were based on publicly available information of industry peers.

The following table shows the sensitivity of the value in use to the key inputs:

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 expenses on the statement of comprehensive income. See Notes 1 and 3 for further information on intangible assets.

5. OPERATING SEGMENTS

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

The Asset Manager segment is the activities of the Group that provide investment management and investment advisory services to a range of funds under management within Private Equity and 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 right of use 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.

Group 2022	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**

Group 2021	Asset Manager	Investment Company	Central	Group
	£'000	£'000	£'000	£'000
Management fee income	-	-	-	-
Carried interest and performance fee income	-	-	-	-
Interest income on Credit Assets held at amortised cost	-	56,484	-	56,484
Gains on Investment Assets held at fair value	-	537	-	537
Total income	-	**57,021**	-	**57,021**
Credit impairments release	-	844	-	844
Third-party servicing costs	-	(2,810)	-	(2,810)
Net operating income	-	**55,055**	-	**55,055**
Administration costs	-	(11,878)	-	(11,878)
Finance costs		(12,859)	-	(12,859)
Operating profit	-	**30,318**	-	**30,318**
Depreciation	-	-	-	-
Amortisation	-	-	-	-
Profit before tax	-	**30,318**	-	**30,318**

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 a 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.

The Carried interest income in 2022 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 Group auditor PricewaterhouseCoopers LLP ("PwC"):

Group audit fees payable to PwC	2022	2021
	£'000	£'000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	584	319

Fees payable to the external auditor for the audit of the accounts of the Company's subsidiaries	279	29
Total	**863**	**348**

Central

The 'Central' column consists primarily of the elimination of inter-segment fees, costs associated with the acquisition of the share capital of Pollen Street Capital Holdings Limited, losses from the US operations of Pollen Street Capital Holdings Limited 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		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
UK	524,181	603,553	522,528	603,553
Europe	42,961	2,097	42,961	2,097
USA	21,241	9,114	21,241	9,114
Total	**588,383**	**614,764**	**586,730**	**614,764**

The majority of revenue was obtained in the UK. The Group earned revenues from Irish and US investment assets of GBP equivalent 3,783,000.

6. EMPLOYEES

The following tables show the average monthly number of employees and the Directors during the year. The average includes the four Independent Non-Executive Directors of Pollen Street plc for the entire period and Pollen Street Capital Holdings Limited staff from 30 September 2022, being the date of completion of the acquisition.

Group	2022	2021
Average number of staff		
Directors	5	4
Professional staff (the average from the date of the combination being 1 October 2022 to 31 December 2022)	78	-
Total	**83**	**4**

Company	2022	2021
Number of staff		
Directors	5	4
Total	**5**	**4**

There were no employees in the Company throughout the year (2021: nil) and the Company had 7 directors (2021: 4) as at 31 December 2022. The Group had a total of 78 employees as at 31 December 2022 (2021: nil).

The following table shows the total staff costs for the period. This includes the four Non-Executive Directors of Pollen Street plc for the entire period and Pollen Street Capital Holdings Limited staff from 30 September 2022, being the date of completion of the Combination. The total number of employees and directors as at the reporting date was 83. The Company did not incur employee costs besides Director fees disclosed in the Director's remuneration.

Group	2022	2021
Staff costs	**£'000**	**£'000**
Wages and salaries	5,638	204
Social security costs	932	23
Defined contribution pension cost	24	-
Total	**6,594**	**227**

7. 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 at fair value through profit or loss.

Group	Equity Assets 2022 £'000	Credit Assets 2022 £'000	Total 2022 £'000	Equity Assets 2021 £'000	Credit Assets 2021 £'000	Total 2021 £'000
Fair value as at 1 January	15,659	33,111	48,770	14,959	5,905	20,864
Additions at cost	790	13,008	13,798	2,037	29,310	31,347
Reclassification from loans at amortised cost	-	-	-	-	5,476	5,476
Realisations at cost	-	(1,033)	(1,033)	-	(9,726)	(9,726)
Gains	-	3,762	3,762	(1,337)	2,423	1,086
Realised gains	-	(1,958)	(1,958)	-	(456)	(456)
Foreign exchange revaluation	-	1,167	1,167	-	179	179
Fair value as at 31 December	**16,449**	**48,057**	**64,506**	**15,659**	**33,111**	**48,770**
Comprising:						
Valued using an earnings multiple	1,559	10,457	12,016	1,359	7,775	9,134
Valued using a TNAV multiple	14,890	37,600	52,490	14,300	25,336	39,636
Fair value as at 31 December	**16,449**	**48,057**	**64,506**	**15,659**	**33,111**	**48,770**

Company	Equity Assets 2022 £'000	Credit Assets 2022 £'000	Total 2022 £'000	Equity Assets 2021 £'000	Credit Assets 2021 £'000	Total 2021 £'000
Fair value as at 1 January	15,659	33,111	48,770	14,959	5,905	20,864
Additions at cost	-	12,145	12,145	2,037	29,310	31,347
Reclassification from loans at amortised cost	-	-	-	-	5,476	5,476
Realisations at cost	-	(1,033)	(1,033)	-	(9,726)	(9,726)
Gains	-	3,762	3,762	(1,337)	2,423	1,086
Realised gains	-	(1,958)	(1,958)	-	(456)	(456)
Unrealised foreign exchange revaluation	-	1,167	1,167	-	179	179
Fair value as at 31 December	**15,659**	**47,194**	**62,853**	**15,659**	**33,111**	**48,770**
Comprising:						
Valued using an earnings multiple	1,359	10,457	11,816	1,359	7,775	9,134
Valued using a TNAV multiple	14,300	36,737	51,037	14,300	25,336	39,634
Fair value as at 31 December	**15,659**	**47,194**	**62,853**	**15,659**	**33,111**	**48,770**

Credit Assets at fair value through profit and loss include investments made by the Group into three Credit funds that are also managed or advised by the Group: PSC Credit III (B) SCSp, one of the investment vehicles within flagship Credit III, PSC Credit (T) SCSp, one of the European SMAs, and PSC US Badger LLC, one of the US SMAs. As at 31 December 2022, the Group held 7.5% of flagship Credit III (31 December 2021: 13.7%), 1% of PSC Credit (T) SCSp (31 December 2021: nil) and 49% of PSC US Badger LLC (31 December 2021: 49%). As at 31 December 2022, the undrawn commitment for the investment into flagship Credit III was £11.9 million (31 December 2021: £17.8 million), £0.8 million (31 December 2021: nil) for the investment in PSC Credit (T) SCSp and $7.0 million for the investment in PSC US Badger LLC (31 December 2021: $13.6 million). The Company holds the investments in flagship Credit III and PSC US Badger LLC directly. The investment in PSC Credit (T) SCSp is held by a subsidiary of the Group. The Asset Manager does not charge the Investment Company fees in relation to these assets to ensure fees are not 'double charged'. 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 Investment Assets at fair value through profit or loss are classified as level 3 assets with a value on the 31 December 2022 of £62,853,000 (31 December 2021: £48,770,000). There were 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 inEquity Assets and Credit Assets, both 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's Level 3 positions as at 31 December 2022 and 31 December 2021 is given below:

31 Dec 2022 £'000 Impact of sensitivity	Valuation technique	Sensitivity applied	31 Dec 2021 £'000 Impact of sensitivity
2,998	Earnings multiple	Earnings multiple changed by 1x	1,978
3,974	TNAV	TNAV changed 10%	3,936

The earnings multiple used was between 5.3x and 12.7x (2021: 5.3x).

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

For the Group as at 31 December 2022:

Group	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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)**

For the Group as at 31 December 2021:

Group	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Investments at amortised cost	565,994	-	-	579,482	579,482
Receivables	6,554	-	6,554	-	6,554
Cash and cash equivalents	12,948	12,948	-	-	12,948
Total assets	**585,496**	**12,948**	**6,554**	**579,482**	**598,984**
Liabilities					
Payables	(7,159)	-	(7,159)	-	(7,159)
Interest-bearing borrowings	(267,657)	-	(267,657)	-	(267,657)
Total liabilities	**(274,816)**	**-**	**(274,816)**	**-**	**(274,816)**

For the Company for the year ended 31 December 2021:

Company	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Investments at amortised cost	565,994	-	-	579,482	579,482
Receivables	6,554	-	6,554	-	6,554
Cash and cash equivalents	10,500	10,500	-	-	10,500
Total assets	**583,048**	**10,500**	**6,554**	**579,482**	**596,536**
Liabilities					
Payables	(6,860)	-	(6,860)	-	(6,860)
Deemed Loan	(82,326)	-	(82,326)	-	(82,326)
Interest-bearing borrowings	(183,182)	-	(183,182)	-	(183,182)
Total liabilities	**(272,368)**	**-**	**(272,368)**	**-**	**(272,368)**

Further details of the loans at amortised cost held by the Group can be found in Note 10 to the financial statements.

8. CARRIED INTEREST

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	2022 £'000	2021 £'000
Carried interest at fair value	6,495	-
Carried interest receivable	557	-
Fair value as at 31 December	7,052	-

There is no carried interest held by the Company (2021: nil).

Carried interest assets at fair value through profit or loss

(a) Movements in the year

Group	2022 £'000	2021 £'000
Opening fair value	-	-
Additions	5,459	-
Income	1,036	-
Closing balance	6,495	-

(b) 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 on the 31 December 2022 of £6.5 million (31 December 2021: nil). There were no movements between the fair value hierarchies during the year.

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

The following is the impact if the TNAV were to change for the underlying funds:

Group	31 Dec 2022 £'000 Impact of sensitivity	Valuation technique	Sensitivity applied	Dec 2021 £'000 Impact of sensitivity
	650	TNAV	TNAV changed by 10%	-

Carried interest receivable

Movements in the year

Group	31 December 2022 £'000	31 December 2021 £'000
Non-Current receivables		
Opening balance	-	-
Income	557	-
Total carried interest receivable	557	-

9. INTEREST-BEARING BORROWINGS

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

Group	31 December 2022 £'000	31 December 2021 £'000
Current Liabilities		
Credit facility	60,379	49,435
Interest and commitment fees payable	415	195
Prepaid interest and commitment fees	(196)	(291)
Total current liabilities	**60,598**	**49,339**
Non-Current Liabilities		
Credit facility	204,234	220,545
Interest and commitment fees payable	-	-
Prepaid interest and commitment fees	(1,199)	(2,227)
Total non-current liabilities	**203,035**	**218,318**
Total interest-bearing borrowings	263,633	267,657

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

Company	31 December 2022 £'000	31 December 2021 £'000
Current Liabilities		
Credit facility	30,000	15,000
Interest and commitment fees payable	141	72
Prepaid interest and commitment fees	-	-
Total current liabilities	**30,141**	**15,072**
Non-Current Liabilities		
Credit facility	140,000	170,000
Interest and commitment fees payable	-	-
Prepaid interest and commitment fees	(774)	(1,890)
Total non-current liabilities	**139,226**	**168,110**
Total interest-bearing borrowings	169,367	183,182

At 31 December 2022 the Company's main debt facility was £170 million provided by Goldman Sachs, being a £140 million term loan and £30 million revolving credit facility. At 31 December 2022 both the term loan and revolving element were fully drawn with interest charged at SONIA plus a margin, with the facility maturing in September 2025.

In December 2020, the Group entered into a £35 million debt facility secured against a structured SME facility. The debt facility charges synthetic LIBOR 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.

In October 2022, the Group extended a debt facility and entered into a two-year facility to finance three residential mortgage portfolios, two commercial mortgage pools and a small unsecured consumer pool. These portfolios were previously leveraged through the Company-level debt facility but getting assets specific leverage on these provides a lower cost of funding at a higher advance rate. The total debt raised on day one of this facility was £82.0 million. Interest is charged at SONIA plus a margin.

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

Group	2022 £'000	2021 £'000
Interest and commitment fees payable	12,920	11,022
Other finance charges	1,597	1,837
Total finance costs	**14,517**	**12,859**

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

Company	2022 £'000	2021 £'000
Interest and commitment fees payable	9,813	8,577
Other finance charges	1,137	1,103
Total finance costs	**10,950**	**9,680**

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

Group	2022 £'000	2021 £'000
Opening balance	267,657	273,539
Drawdown of interest-bearing borrowings	76,925	27,000
Repayments of interest-bearing borrowing	(82,291)	(34,375)
Finance costs	14,517	12,859
Interest paid on financing activities	(13,175)	(11,366)
Closing balance	**263,633**	**267,657**

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

Company	2022 £'000	2021 £'000
Opening balance	183,182	167,348
Drawdown of interest-bearing borrowings	35,000	27,000
Repayments of interest-bearing borrowing	(50,000)	(12,000)
Finance costs	10,950	9,678
Interest paid on financing activities	(9,765)	(8,844)
Closing balance	**169,367**	**183,182**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the final scheduled maturity date.

2022 Group	< 1 year £'000	1 – 5 years £'000	More than 5 years £'000	Total £'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**

2021 Group	< 1 year £'000	1 – 5 years £'000	More than 5 years £'000	Total £'000
Credit facility	49,435	185,545	35,000	269,980
Interest and commitment fees payable	(96)	(2,944)	717	(2,323)
Total exposure	**49,339**	**182,601**	**35,717**	**267,657**

The below table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the final scheduled maturity date.

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**

2021 Company	< 1 year £'000	1 – 5 years £'000	More than 5 years £'000	Total £'000
Credit facility	15,000	170,000	-	185,000
Interest and commitment fees payable	72	(1,890)	-	(1,818)
Total exposure	**15,072**	**168,110**	**-**	**183,182**

10. CREDIT ASSETS AT AMORTISED COST

(a) 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 ECL. Please see Note 1 for more detail on the allowance for ECL. The Group has classified the loan portfolio according to stages as described in Note 2.

The following table analyses loans by staging for both the Group and Company as at 31 December 2022:

31 December 2022	31 December 2021

Group and Company	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	512,030	(1,013)	511,017	544,233	(952)	543,281
Stage 2	6,878	(678)	6,200	6,363	(946)	5,417
Stage 3	14,250	(7,590)	6,660	26,184	(8,888)	17,296
Total Assets	533,158	(9,281)	523,877	576,780	(10,786)	565,994

The following table analyses ECL by staging for both the Group and Company for 2022:

Group and Company - 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January	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)
Allowance for ECL at 31 December	1,013	678	7,590	9,281

The following table analyses ECL by staging for both the Group and Company for 2021:

Group and Company – 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January	1,464	1,927	27,086	30,477
Movement from stage 1 to stage 2	(8)	450	-	442
Movement from stage 1 to stage 3	(2)	-	766	764
Movement from stage 2 to stage 1	-	(218)	-	(218)
Movement from stage 2 to stage 3	-	(321)	432	111
Movement from stage 3 to stage 1	2	-	(388)	(386)

Movement from stage 3 to stage 2	-	58	(237)	**(179)**
Decreases due to repayments	(53)	(139)	(1,651)	**(1,843)**
Increases due to origination	67	-	-	**67**
Remeasurements due to modelling	460	33	(94)	**399**
Loans sold	(978)	(843)	(16,714)	**(18,535)**
Loans written off	-	(1)	(312)	**(313)**
Allowance for ECL at 31 December	**952**	**946**	**8,888**	**10,786**

(b) Expected Credit Loss allowance for 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 and Company ECL by stage.

Group & Company	**2022**	**2021**
	£'000	**£'000**
At 1 January	10,786	30,477
(Release) / Charge for the period – Stage 1	(108)	290
(Release) for the period – Stage 2	(23)	(483)
(Release) for the period – Stage 3	(75)	(651)
Release for the period – total	**(206)**	**(844)**
Loans sold or written off	(1,299)	(18,847)
Allowance for ECL at 31 December	**9,281**	**10,786**

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 the financial statements reflect 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 2 to the financial statements, 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 scenarios 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 £0.7 million higher, as at 31 December 2022, if the weighting of the scenarios are changed to allocate a 100 per cent weight to the downside scenario. At 31 December 2021 if the weightings used represented a 100 per cent downside scenario the ECL would have been £4.0 million higher. 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. The analysis shows that the ECL would have been £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

Throughout the year, the Company disposed of assets with a net book value of £43.8 million (2021: £47.7 million), realising a profit of £2.1 million. The profit recorded on the disposals is shown in the consolidated statement of comprehensive income.

11. CORPORATION TAX

The tax charge for the period was £435,000 (2021: 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 19.00 per cent (2021: 19.00 per cent). A reconciliation of the 2022 taxation charge based on the standard rate of UK corporation tax to the actual taxation charge is shown below.

Group	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	26,913	(117)	26,796
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.00%	5,113	(22)	5,091
Effects of:			
Capital items exempt from tax	(343)	-	(343)
Income distributions received not taxable	(372)	-	(372)
Disallowed expenses	710	-	710
Excess management expenses not utilised / (utilised)	984	22	1,006
Interest distributions paid in respect of the year	(5,657)	-	(5,657)
Total tax charge in income statement	**435**	**-**	**435**

The corporation tax charge for 2021 was nil.

There was no withholding tax payable by the Company at 31 December 2022 (31 December 2021: £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 payable by the Group was £94,000 (2021: nil). The Company does not have any deferred taxation.

12. EARNINGS PER SHARE

Group	31 December 2022	31 December 2021
Revenue	62.4p	90.2p
Capital	(0.3)p	(4.2)p
Earnings per ordinary share	**62.1p**	**86.0p**

The calculation for the year ended 31 December 2022 is based on total Revenue profit after tax of £26.5 million (2021: 31.8 million), capital of £(0.1) million (2021: £(1.5) million) and a total profit after tax of £26.4 million (2021: 30.3 million) and a weighted average number of ordinary shares of 42,444,118 (2021: 35,259,741).

13. FIXED ASSETS

The table below set out the movement in Fixed Assets for the Group. All of the movements included below are as a result of the acquisition of Pollen Street Capital Holdings Limited.

Group	2022 £'000	2021 £'000
Cost		
Opening balance as at 1 January	-	-
Additions	1,470	-
Closing balance as at 31 December	1,470	-
Depreciation		
Accumulated depreciation balance as at 1 January	-	-
Depreciation charge for the year	(56)	-
Accumulated depreciation balance as at 31 December	(56)	-
Net book value at 31 December	1,414	-

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

The Company does not have any fixed assets (2021: nil).

14. LEASES

The Group leases mainly include office premises where the Group is a tenant which include fixed periodic rental payments over the fixed lease terms ranging from 1 to 6 years remaining from the reporting date. The total cash outflow over the period in relation to leases was £0.46 million.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Group – Right-of-use assets	2022 £'000	2021 £'000
Cost		
At 1 January	-	-
Additions	5,042	-
At 31 December	5,042	-
Accumulated depreciation		
At 1 January	-	-
Depreciation expense	(266)	-
At 31 December	(266)	-
Net book value	4,776	-

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

A provision for restoration costs on lease contracts has been recognised as part of the right-of-use assets acquired.

Group – Lease provision	2022 £'000	2021 £'000
At 1 January	-	-
Arising during the year	98	-

Unwinding of discount	1	-
At 31 December	**99**	**-**

Group – Lease liabilities	2022 £'000	2021 £'000
Cost		
At 1 January	-	-
Additions	5,521	-
Accretion of interest	71	-
Payments	(324)	-
At 31 December	**5,268**	**-**

Set out below are the lease liabilities by maturity.

Group – Lease liabilities by maturity	2022 £'000	2021 £'000
Cost		
Current	1,201	-
Non-Current	4,067	-
At 31 December	**5,268**	**-**

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

Group – Amount recognised in profit or loss	2022 £'000	2021 £'000
Depreciation expense of right of use assets	266	-
Finance costs	71	-
Total amount recognised in profit or loss during the year	**337**	-

Group – Finance costs	2022 £'000	2021 £'000
Lease liability interest	70	-
Unwinding of discount (on restoration provision)	1	-
Total finance costs	**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	31 December 2022 £'000	31 December 2021 £'000
Right-of-use assets		
Increase IBR by 1%	(243)	-
Decrease IBR by 1%	261	-

Group	31 December 2022 £'000	31 December 2021 £'000
Lease liabilities		
Increase IBR by 1%	(156)	-
Decrease IBR by 1%	162	-

The Company has no right-of-use assets or lease liabilities (2021: nil).

15. RECEIVABLES

The table below sets out a breakdown of the Group receivables as at 31 December 2022.

Group	31 December 2022	31 December 2021
Management fees, performance fees and carried interest	1,956	-
Amounts due from debtors	1,659	924
Prepayments and other receivables	9,255	5,630
Closing balance	**12,870**	**6,554**

The table below sets out a breakdown of the Company receivables as at 31 December 2022.

Company	31 December 2022	31 December 2021
Amounts due from platforms	767	924
Prepayments and other receivables	3,064	5,630
Closing balance	**3,831**	**6,554**

The above receivables do not carry any interest and are short term in nature. The Company considers that the carrying values of these receivables approximate their fair value. There were no impairments on receivables recorded during the year (2021: none).

The Group prepayments and other receivables includes receivables to the Group for amounts that the Group settled on behalf of some of the underlying funds.

16. PAYABLES

The table below set out a breakdown of the Group payables.

Group	31 December 2022 £'000	31 December 2021 £'000
Staff salaries and bonuses	12,377	25
Audit fee accruals	863	358
Deferred income	964	-
Other payables	5,017	6,776
Total payables	**19,221**	**7,159**

The table below set out a breakdown of the Company payables.

Company	31 December 2022 £'000	31 December 2021 £'000
Staff salaries and bonuses	25	25
Audit fee accruals	584	329
Other payables	4,565	6,506
Total payables	**5,174**	**6,860**

17. ORDINARY DIVIDENDS

The following table shows the dividends in relation to or paid during 2022 and 2021.

Dividend	Payment Date	Amount per Share (pence per share)	Total £'000
Interim dividend for the period to 31 December 2020	26 March 2021	20.00p	7,052
Interim dividend for the period to 31 March 2021	25 June 2021	20.00p	7,052
Interim dividend for the period to 30 June 2021	30 September 2021	20.00p	7,052
Interim dividend for the period to 30 September 2021	24 December 2021	20.00p	7,052
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

The 31 December 2022 interim dividend of 16.00 pence was approved on 23 February 2023 and will be paid on the 31 March 2023.

The following table show the total dividends in relation to the period and the total dividends paid in the period.

	31 December 2022 £'000	31 December 2021 £'000
Total dividend paid in period	**28,905**	**28,208**
Total dividend in relation to period	**29,769**	**28,208**

Former shareholders of Pollen Street Capital Holdings Limited, who received ordinary shares as consideration as part of the Combination, have 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 and the period to 31 December 2022 were paid on 49,473,264 ordinary shares. Further information is available in the prospectus dated 26 September 2022, which is available on the Company's website.

18. DERIVATIVES

As at 31 December 2022, the Group and Company had the following notional value of the forward contracts:

Group	EUR 2022 €'000	USD 2022 $'000	EUR 2021 €'000	USD 2021 $'000
Opening notional value 1 January	1,950	12,000	2,780	-
Movement in notional value	50,375	11,860	(830)	12,000
Closing notional value 31 December	**52,325**	**23,860**	**1,950**	**12,000**

Company	EUR 2022	USD 2022	EUR 2021	USD 2021
	€'000	$'000	€'000	$'000
Opening notional value 1 January	1,950	12,000	2,780	-
Movement in notional value	45,175	11,860	(830)	12,000
Closing notional value 31 December	**47,125**	**23,860**	**1,950**	**12,000**

The table below presents the mark to market of EUR and USD foreign exchange forward contracts as at 31 December for the Group.

Group and Company	EUR 2022	USD 2022	Total 2022	EUR 2021	USD 2021	Total 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Opening carrying value 1 January	113	(221)	(108)	21	-	21
Fair value movement	(952)	144	(808)	92	(221)	(129)
Closing carrying value 31 December	**(839)**	**(77)**	**(916)**	**113**	**(221)**	**(108)**

The fair value for the forward contracts is based off the forward rate curves for the respective currencies.

Fair value classification of derivatives

The derivatives are classified as level 2 with a GBP equivalent value on the 31 December 2022 of £(916,000) (31 December 2021: £(108,000)). 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.

19. INVESTMENT IN SUBSIDIARIES

On the 30 September 2022, the Company acquired 100 per cent of Pollen Street Capital Holdings Limited 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. The Company has control over the Pollen Street Capital Holdings Limited. In the Company's Statement of Financial Position, the investment in Pollen Street Capital Holdings Limited is reported using the cost method and is shown in the investment in subsidiaries line.

The Company controls Bud Funding Limited ("Bud"), a limited company incorporated under the law of England and Wales. The Company is considered to control Bud through its involvement in the initial creation of Bud and because the activities of Bud are directed by the Company. Bud was incorporated on 2 November 2020 and the junior note was funded on 2 December 2020.

On 20 June 2019, the Group incorporated Sting Funding Limited ("Sting"), a limited Company incorporated under the law of England and Wales. Sting became active on 28 August 2019 when it drew down on a debt facility backed by commercial and second charge residential mortgages. The company is registered at 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX. The Company is considered to control Sting through holding 100 per cent of the issued shares. Due to the nature of Sting, whereby the credit facility is guaranteed by the investments within Sting this constitutes as a restriction on the Group's ability to access or use the assets and settle the liabilities of the Group. There is a restricted ability on the Group to transfer cash or other assets from Sting to the Company.

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

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 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 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
Saturn GP Limited	Guernsey	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.

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 2022 are:

Partnership	Jurisdiction
PSC Accelerator Carry LP	Guernsey
PSC Accelerator LP	Guernsey
PSC Credit (P) SCSp	Luxembourg
PSC Credit (T) SCSp	Luxembourg
PSC Credit III (A) SCSp	Luxembourg
PSC Credit III (B) SCSp	Luxembourg
PSC Glebe LP	Guernsey
PSC III Carry LP	UK
PSC III G, LP	Guernsey
PSC III LP	UK
PSC III Pooling LP	Canada
PSC Investments LP	Guernsey
PSC Investments (Q) LP	UK
PSC Investments B LP	UK
PSC Investments LP	UK
PSC IV (B) LP	Guernsey
PSC (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 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 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 2022 the carrying amount was £26.9 million (2021: £12.4 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 appears as part of Investment Assets at Fair Value Through Profit or Loss in the Group's Statement of Financial Position.

Associates	**PSC US Badger LLC**
	2022 £'000
Investments at fair value	29,376
Other assets	977
Liabilities	(103)
Total	**30,250**
Profit for the year	2,831
Country of incorporation	USA
Activity	Private credit
Group's interest in the associate	49%

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.

Associates	PSC IV Carry LP	PSC Accelerator Carry LP	PSC Credit III Carry SCSp	PSC US Wolverine LLC	PSC Credit (T) SCSp
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'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%

20. FINANCIAL RISK MANAGEMENT

The risk report on pages 55 to 62 of the Annual Report sets out the Group's objectives, policies and processes for managing and monitoring all risk types. This note provides further detail on 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 and risk controls. The purpose of the framework is to ensure that the Group's exposure to risks are within the risk appetite set by the Board and that are there is an effective control environment. The Board maintains oversight of this framework through the board Risk Committee.

The Group monitors its exposure to risk using the risk register, which is reviewed regularly at 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. The Board oversees the risk exposure through a regular review of a sample of investments. As part of this 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 21.

Market risk

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 re.

(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 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) as at 31 December 2022 is shown below:

Group	Floating Rate £'000	Fixed Rate £'000	Total £'000
Credit Assets at amortised cost	282,847	241,030	523,877
Cash and cash equivalents	23,303	-	23,303
Interest-bearing borrowings	(263,633)	-	(263,633)
Total exposure	**42,517**	**241,030**	**283,547**

Exposure of the 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) as at 31 December 2022 is shown below:

Company	Floating Rate £'000	Fixed £'000	Total £'000
Credit Assets at amortised cost	282,847	241,030	523,877
Cash and cash equivalents	18,229	-	18,229
Interest-bearing borrowings	(169,367)	-	(169,367)
Deemed loan	(93,036)	-	(93,036)
Total exposure	**38,673**	**241,030**	**279,703**

Exposure of the Group'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) as at 31 December 2021 is shown below:

Group	Floating Rate £'000	Fixed £'000	Total £'000
Credit Assets at amortised cost	269,053	296,941	565,994
Cash and cash equivalents	12,948	-	12,948
Interest-bearing borrowings	(267,657)	-	(267,657)
Total exposure	**14,344**	**296,941**	**311,285**

Exposure of the 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) as at 31 December 2021 is shown below:

Company	Floating Rate £'000	Fixed £'000	Total £'000
Credit Assets at amortised cost	269,053	296,941	565,994
Cash and cash equivalents	10,500	-	10,500
Interest-bearing borrowings	(183,182)	-	(183,182)
Deemed loan	(82,326)	-	(82,326)
Total exposure	**14,045**	**296,941**	**310,986**

A 1 per cent change in interest rates impacts Group income on the assets with a floating rate by £2.8 million (2021: £2.7 million). A 1 per cent change in interest rates impacts debt expense on the liabilities with a floating rate by £2.6 million (2021: £2.7 million).

(b) Currency risk

Currency risk arises from foreign currency assets and liabilities. The Group hedges currency exposure between Pounds 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 year (2021: none) and records its derivative activities on a fair value basis.

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

Group	2022 EUR €'000	2022 USD $'000	2021 EUR €'000	2021 USD $'000
Credit Assets at amortised cost	47,681	4,656	2,483	375
Investment Assets at fair value	-	17,982	-	10,996
Cash and cash equivalents	882	3,057	13	959
Total assets	**48,563**	**25,695**	**2,496**	**12,330**
Payables	(1,945)	-	-	-
Total liabilities	**(1,945)**	**-**	**-**	**-**
Net assets	**46,618**	**25,695**	**2,496**	**12,330**
Derivative notional	(52,325)	(23,860)	(1,950)	(12,000)
Net exposure	**(5,707)**	**1,835**	**546**	**330**

Company	2022 EUR €'000	2022 USD $'000	2021 EUR €'000	2021 USD $'000
Credit Assets at amortised cost	47,681	4,656	2,483	375
Investment Assets at fair value	-	17,982	-	10,996
Cash and cash equivalents	882	3,057	13	959
Total assets	**48,563**	**25,695**	**2,496**	**12,330**

Payables	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**
Net assets	**48,563**	**25,695**	**2,496**	**12,330**
Derivative notional liabilities	(47,125)	(23,860)	(1,950)	(12,000)
Net exposure	**1,438**	**1,835**	**546**	**330**

If the GBP exchange rate increased by 10 percent against the above currencies, the impact on Group profit would be £567,000 (2021: £39,000) and the Company by £79,000 (2021: £39,000).

(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 11.

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”).

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 69.4 per cent at 31 December 2022 (31 December 2021: 74.5 per cent).

As a public company, the Company has a minimum share capital requirement of £50,000.

During the period 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 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 one hundred per cent of its share capital and reserves.

At 31 December 2022 the Group had committed debt facilities totalling £264.6 million with maturity dates ranging from October 2024 to December 2071. This facility includes a term and revolving facility secured on a range of assets.

At 31 December 2022 the Company had a committed debt facility totalling £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 Company also has a two-year term facility that is structured as run-off financing in that the debt will paydown over the term of the facility and a £18 million amortising term loan with a 49-year term. Further details of the loans at amortised cost held by the Group can be found in Note 10 to the financial statements.

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

2022 Group	<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	-	-	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)	(234,027)	(18,050)	(283,834)

2021 Group	<3 months £'000	**3-12 months** **£'000**	**1-5 years** **£'000**	**5+ years** **£'000**	**Total** **£'000**
Credit Assets at amortised cost	14,442	23,583	90,446	448,426	576,897
Investment Assets at fair value through profit or loss	-	-	28,182	20,589	48,771
Receivables	12,948	-	-	-	12,948
Cash and cash equivalents	6,554	-	-	-	6,554
Total assets	33,944	23,583	118,628	469,015	645,170
Liabilities					
Payables	(7,159)	-	-	-	(7,159)
Interest-bearing borrowings	96	(49,435)	(182,602)	(35,717)	(267,658)
Total liabilities	**(7,063)**	**(49,435)**	**(182,602)**	**(35,717)**	**(274,817)**

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

2022 Company Financial instrument	<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)

2021 Company Financial instrument	<3 months £'000	**3-12 months £'000**	**1-5 years £'000**	**5+ years £'000**	**Total £'000**
Credit Assets at amortised cost	14,442	23,583	90,446	448,426	576,897
Investment Assets at fair value through profit or loss	-	-	28,182	20,589	48,771
Receivables	10,500	-	-	-	10,500
Cash and cash equivalents	6,554	-	-	-	6,554
Total assets	**31,496**	**23,583**	**118,628**	**469,015**	**642,722**
Liabilities					
Payables	(7,159)	-	-	-	(7,159)
Interest-bearing borrowings	-	(15,000)	(170,000)	-	(185,000)
Deemed loan	2,149	-	(54,851)	(30,129)	(82,831)
Total liabilities	(5,010)	(15,000)	(224,851)	(30,129)	(274,990)

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 2022 had an outstanding principal of £24.8 million (2021: £51.3 million) and liabilities of £nil (2021: £30.1 million).

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 are need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

The Group currently has a number of contracts which reference GBP LIBOR and extend beyond 2022. The principal balance of these contracts are disclosed within the tables below in GBP equivalent by GBP and USD exposures:

Group GBP	Carrying Value/Nominal Amount at 31 December		Carrying Value/Nominal Amount at 31 December	
	2022	2021	2022	2021
	Assets	Assets	Liabilities	Liabilities
	£'000	£'000	£'000	£'000
Contracts	24,818	51,268	-	30,129
Total exposure	**24,818**	**51,268**	**-**	**30,129**

Group USD	Carrying Value/Nominal Amount at 31 December		Carrying Value/Nominal Amount at 31 December	
	2022	2021	2022	2021
	Assets	Assets	Liabilities	Liabilities
	£'000	£'000	£'000	£'000
Contracts	-	285	-	-
Total exposure	**-**	**285**	**-**	**-**

21. 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 Origination Platform and or 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 type of loan and the credit risk band as at 31 December 2022, each loan is assigned to a credit risk band at inception:

Credit Risk Band for Credit Assets at amortised cost	Unsecured £'000	Secured £'000	Total £'000
A & B	21,444	511,715	533,159
C, D & E	-	-	-
Total as at 31 December	21,444	511,715	533,159

Set out below is the analysis of the closing balances of the Group and Company's credit assets split by the type of loan and the credit risk band as at 31 December 2021:

Credit Risk Band for Credit Assets at amortised cost	Unsecured £'000	Secured £'000	Total £'000
A & B	1,411	575,369	576,780
C, D & E	-	-	-
Total as at 31 December	**1,411**	**575,369**	**576,780**

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)

22. CASH AND CASH EQUIVALENTS

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

	31 December 2022 £'000	31 December 2021 £'000
Group cash at bank	23,303	12,948
Company cash at bank	18,229	10,500

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 amount held in reserve as at the 31 December 2022 was £2,374,897 (31 December 2021: £2,448,113). The Group's and Company'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.

23. DEEMED LOAN

The Company has two deemed loans as at 31 December 2022 (two as at 31 December 2021). Deemed loans only relate to the Company as they relate to loans originated by the Company and subsequently sold to a special purpose entity. As at the 31 December 2022 the Company had the below deemed loans:

Company	2022 £'000	2021 £'000
Opening balance as at 1 January	82,326	103,719
Novations/(Redemptions)	10,710	(21,393)
Closing balance as at 31 December	**93,036**	**82,326**

24. ORDINARY SHARE CAPITAL

The table below details the issued share capital of the Company as at 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 the 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. The Company did not issue any shares during 2021.

No. Issued, allotted and fully paid ordinary shares of £0.01 each	31 December 2022	31 December 2021
Opening number of shares	35,259,741	35,259,741
Shares issued during the year	29,472,663	-
Number bought back	(522,807)	-
Closing number of shares	**64,209,597**	**35,259,741**

The table below shows the movement in shares during the period to 31 December 2022:

	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

25. OTHER RESERVES

At a general meeting of the Company held on 14 December 2015, special resolutions were passed approving the cancellation of the amount standing to the credit of the Company's share premium account as at 23 December 2015. Following the approval of the Court and the subsequent registration of the Court order with the Registrar of Companies on 21 March 2016, the reduction became effective. Accordingly, £98.1 million, previously held in the share premium account, was transferred to the special distributable reserve in 2015. As at 31 December 2022 the special distributable reserve balance was £52.0 million (31 December 2021: £56.8 million).

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

26. NET ASSET VALUE PER ORDINARY SHARE

Group	31 December 2022	31 December 2021
Net asset value per ordinary share pence	899.5p	1,019.1p
Net assets attributable £'000	577,539	359,342

Company	31 December 2022	31 December 2021
Net asset value per ordinary share pence	902.2p	1,019.1p
Net assets attributable £'000	579,324	359,342

The Group net asset value per ordinary share as at 31 December 2022 is based on net assets at the year-end of £578 million and on 64,209,597 ordinary shares in issue at the year-end. The net asset value per ordinary share as at 31 December 2021 is based on net assets at the year-end of £357.2 million and on 35,259,741 ordinary shares in issue at the year-end.

27. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2022 there were no contingent liabilities or capital commitments for the Group (2021: None). The Group had £88.9 million (2021: £90.0 million) of undrawn committed structured credit facilities as at 31 December 2022 and £99.1 million (2021: £113.7 million) of undrawn commitments in relation to secured real estate loans.

28. RELATED PARTY TRANSACTIONS

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

The remuneration of the Directors is set out in the Annual Report on Remuneration on pages 103 to 111 of the Annual 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. 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, its Investment Manager, and £2.4 million for the period from 1 October 2022 to 31 December 2022 (2021: £9.7 million). As at 31 December 2022, there was £3.1 million (2021: £4.5 million) payable to the Investment Manager. The Investment Manager became a subsidiary of the Group following the acquisition of Pollen Street Capital Holdings Limited by the Company on 30 September 2022.

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

Oplo Group Limited ("Oplo", formerly 1st Stop Group) is an English based consumer lender and was controlled by funds managed by the Group. During the year the Oplo repaid their structured facility with the Group (£29.7 million). The Group has a forward flow facility in place with Oplo of which the Group sold £32.6 million of loans in 2022 with the total pool having an outstanding balance of £8.2 million as at 31 December 2022 (31 December 2021: £47.6 million).

Shawbrook Group plc ("Shawbrook") is a specialist SME and consumer lending and savings bank. Shawbrook is 50 per cent owned by funds that are managed 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 owned by a fund that is managed by the Group. The exposure as at 31 December 2022 is disclosed in Note 12.

The Group has been involved in a series of transaction with own equity shares, details of which are disclosed in Note 24.

29. ULTIMATE CONTROLLING PARTY

It is the opinion of the Directors that there is no ultimate controlling party.

30. SUBSEQUENT EVENTS

On 23 February 2023, a dividend of 16.0 pence per ordinary share was approved for the final quarter of 2022.

Shareholders' information

Directors, Advisers & Service Providers

Directors
Robert Sharpe
Lindsey McMurray
Jim Coyle
Gustavo Cardenas
Julian Dale
Joanne Lake
Richard Rowney
all at the registered office below

Registered Office
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65 Gresham Street
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Investment Manager and AIFM
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Financial Advisers and Brokers
Barclays Bank plc
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Canary Wharf
London E14 5H
England

Liberum Capital Limited
Level 12, Ropemaker Place
25 Ropemaker Place
London EC2Y 9LY
England

Custodian
Sparkasse Bank Malta PLC
101 Townsquare
Sliema SLM3112
Malta

Website
http://www.pollenstreetgroup.com/

Administrator
Apex Fund Services (UK) Ltd
6th Floor, Bastion House
140 London Wall
London EC2Y 5DN
England

Depositary
Indos Financial Limited
The Scalpel, 18th Floor, 52 Lime Street
London EC3M 7AF
England

Registrar
Computershare Investor Services PLC
The Pavilions, Bridgewater Road
Bristol BS99 6ZZ
England

Company Secretary
Link Company Matters Limited
6th Floor
65 Gresham Street
London EC2V 7NQ
England

Share Identifiers
ISIN: GB00BYZV3G25
Sedol: BYZV3G2
Ticker: POLN

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
England

Website

The Company's website can be found at www.pollenstreetgroup.com. The site provides visitors with Company information and literature downloads.

The Company's profile is also available on third-party sites such as www.trustnet.com and www.morningstar.co.uk.

Annual and half-yearly reports

Copies of the annual and half–yearly reports may be obtained from the Company Secretary by calling 020 7954 9552 or by visiting www.pollenstreetgroup.com.

Share prices and Net Asset Value information

The Company's ordinary shares of 1p each are quoted on the London Stock Exchange:

- SEDOL number: BYZV3G2
- ISIN number: GB00BYZV3G25
- EPIC code: POLN

The codes above may be required to access trading information relating to the Company on the internet.

Electronic communications with the Company

The Group's Consolidated Annual Report & audited financial statements, half-yearly reports and other formal communications are available on the Company's website. To reduce costs the Company's half-yearly financial statements are not posted to shareholders but are instead made available on the Company's website.

Whistleblowing

The Company has established a whistleblowing policy. The Audit Committee reviews the whistleblowing procedures of the Group to ensure that the concerns of their staff may be raised in a confidential manner.

Warning to shareholders – share fraud scams

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call
- Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- Use the firm's contact details listed on the Register if you want to call it back
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money
- Remember: if it sounds too good to be true, it probably is!

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000.

Report a scam

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at fca.org.uk /scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

Definitions and Reconciliation to Alternative Performance Measures

DEFINITIONS

Alternative Investment Fund Manager ("AIFM")	An Alternative Investment Fund Manager, as defined in the AIFM Directive. Pollen Street Capital Limited undertakes this role on behalf of the Company
Alternative Investment Fund ("AIF")	An AIF, as defined in the AIFM Directive 2011/61/EU on Alternative Investment Fund Managers
Asset Manager	The business segment of the Group that is responsible for managing third-party AuM and the Investment Company's assets. All activities of this segment reside in Pollen Street Capital Holdings Limited and its subsidiaries.
AuM	The assets under management of the Group, defined as: • investor commitments for active Private Equity funds; • invested cost for other Private Equity funds; • the total assets for the Investment Company; and • investor commitments for Private Credit funds.
Average Fee-Paying AuM	The fee-paying asset under management of the Group, defined as: • investor commitments for active fee-paying Private Equity funds; • invested cost for other fee-paying Private Equity funds; • the total assets for the Investment Company; and • net invested amount for fee-paying private Credit funds. The average is calculated using the opening and closing balances for the period
Combination	The acquisition of 100 per cent of the share capital of Pollen Street Capital Holdings Limited by Honeycomb Investment Trust plc with newly issued shares in Company as the consideration that completed on 30 September 2022
Credit Assets	Loans, together with similar investments, made by the Group to counterparties
Direct Portfolio	Portfolios of loans owned directly by the Group, typically secured on property
Discount	If the share price of the Company is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV
Equity Assets	Equity investments made by the Group that are aligned with the strategy and that present opportunities to enhance the Group's returns from its investments. Carried interest receivable by the Group is not classified as an Equity Asset.
Fair Value	The amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants
Fund Management Administration Costs	The administration expenses of the Group's Asset Manager according to IFRS reporting standards excluding exceptional items and start-up losses of the US business, but including the full cost of the office leases despite these costs being reported as depreciation of a right-of-use asset and financing costs under IFRS 16
Fund Management EBITDA	Fund Management Income less Fund Management Administration Costs
Fund Management Income	The income of the Group's Asset Manager according to IFRS reporting standards

Fund Management EBITDA Margin	The ratio of the Fund Management Adjusted EBITDA and the Fund Management Income, expressed as a percentage
Group	Pollen Street plc and its subsidiaries
Investment Asset	The Group's portfolio of Credit Assets and Equity Assets
Investment Company	The business segment of the Group that holds the Investment Asset portfolio and the debt facilities. The activities of this segment predominately reside within Pollen Street plc, Sting Funding Limited and Bud Funding Limited. The Investment Assets held within Pollen Street Capital Holdings Limited and its subsidiaries also form part of this segment.
Investment Manager	Pollen Street Capital Limited, which is a subsidiary of the Group and acts as Pollen Street plc's AIFM and investment manager
Management Fee Rate	The ratio of the Fund Management Income attributable to management fees and the Average Fee-Paying AuM, expressed as a percentage
Net asset value ("NAV")	Net asset value represents the total value of the Group's or Company's assets less the total value of its liabilities. For valuation purposes, it is common to express NAV on a per share basis
Net Investment Assets	The Investment Assets plus surplus cash net of debt
Net Investment Asset Return	The ratio of the income from Investment Company to the Net Investment Assets, expressed as an annualised ratio
Ongoing Charges	Ongoing charges are calculated as a percentage of annualised ongoing charge over average reported NAV. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future
Performance Fee Rate	The ratio of the Fund Management Income attributable to performance fees and the total Fund Management Income, expressed as a percentage
Premium	If the share price of the Company is higher than the NAV per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the NAV
Private Credit	The Group's strategy for managing Credit Assets within its private funds
Private Equity	The Group's strategy for managing Equity Assets within its private funds
Proforma EBITDA (and other income metrics)	The EBITDA (and other income metrics) for the period as if the Combination had occurred prior to 1 January 2021
Registrar	An entity that manages the Company's shareholder register. The Company's registrar is Computershare Investor Services PLC
Sterling Overnight Interbank Average Rate ("SONIA")	The effective overnight interest rate paid by banks for unsecured transactions in the British sterling market
Structured Loan	Credit Asset whereby the Group typically has senior secured loans to speciality finance companies, with security on the assets originated by the speciality finance company and first loss protection deriving from the speciality finance company's equity. Corporate guarantees are also typically taken

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES

The alternative performance measures are used to improve the comparability of information between reporting periods, either by adjusting for uncontrollable or one-off factors that impact upon IFRS measures or, by aggregating measures, to aid the user to understand the activity taking place. Alternative performance measures are not considered to be a substitute for IFRS measures but provide additional insight on the performance of the business.

Growth in Credit AuM

	2022 £'000	2021 £'000
Opening Credit AuM	1,212,000	718,000
Closing Credit AuM	1,647,000	1,212,000
Growth	36%	69%

The growth in Credit AuM is calculated as the year-on-year percentage change Credit AuM.

Proforma operating profit

Group	2022 Proforma £'000
Statutory operating profit for Asset Manager	2,937
Right of use asset depreciation	(266)
Statutory Fund Management EBITDA for Asset Manager (occurring between 1 October & 31 December 2022)	**2,671**
Statutory Income on Net Investment Assets (occurring between 1 January & 31 December 2022)	28,252
Fund Management EBITDA for Asset Manager (occurring between 1 January & 30 September 2022)	5,861
Proforma operating profit	**36,784**

The Statutory Fund Management EBITDA for the Asset Manager is calculated as the statutory operating profit for the Asset Manager less the right of use asset depreciation. The proforma operating profit is calculated as the total of the Statutory Fund Management EBITDA for the Asset Manager plus the Statutory income on Net Investment Assets for the Investment Company plus the Fund Management EBITDA of the Asset Manager occurring between 1 January & 30 September 2022.

Management Fee Rate

Group	2022 Proforma £'000	2022 Statutory £'000
Statutory management fee income for Asset Manager (occurring between 1 October & 31 December 2022)	7,750	7,750
Management fee income for Asset Manager (occurring between 1 January & 30 September 2022)	21,230	-
Proforma management fee income for Asset Manager (occurring between 1 January & 31 December 2022)	**28,980**	**7,750**
Average Fee-Paying AuM over 2022	2,281,161	2,395,056
Management Fee Rate (%)	**1.27%**	**1.28%**

The Proforma Management Fee Rate is calculated by dividing the Proforma management fee income for the Asset Manager by the Proforma Average Fee-Paying AuM. The Statutory Management Fee Rate is calculated by dividing the Statutory management fee income for the Asset Manager by the Statutory Average Fee-Paying AuM. The Statutory Management Fee Rate is annualised given that it only incorporates management fee income for the period from 1 October to 31 December 2022.

Performance Fee Rate

Group	2022 Proforma £'000	2022 Statutory £'000
Statutory carried interest and performance fee income for Asset Manager (occurring between 1 October & 31 December 2022)	2,411	2,411
Carried interest and performance fee income for Asset Manager (occurring between 1 January & 30 September 2022)	6,040	-
Proforma caried interest & performance fee income for Asset Manager (occurring between 1 January & 31 December 2022)	**8,451**	**2,411**
Statutory Fund Management Income for Asset Manager (occurring between 1 October & 31 December 2022)	10,161	10,161
Fund Management Income for Asset Manager (occurring between 1 January & 30 September 2022)	27,271	-
Proforma Fund Management Income for Asset Manager (occurring between 1 January & 31 December 2022)	**37,432**	**10,161**
Performance Fee Rate (%)	**23%**	**24%**

The Proforma Performance Fee Rate is calculated by dividing the Proforma carried interest and performance fee income for the Asset Manager by the Proforma Fund Management Income for the Asset Manager. The Statutory Performance Fee Rate is calculated by dividing the Statutory carried interest and performance fee income for the Asset Manager by the Statutory Fund Management Income for the Asset Manager.

Fund Management EBITDA Margin

Group	2022 Proforma £'000	2022 Statutory £'000
Statutory operating profit	**2,937**	**2,937**
Right of Use asset depreciation	(266)	(266)
Statutory Fund Management EBITDA for Asset Manager (occurring between 1 October & 31 December 2022)	**2,671**	**2,671**
Fund Management EBITDA for Asset Manager (occurring between 1 January & 30 September 2022)	5,861	-
Proforma Fund Management EBITDA for Asset Manager (occurring between 1 January & 31 December 2022)	**8,532**	**2,671**
Statutory Fund Management Income for Asset Manager (occurring between 1 October & 31 December 2022)	10,161	10,161
Fund Management Income for Asset Manager (occurring for Asset Manager between 1 January & 30 September 2022)	27,271	-
Proforma Fund Management Income for Asset Manager (occurring between 1 January & 31 December 2022)	**37,432**	**10,161**
Fund Management EBITDA Margin (%)	**23%**	**26%**

The Proforma Fund Management EBITDA Margin is calculated by dividing the Proforma Fund Management EBITDA by the Proforma Fund Management Income. The Statutory Fund Management EBITDA Margin is calculated by dividing the Statutory Fund Management EBITDA by the Statutory Fund Management Income.

Debt to tangible equity ratio

Group	31 December 2022 (£'000)	31 December 2021 (£'000)
Net Asset Value	577,539	359,342
Goodwill & intangible Assets	231,031	-
Tangible Net Asset Value	**346,508**	**359,342**
Interest-Bearing Borrowings	263,633	267,657
Debt to tangible equity ratio	**76.1%**	**74.5%**
Cash and cash equivalents	23,303	12,948
Net debt to tangible equity ratio	**69.4%**	**70.9%**

The debt to tangible equity ratio is calculated as the Group's interest-bearing debt divided by the tangible net asset value, expressed as a percentage. The net debt to tangible equity ratio is calculated as the Group's interest-bearing debt less cash and cash equivalents, divided by the tangible net asset value expressed, as a percentage.

Dividend return

Group & Company	2022	2021
Dividend declared (pence per share)	72.0	80.0
IPO issue price (pence per share)	1,000.0	1,000.0
Dividend Return	**7.2%**	**8.0%**

The dividend return is calculated as the total dividends in pence per share declared for the period divided by IPO issue price.

Ongoing charges

Company	2022 (£'000)	2021 (£'000)
Auditors' remuneration	584	319
Administrator's fees	179	179
Directors' fees	329	227
Management fee	5,853	6,349
Other costs	1,308	1,417
Average net asset value	400,952	360,793
Ongoing Charges	**2.0%**	**2.4%**

The ongoing charges ratio is calculated using the Association of Investment Companies ("AIC") recommended methodology. It is calculated as a percentage of annualised ongoing charge over average reported Net Asset Value. The average net asset value is calculated as the average of the quarterly net asset values. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Investment Company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges, gains/losses arising on investments and costs incurred in the Asset Manager. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The AIC excludes performance fees from the Ongoing Charges calculation.

Net Investment Return Bridge

The Net Investment Return Bridge is calculated for the Investment Company alone and does not including any income of balance information from the Asset Manager.

Group	2022 £'000

Monthly Average Credit Assets	568,721
Monthly Average Investment Assets	584,380

Average Credit Assets is the mean of the aggregate of the Credit Assets at amortised cost, Credit Assets held at fair value through profit or loss and derivative assets and liabilities held at fair value through profit or loss for each month end from 31 December 2021 to 31 December 2022, inclusive.

Average Net Investment Assets is the mean of the carrying value of the Investment Assets plus cash and cash equivalents less the carrying value of debt of the Group for 31 December 2021 and 31 December 2022.

Group	2022	
Investment yield	9.4%	Investment yield is calculated as interest income on Credit Assets at amortised cost, plus income on Credit Assets at fair value through profit and loss, less third-party servicing costs, divided by Monthly Average Credit Assets
Impairments and write-offs	-	Impairments and write-offs is calculated as credit impairment release over Monthly Average Credit Assets
Risk adjusted yield	9.4%	Credit asset return is a total of the above items
Equity and working capital	(0.6%)	The impact of equity and working capital is calculated as the income amounts noted above, plus income on Equity Assets at fair value through profit and loss divided by Monthly Average Investment Assets, without deduction of the carrying value of the debt, plus cash less the impact of items already disclosed above
Effect of leverage	2.2%	Effect of leverage is calculated as the above income amounts less finance costs divided by Average Net Investment Assets, less the impact of items already disclosed above
Investment manager fees	(2.5%)	Calculated as management fee and performance fee divided by Monthly Average Investment Assets
Fund Operating Expenses	(0.5%)	Calculated as fund expenses, divided by Monthly Average Investment Assets
Net Investment Return	**8.0%**	**Calculated as a total of the above**