Company No. B197497

GARFUNKELUX HOLDCO 2 S.A.

Independent Auditor's Report

and Consolidated Financial Statements

As at 31 December 2015 and for the period from

1 June 2015 (date of incorporation) to 31 December 2015

GARFUNKELUX HOLDCO 2 S.A.

INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2015

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GARFUNKELUX HOLDCO 2 S.A.

INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

Directors

C Pedoni (appointed 1 June 2015)
E Perrier (appointed 1 June 2015)
A Riva (appointed 9 November 2015)
C Pell (appointed 1 June 2015, resigned 9 November 2015)

Registered office

488, route de Longwy
L-1940
Luxembourg

Bankers

BGL BNP Paribas
50 Avenue J.F. Kennedy
L-2951
Luxembourg

Solicitors

Clifford Chance Luxembourg
10 Boulevard G.D. Charlotte
L-1011
Luxembourg

Auditor

Ernst & Young
Réviseur d’entreprises
35E Avenue J.F. Kennedy
L-1855
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GARFUNKELUX HOLDCO 2 S.A.

MANAGEMENT REPORT
Period from 1 June 2015 (date of incorporation) to 31 December 2015

The Directors present their annual report and the audited consolidated financial statements of Garfunkelux Holdco 2 S.A. ("the Company") and its subsidiaries (together "the Group") for the period from 1 June 2015 (date of incorporation) to 31 December 2015.

BUSINESS AND GENERAL CONDITIONS

The Company was incorporated, on 1 June 2015 in Luxembourg.

The Company incorporated Garfunkelux Holdco 3 S.A. on 1 June 2015 and increased its share capital on 29 June 2015.

On 29 June 2015 the Company acquired a 100% share of Garfunkelux Holdco 3 S.A.

On 30 June 2015 the Group acquired a 97.95% share of GFKL Financial Services AG and its subsidiaries ("GFKL") through Garfunkelux Holdco 3 S.A. acquiring 100% of the shares in Garfunkel Holding GmbH.

On 13 October 2015 the Group acquired a 100% share of Metis Bidco Limited and its subsidiaries ("Lowell") through Simon Bidco Limited, an indirect subsidiary of the Company.

At the time of the Metis Bidco acquisition the Group owned 75% of Simon Holdco Limited, the indirect owner of Simon Bidco Limited. A legal obligation was created to acquire the remaining shares at a later date, consequently the results of Simon Holdco Limited and its subsidiaries have been consolidated as wholly owned subsidiaries.

For further information on these transactions see Note 10.

PRINCIPAL ACTIVITIES

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

FINANCIAL PERFORMANCE

The Group has performed strongly since its inception. Portfolio acquisitions of £46.8m were achieved in the period. The business acquired portfolios from a number of vendors during the period and from a variety of originating sectors (including financial services, home retail and telecommunications). The overall carrying value of portfolio investments was £616.5m at 31 December 2015.

The Group defines estimated remaining collections ("ERC") as the expected collections on acquired portfolios using either an 84 month or 120 month period. As at 31 December 2015 84 month ERC was £1,159.8m, and 120 month ERC was £1,357.0m.

Net revenue for the period was £140.2m.

The loss for the period of £68.5m is stated after acquisition costs of £19.6m, costs of the redemption of pre acquisition bonds of £31.0m, write off fees for the Revolving Credit Facility ("RCF") of £5.5m and £7.4m in respect of non-recurring losses on derivative financial instruments associated with the Lowell acquisition.

Cash EBITDA, often referred to as cash adjusted EBITDA, is defined as cash collections on acquired portfolios plus service income and other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs. The Cash EBITDA in the period ended 31 December 2015 was £68.0m.

The Group is funded by three offerings of Senior and Senior Secured Notes (the "Notes"). €365m 7.5% Senior Secured Notes due 1 August 2022 were issued on 23 July 2015 and £565m 8.5% Senior Secured Notes due 1 November 2022 were issued on 19 October 2015 by Garfunkelux Holdco 3 S.A. £230m 11.0% Senior Notes due 1 November 2023 were issued by the Company on 19 October 2015.

In addition an RCF is available up to €200m. As at 31 December 2015 the Group had an unutilised facility of €186.4m.

ERC and Cash EBITDA are non-IFRS financial measures but are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Cash EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry. Both measures are used by management to understand business performance.

FINANCIAL PERFORMANCE (continued)

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

KEY PERFORMANCE INDICATORS (KPIs)

	31 December 2015
Portfolio investments acquired*	£46.8m
Number of owned accounts	22.1m
Gross collections (in total)*	£216.6m
Gross collections (3PC)*	£113.5m
Gross collections (DP)*	£103.1m
Cash EBITDA*	£68.0m
84 month ERC	£1,159.8m
120 month ERC	£1,357.0m
180 month ERC	£1,557.0m

*These balances represent the period of 2.5 months for Lowell and 6 months for GFKL.

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of its normal business activities, the Group has exposure to a number of risks. The key risks are as follows:

Regulatory risk

The Group is subject to UK, German and EU regulations, and changes to the regulatory environment or an increasing volume of legislation could limit the Group's activities in the future or could significantly increase the cost of regulatory compliance. A failure to comply with applicable laws, regulations and codes of practice could result in investigations and enforcement actions, licences or permissions being revoked, fines, or the suspension of the Group's ability to trade.

Market risk

A number of market risks exist that may negatively impact the performance of the Group, including competition offering higher prices for debt portfolios, a lack of availability of appropriately priced debt, or a requirement to buy unfavourable debt due to forward flow agreements, a loss of any key clients, and a deterioration of economic conditions in the UK or Germany.

Financial risk

Key financial risks to the Group include a lack of cash investment to take advantage of portfolio investment opportunities, failing to achieve forecasted recoveries, increasing costs of compliance with complex tax legislation and practice, fluctuations in currency exchange rates, and rising interest rates.

Operational risk

Operational risk is defined by the Group as the potential risk of financial loss or impairment to reputation, as a result of internal process failures, or the inappropriate actions of employees or management. This could include problems in the collection process, incorrect pricing of assets, and telecommunications or technology downtime.

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth so as to maintain investor, creditor and market confidence. Risks include making or pursuing business combinations that prove unsuccessful, failing to successfully integrate Lowell and GFKL, and failing to fulfil obligations with respect to the Notes due to high leverage and debt obligations.

RESEARCH AND DEVELOPMENT

The Group does not carry out research and development activities in the conventional sense. Development costs capitalised during the period total £0.8m, which includes work on internally generated software.

OUTLOOK

We believe the Group benefits from a strong pipeline of opportunities in the UK and German markets and benefits from competitive advantages as to its diversified origination capability, the scale of its data assets and its use of forward flow arrangements.

The group intends to continue to develop both its 3PC and DP business. 3PC activity is acknowledged by analysts as being capital light asset management, while DP in the future will be backed by cash inflows from the £1,357.0m ERC for 120 months.

Bringing together Lowell and GFKL as the leading credit management businesses in Europe's two largest markets has the potential to create a leading pan-European credit management business with significant opportunities for growth.

There are a number of external factors which we believe will affect both our business and the industry as a whole.

Regulatory requirements in the consumer debt industry are expected to remain central to customer interaction and customer outcomes. We believe we are well placed to respond to such developments, not least because culturally, such initiatives as the FAIR programme in the UK places our customers at the heart of our business.

The debt purchase and debt management industry is expected to consolidate around a smaller number of trusted partners. Clients continue to reduce their panel sizes as they seek to maintain relationships with those partners who can demonstrate compliance excellence. We benefit from a strong record in compliance and have relationships with the majority of key clients in both the UK and Germany.

We also believe that our data asset will aid the business in terms of both our investment ambitions and our servicing offerings, leveraging the knowledge that comes from owning over 22.1 million accounts. Our "big data" helps us to price accurately and collect responsibly.

RISK MANAGEMENT

Risk management in the Group is intended to ensure that:

- The risk situation of the Group is sufficiently transparent at all times and is depicted realistically,
- Risks to the Group's ability to continue as a going concern are recognised sufficiently early in order that suitable measures can be taken to prevent a corporate crisis,
- Sufficient risk diversification is ensured, and
- Risks are only entered into across the Group if they offer acceptable returns.

Against the background of these objectives, a risk management system is in operation which harnesses risk identification and assessment methods, appropriate safeguards and controls and reporting to the decision-makers.

The Group has a clear governance structure, which enables the Group to conduct business in accordance with applicable rules, regulations and guidance. Group oversight and strategy is provided by an investor board that comprises our Chairman, Non-Executive Directors and our ultimate equity holders. Beneath this Board sit Group Risk and Audit Committees, Group Renumeration and Nomination Committees and a Group Executive Committee. The Group Executive Committee is responsible for the operationalisation and delivery of strategy as agreed by the investor board. The Chief Risk Officer is a member of the Group Executive Committee, (and is a former President of the Credit Services Association and currently represents compliance on its Board) and has ultimate responsibility for all aspects of regulatory compliance and risk management across the Group.

RISK MANAGEMENT (continued)

A sophisticated risk reporting system is in place to ensure the management in Lowell are provided with a realistic assessment of the risks that are faced. It is expected that this system will be rolled out across the Garfunkelux Group in due course. Regardless, the Group Executive Committee is provided with monthly reports on the development of earnings, liquidity and the key performance indicators. On the basis of this management information system, the Executive Committee monitors the business development of all companies within the Group on an ongoing basis and regularly discusses the current business situation with the general managers of the subsidiaries. Monitored by the Group Risk Committee, both the Investor Board and the Group Executive Committee receive regular updates as to the risk profile of the Group and emerging risks. A constituent part of the risk management process are also regular reviews of the business operations of the group companies by Internal Audit, monitored by the Group Audit Committee.

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

Cedric Pedoni
Director

25 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARFUNKELUX HOLDCO 2 S.A.

To the Shareholders of
Garfunkelux Holdco 2 S.A.
488, route de Longwy
L-1940 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 24 September 2015, we have audited the accompanying consolidated financial statements of Garfunkelux Holdco 2 S.A., which comprise the consolidated statement of financial position as at 31 December 2015; the consolidated statement of comprehensive income; the consolidated statement of changes in equity; the consolidated cash flow statement for the period from 1 June 2015 (date of incorporation) to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Garfunkelux Holdco 2 S.A. as of 31 December 2015 and of its financial performance and its cash flows for the period from 1 June 2015 (date of incorporation) to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF GARFUNKELUX HOLDCO 2 S.A. (continued)

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Alban Aubrée

Luxembourg,

25 April 2016

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period from 1 June 2015 (date of incorporation) to 31 December 2015

	Note	**1 June - 31 December 2015 £000**
Continuing operations		
Revenue		
Income from portfolio investments	15	52,476
Portfolio write up	15	20,718
Portfolio fair value release	15	(573)
Service income		65,828
Other revenue		1,747
Total revenue		**140,196**
Other income		1,922
Operating expenses		
Collection activity costs		(68,511)
Other expenses	5	(73,529)
Total operating expenses		**(142,040)**
Operating profit		**78**
Interest income	6	3,332
Finance costs	7	(77,367)
Other financial expenses		(39)
Loss before tax	4	**(73,996)**
Income tax credit	8	5,471
Loss for the period		**(68,525)**
Loss attributable to:		
Equity holders of the parent	24	(68,575)
Non-controlling interests	25	50
		(68,525)
Other comprehensive income/(expenditure)		
Items that will not be reclassified to profit or loss		
Actuarial gains or losses on pension plans	29	408
Deferred tax on actuarial gains and losses on pension plans		(126)
		282
Items that will or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences		**(6,048)**
Other comprehensive income, net of tax		**(5,766)**
Total comprehensive expenditure for the period		**(74,291)**
Total comprehensive expenditure attributable to:		
Equity holders of the parent		(74,341)
Non-controlling interests		50
		(74,291)

The notes on pages 12 to 58 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2015

	Note	31 December 2015 £000
Assets		
Non-current assets		
Goodwill	11	861,382
Intangible assets	12	76,067
Property, plant and equipment	13	6,252
Portfolio investments	15	345,683
Other financial assets	17	4,961
Deferred tax asset	9	817
Total non-current assets		**1,295,162**
Current assets		
Portfolio investments	15	270,778
Inventories		41
Trade and other receivables	16	26,834
Assets for current tax		4,246
Other financial assets	17	10,011
Cash and cash equivalents	26	106,946
Total current assets		**418,856**
Total assets		**1,714,018**
Equity		
Share capital	22	3,730
Share premium		357,233
Reserves		(14,209)
Retained earnings	24	(68,575)
Equity attributable to equity holders of the parent		**278,179**
Non-controlling interests	25	526
Total equity		**278,705**
Liabilities		
Non-current liabilities		
Borrowings	18	1,221,147
Provisions for pensions	29	3,522
Provisions	20	605
Derivatives	28	501
Other financial liabilities	21	55,588
Deferred tax liabilities	9	27,405
Total non-current liabilities		**1,308,768**
Current Liabilities		
Trade and other payables	19	60,709
Provisions	20	10,638
Borrowings	18	34,014
Derivatives	28	315
Other financial liabilities	21	6,881
Current tax liabilities		13,988
Total current liabilities		**126,545**
Total equity and liabilities		**1,714,018**

The notes on pages 12 to 58 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period from 1 June 2015 (date of incorporation) to 31 December 2015

		Share Capital £000	Share Premium £000	Capital Reserve £000	Translation Reserve £000	Valuation Reserve £000	Retained Deficit £000	Total £000	Non-controlling Interest £000	Total Equity £000
Comprehensive income	**Notes**									
Balance at 1 June 2015		-	-	-	-	-	-	-	-	-
Loss for the period		-	-	-	-	-	(68,575)	(68,575)	50	(68,525)
Actuarial gains on pension		-	-	-	-	408	-	408	-	408
Deferred tax on pensions		-	-	-	-	(126)	-	(126)	-	(126)
Exchange differences		-	-	-	(6,048)	-	-	(6,048)	-	(6,048)
Total comprehensive income/(expenditure)		**-**	**-**	**-**	**(6,048)**	**282**	**(68,575)**	**(74,341)**	**50**	**(74,291)**
Transactions with owners of the Company										
Issuance of share capital on incorporation	22	45	-	-	-	-	-	45	-	45
Increase in share capital	22	3,685	357,233	-	-	-	-	360,918	-	360,918
Issuance of beneficial units	23	-	-	19	-	-	-	19	-	19
Non controlling interest	25	-	-	-	-	-	-	-	476	476
Repurchase of shares in subsidiary	23	-	-	(8,462)	-	-	-	(8,462)	-	(8,462)
Total transactions with owners of the Company		**3,730**	**357,233**	**(8,443)**	**-**	**-**	**-**	**352,520**	**476**	**352,996**
Balance at 31 December 2015		**3,730**	**357,233**	**(8,443)**	**(6,048)**	**282**	**(68,575)**	**278,179**	**526**	**278,705**

The notes on pages 12 to 58 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
Period from 1 June 2015 (date of incorporation) to 31 December 2015

	Note	1 June - 31 December 2015 £000
Loss for the period before tax		**(73,996)**
Adjustments for:		
Depreciation of property, plant and equipment	13	400
Amortisation of intangible assets	12	3,801
Impairment of assets	12/13	39
Interest receivable	6	(3,332)
Loss on sale of property, plant and equipment and intangible assets		7
Finance costs	7	77,367
Unrealised gains from foreign exchange		(11,733)
		(7,447)
Increase in portfolio investments		(12,631)
Increase in trade and other receivables		(9,186)
Increase in trade and other payables		55,911
Increase in inventories		(28)
Increase in provisions and derivatives		2,989
Cash generated from operating activities		**29,608**
Income taxes paid		(1,631)
Net cash from operating activities		**27,977**
Investing activities		
Interest received		444
Purchase of property, plant and equipment		(187)
Purchase of intangible assets		(1,257)
Proceeds from sale of property, plant and equipment and other intangibles		76
Acquisition of GFKL, net of cash acquired	10a	(315,273)
Acquisition of Lowell, net of cash acquired	10b	(595,115)
Net cash from investing activities		**(911,312)**
Financing activities		
Proceeds from issue of share capital		360,963
Proceeds from issue of Senior Secured Notes		1,053,420
Proceeds from loans and borrowings	18	208,689
Transactions costs related to loans and borrowings	18	(41,547)
Acquisition of non-controlling interests	23	(8,462)
Repayment of borrowings		(530,230)
Interest paid		(53,361)
Net cash from financing activities		**989,472**
Net increase in cash and cash equivalents		106,137
Cash and cash equivalents at beginning of period		-
Effect of movements in exchange rates on cash held		801
Cash and cash equivalents at end of period	26/18	**106,938**

The notes on pages 12 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Period from 1 June 2015 (date of incorporation) to 31 December 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The consolidated financial statements of Garfunkelux Holdco 2 S.A. and its subsidiaries (together "The Group") for the period ended 31 December 2015 were authorized for issue in accordance with a resolution of Directors on 25 April 2016. Under Luxembourg Law, the consolidated financial statements are approved by shareholders at the Annual General Meeting. Garfunkelux Holdco 2 S.A. (the Company or the parent) is incorporated as an S.A. (Societe Anonyme) and domiciled in Luxembourg. The registered office is located at 488 route de Longwy, in Luxembourg Ville.

The Group is principally engaged in the provision of credit management services. Information regarding the Group structure is presented in Note 14. Information on other related party transactions is presented in Note 30. Under Luxembourg Law, the consolidated financial statements are approved by shareholders at an Annual General Meeting.

General information and basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The financial year is the calendar year. As these financial statements are the Group's first consolidated financial statements, the reporting period covers the seven months from 1 June 2015 (date of incorporation) to 31 December 2015.

Functional and presentation currency

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

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been EU endorsed but are not yet effective for these financial statements.

IFRS 15	Accounting for Revenue from Contracts with Customers
IFRS 11 (amended)	Accounting for Acquisitions of Interest in Joint Operations
IAS 1 (amended)	Disclosure initiative
IAS 16 and IAS 38 (amended)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amended)	Bearer Plants
IAS 27 (amended)	Equity Method in Separate Financial Statements

We have not adopted any new or revised Standards and Interpretations endorsed but which are not yet effective for these financial statements. Any impact from adoption is not expected to be significant.

The following standard, however, is not yet endorsed but may have a material impact and affect disclosure requirements in future periods:

• IFRS 9 – Financial Instruments. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be in line with IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7, will be required (around compliance with applicable regulation and the management of risk). Management will continue to assess the impact of the three main areas of IFRS 9, being classification and measurement, impairment, and hedge accounting.

IAS 7 – Disclosure Initiative – Amendments to IAS 7. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income ("SCI") and Statement of Financial Position ("SFP") on pages 8 and 9. In addition, Note 28 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Cash EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong performance during the period ended 31 December 2015 with the Cash EBITDA of £68.0m.

The business as a whole is cash generative, receiving £216.6m in gross cash collections for the period ended 31 December 2015. The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The Group has three main sources of funding at 31 December 2015, €365m and £565m of listed Senior Secured loan Notes ("Notes"), £230m of listed Senior loan Notes, and a €200m RCF. There are covenants on the funding which are detailed in Note 18.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They consequently adopt the going concern basis of accounting in preparing these financial statements.

Foreign currency

The Group entities are initially recording all their transactions in the Functional Currency of each entity and items included in the financial statements of these entities are measured using their Functional Currency.

Transactions in foreign currencies are translated to the respective Functional Currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the Functional Currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the Functional Currency at foreign exchange rates ruling at the dates the fair value was determined.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

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

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Business combinations

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

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

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

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range from 84 months to 120 months. An initial EIR is determined at the acquisition of the portfolio investment, following this there is a short period that is required to adjust the EIR due to the complexity of the portfolios acquired.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Increases in portfolio carrying values can and do occur should forecasted cashflows be deemed greater than previous estimates. The difference in carrying value following an enhanced collection forecast is recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, an impairment is recognised as a separate line item in the SCI.

As part of the acquisition accounting around the purchase of Metis Bidco Limited by Simon Bidco Limited on 13 October 2015 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 15). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 45% being released in the first 24 months and almost 75% in 48 months.

Service Income

Service income represents amounts receivable for tracing and debt collecting services (commissions) provided to third party clients, net of VAT where applicable. The revenue is recognised when the service is provided (accruals basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then an impairment is recognised as a separate SCI line item.

Financial instruments

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

Financial assets and liabilities at fair value through profit or loss

This category relates to financial assets and liabilities that must be recognised at fair value through profit or loss. Such assets or liabilities are initially recognised at cost, which at this point equates to fair value. They must be measured subsequently at fair value.

The main assets and liabilities in the Group falling into this category are derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39.

Loans and receivables

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

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

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

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. Forward flow agreements are pre determined spend commitments whereby price fluctuates depending upon the quality of the debt being purchased. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

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

Derecognition of financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest rate method, except for those measured at fair value through the SCI, e.g. derivative liabilities.

Derecognition of financial liabilities

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

Derivative financial instruments

The Group does not hold derivative instruments for trading purposes.

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognised asset or a recognised liability and to hedging the risk of variability in cash flows.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 28.

Provisions

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liability in respect of the purchase of non controlling interest
The Group has provided a financial liability in respect of the purchase of the remaining 25% of the shares in Simon Holdco Limited (See Note 21). At the time of the Metis Bidco Limited transaction on the 13 October 2015 a legal obligation was created to acquire the remaining shares in Simon Holdco Limited within a certain time frame. This transaction is currently scheduled for May 2016. The financial liability is recognised at the amounts expected to arise at the future date discounted to present value.

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

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

Leases
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Litigation costs
Litigation costs represent upfront fees paid during the litigation process, expected to be recoverable from the customer. Release to the SCI is in line with the collection profile.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

VAT

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

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

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

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Property, plant and equipment

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

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

Fixtures and fittings	5 years
Hardware	5 years
Office equipment	5 to 15 years
Leasehold improvements	Life of lease (0 to 15 years)

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

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

Intangible assets

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

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

Software	3 to 5 years	Straight line
Licences	3 to 15 years	Straight line
Other intangible assets	3 to 10 years	Straight line
Trademarks	15 years	Straight line
Customer relationships	5 to 10 years	Expected life of the underlying contract (Collection profile)

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

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

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Revenue recognition

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

The EIR is determined as at the time of acquisition of the portfolio and then reassessed during a short period following acquisition to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

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

A change in EIR of +/- 2.5% has the following impact on the income from portfolio investments:

	1 June - 31 December 2015 £000
Plus 2.5%	
Income from portfolio investments	2,366
Portfolio write-up	(5,483)
Increase of income	**(3,117)**
Minus 2.5%	
Income from portfolio investments	(2,368)
Portfolio write-up	5,497
Decrease of income	**3,129**

The impact above has been calculated over the period of 2.5 months for Lowell and 6 months for GFKL.

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the ERC of our portfolio investments at a given point in time, are calculated over an 84 month to 120 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

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

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

See Note 11 for further details regarding goodwill.

Treatment of VAT backpayments

On 27 October 2011, the European Court of Justice ruled that the purchase of non-performing loans ("NPLs") does not constitute a supply of services for consideration by the acquirer to the seller. This judgment was mirrored by the German Federal Finance Court on 26 January 2012, in this ruling it was additionally stated that the acquirer could not claim the deduction of input VAT related to the purchase of NPLs. As a result the Group may have to refund the input VAT claimed for this line of business for the period starting from 2004 to the German tax authorities.

The final letter from the German Federal Ministry of Finance on 2 Dec 2015 clarifies the treatment in respect of the purchase of NPLs and includes the expected grandfathering rules.

As a result of these rulings the Group has recognised a provision of £4.2m and corresponding interest of £1.7m for VAT not paid in connection with purchases of NPLs in the years prior to 2012 (see Note 20). However the tax authorities have not concluded the position for the historical period and as a result the amount may change to the benefit or detriment of the Group.

Pension Obligations

When measuring provisions for pensions (£3.5m), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. See note 29 for further details.

3. SEGMENTAL REPORTING

a) Basis for segmentation

Given the recent establishment of the Garfunkel Group, the differing periods of consolidation for Lowell and GFKL in the statutory accounts of Garfunkelux Holdco 2 S.A., and the fact that key decisions are currently made by a Group Executive Board, the Directors believe it is right in the current year to report a single reportable segment. In line with business strategy and evolution we expect sufficient information upon which to base resource allocation decisions to develop.

b) Geographical information

The geographical information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographical information segment revenue has been based on the geographical location of customers, although it should be noted that the geographical mix is not representative given the different acquisition dates of GFKL and Lowell.

	1 June - 31 December 2015 £000
Revenues	
UK	35,247
Germany	104,949
	140,196

	31 December 2015 £000
Non-current assets	
UK	569,250
Germany	374,451
	943,701

Non-current assets above exclude financial instruments and deferred tax assets.

4. LOSS BEFORE TAX

	1 June - 31 December 2015 £000
Loss for the period is after charging:	
Impairment of assets (Notes 12 and 13)	38
Depreciation of property, plant and equipment (Note 13)	400
Amortisation of intangible assets (Note 12)	3,801
Loss on disposal of property, plant and equipment and intangible assets	7
Staff costs (Note 5c)	27,887
Rentals under operating leases (Note 27)	3,119
Exceptional Acquisition costs – Lowell	11,969
Exceptional Acquisition costs – GFKL	7,670

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	1 June - 31 December 2015 £000
Staff costs (Note 5c)	27,887
Depreciation of property, plant and equipment (Note 13)	400
Amortisation of intangible assets (Note 12)	3,801
Exceptional acquisition costs	19,639
Other operating expenses	21,802
Total other operating expenses	**73,529**

Other operating expenses includes office costs, consultancy, professional fees and the write down of non-performing loans.

b) Auditor's remuneration

	1 June - 31 December 2015 £000
Audit fees of Parent Company and consolidated financial statements	413
Audit related fees of financial statements of subsidiaries	1,800
Tax fees	708
Other services	250
Total auditor's remuneration	**3,171**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

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

5. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

c) Staff costs

The average number of employees during the period was:

	Number
Customer account associates	432
Other operational staff	413
Business support	576
Total	**1,421**

The average number of employees was suppressed by the timings of the acquisitions of GFKL and Lowell during the period.

The period end number of employees was:

	Number
Customer account associates	816
Other operational staff	518
Business support	772
Total	**2,106**

	1 June - 31 December 2015 £000
Wages and salaries	24,504
Social security costs	3,295
Pension costs to defined contribution schemes	81
Pension costs to defined benefit schemes (Note 29)	7
Total	**27,887**

d) Directors' remuneration

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

Emoluments paid to other key employees who are not Directors of this Company but are Directors of subsidiaries of the Company are detailed in Note 30. These seven employees are paid by subsidiary undertakings of the Company for their services as Directors to the Group.

6. INTEREST INCOME

	1 June – 31 December 2015 £000
Bank interest receivable	218
Net gain on financial instruments designated as fair value through profit or loss	226
Net foreign exchange gain	2,888
Total interest income	**3,332**

7. FINANCE COSTS

	1 June - 31 December 2015 £000
Financial liabilities measured at amortised costs – interest expense:	
Interest payable on the Senior Secured Notes	18,460
Interest payable on the Senior Unsecured Notes	5,060
Fees payable on the Notes	1,171
Fees payable on the Senior Secured Notes redeemed on acquisition of Lowell	31,019
Interest and fees payable on Revolving Credit facility	6,094
Interest payable on bridge financing facilities	2,031
Interest payable on shareholder loan	3,956
Other interest payable	612
Net loss on financial instruments designated as fair value through profit or loss	7,727
Notional interest on financial liabilities relating to NCI	1,237
Total finance costs	**77,367**

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	1 June - 31 December 2015 £000
Current taxation	
Corporation tax	1,312
Adjustment in respect of previous periods	(380)
Total current tax charge	**932**
Deferred tax	
Origination and reversal of temporary differences	(7,863)
Change in estimate of recoverable deferred tax	142
Impact of change in tax rate	1,318
Total deferred tax credit (See Note 9)	**(6,403)**
Total tax credit	**(5,471)**

8. INCOME TAX (continued)

b) Amounts recognised in the Statement of Comprehensive Income

	1 June - 31 December 2015 £000
Pension Provisions	**126**

c) Reconciliation of effective tax rate

The standard average effective rate of corporation tax in Luxembourg is 29.22%. However, as the Group is located in different countries, the standard average effective rate of corporation tax for the group is 25%. The tax credit assessed for the period is lower than this and the differences are explained below:

	1 June - 31 December 2015 £000
Loss on ordinary activities before tax	**(73,996)**
Tax credit on loss on ordinary activities at a combined countries rate of 25%	(18,499)
Effects of:	
Permanent differences	2,382
Income not taxable for tax purposes	5,005
Value adjustments	142
Impact of tax losses carried forward	2,403
Adjustment to tax charge in respect of previous periods	(380)
Tax rate differences	3,531
Other	(55)
Total tax expense	**(5,471)**

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following as at 31 December 2015.

	31 December 2015 £000
Recognised in profit or loss	
Intangible assets	(19,020)
Portfolio investments	(15,576)
Tax losses carried forward	10,098
Other	(2,090)
Net tax liabilities	**(26,588)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

The movement in deferred tax balances throughout the period are as follows:

	£000
SCI effect	(6,403)
Equity effect	126
Acquisition of GFKL	26,311
Acquisition of Lowell	5,669
Exchange rate differences	885
Movement in the period	**26,588**

Deferred tax asset	(817)
Deferred tax liability	27,405
At 31 December 2015	**26,588**

Deferred tax assets of £1.6m have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the losses can be utilised.

10. ACQUISITION OF SUBSIDIARIES

On 29 June 2015 the Company made a cash contribution to Garfunkelux Holdco 3 S.A. for £185.7m (€261.0m) for share capital of £3.7m (€5.0m), with the remaining £182.0m (€256.1m) allocated to share premium.

a) Acquisition of GFKL

On 16 June 2015, the Group acquired all of the ordinary shares in Garfunkel Holding GmbH for £19.4k (€27.0k), satisfied in cash. The acquiring company was Garfunkelux Holdco 3 S.A, a wholly owned subsidiary of the Company. In addition, a resolution was approved on 30 June 2015, to contribute into the free capital reserve an amount of £184.2m (€264.4m).

On 30 June 2015, the Group acquired all of the ordinary shares in Carl Holding GmbH for £344.1m (€484.7m). According to the merger agreement dated 6 August 2015, Carl Holding GmbH was merged into Garfunkel Holding GmbH. The entry in the commercial register was made on 19 August 2015.

Garfunkel Holding GmbH owns effectively 100% (of shares excluding treasury shares) of GFKL Financial Services AG, which is the operating unit of the GFKL group made up of itself and 13 affiliated companies (see Note 14 for group structure).

In the 6 months to 31 December 2015 the subsidiary group contributed a net gain of £8.4m to the consolidated net loss for the year. If the acquisition had occurred on 1 January 2015, Group revenue would have been £90.8m higher and net loss would have been £7.8m lower. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	2,499
Intangible assets	64,375
Portfolios	86,866
Inventories	13
Trade and other receivables	17,393
Cash and cash equivalents	29,509
Interest-bearing loans and borrowings	(68,167)
Trade and other payables	(32,779)
Provisions	(12,592)
Deferred tax liabilities	(26,311)
Income taxes	(12,745)
Total identifiable net assets acquired	**48,061**

No increase or impairment value was recognised for trade receivables at the acquisition date.

10. ACQUISITION OF SUBSIDIARIES (continued)

a) Acquisition of GFKL (continued)

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred from the date of acquisition.

	Recognised values on acquisition £000
Total cash consideration transferred	**344,782**

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Customer relationships	Income approach
Trade names	Relief from royalty
Non-performing loans	Income approach
Assembled workforce	Cost approach

No contingent consideration or contingent liabilities remain in respect of the acquisition as at 31 December 2015.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	344,782
Non-controlling interest	618
Fair value of identifiable net assets	(48,061)
Goodwill	**297,339**

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

10. ACQUISITION OF SUBSIDIARY (continued)

b) Acquisition of Lowell

On 13 October 2015, Simon Bidco Limited acquired 100% of the ordinary shares in Metis Bidco Limited for £611.7m.

Metis Bidco Limited and its 18 wholly owned subsidiaries (See Note 14 for group structure) make up the Lowell Group.

In the 11 weeks to 31 December 2015 the subsidiary contributed net loss of £34.3m to the consolidated net loss for the year. If the acquisition had occurred on 1 January 2015, Group revenue would have been £131.4m higher and net loss would have been £7.2m higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	4,002
Intangible assets	12,065
Portfolios	513,608
Trade and other receivables	15,150
Cash and cash equivalents	16,616
Interest-bearing loans and borrowings	(462,063)
Trade and other payables	(35,312)
Deferred tax liabilities	(5,669)
Total identifiable net assets acquired	**58,397**

No increase or impairment of value was recognised for trade receivables at the acquisition date.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	Recognised values on acquisition £000
Cash	375,762
Settlement by issuance of equity/financial instruments	235,969
Total consideration transferred	**611,731**

10. ACQUISITION OF SUBSIDIARY (continued)

b) Acquisition of Lowell (continued)

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation technique**
Customer relationships	Income approach
Trade names	Relief from royalty
Non-performing loans	Income approach
Assembled workforce	Cost approach

No contingent consideration or contingent liabilities remain in respect of the acquisition as at 31 December 2015.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	611,731
Fair value of identifiable net assets	(58,397)
Goodwill	**553,334**

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

11. GOODWILL

	Total
	£000
Cost	
Addition on acquisition of GFKL (Note 10a)	297,339
Addition on acquisition of Lowell (Note 10b)	553,334
Effect of currency translation	10,709
At 31 December 2015	**861,382**
Net book value	
At 31 December 2015	**861,382**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGUs identified are Lowell, comprising of all subsidiary companies operated in the UK owned by Metis Bidco Limited, and GFKL, consisting of all subsidiary companies operated in Germany owned by Garfunkel Holding GmbH. The Goodwill is measured on a provisional basis and may be subject to change

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

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

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the subsidiary group's weighted average cost of capital ("WACC") and are as follows:

	31 December 2015 £000
Lowell CGU	9.39%
GFKL CGU	6.33%

The Group prepares cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell CGU
Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 31 December 2015.

GFKL CGU
Based on the value in use a fall in the forecast cashflows of 60% would result in an impairment at 31 December 2015.

12. INTANGIBLE ASSETS

	Software and licences	Development costs	Customer relationships	Trademarks	Total
	£000	£000	£000	£000	£000
Cost					
At 1 June 2015	-	-	-	-	-
Acquisition of subsidiaries	7,296	3,534	50,478	15,133	76,441
Additions	410	847	-	-	1,257
Reclassification	665	(665)	-	-	-
Currency exchange differences	210	99	1,816	210	2,335
Disposals	(76)	-	-	-	(76)
At 31 December 2015	**8,505**	**3,815**	**52,294**	**15,343**	**79,957**
Accumulated amortisation					
At 1 June 2015	-	-	-	-	-
Charge for the period	(927)	(15)	(2,559)	(300)	(3,801)
Asset impairment	(9)	-	-	-	(9)
Currency exchange differences	(15)	-	(60)	(5)	(80)
At 31 December 2015	**(951)**	**(15)**	**(2,619)**	**(305)**	**(3,890)**
Net book value					
At 31 December 2015	**7,554**	**3,800**	**49,675**	**15,038**	**76,067**

Reclassifications: Development costs can be a combination of "Software and Licences" and "Property, Plant and Equipment". When projects go live and development costs are reclassified they are transferred to "Software and Licences" or "Property, Plant and Equipment" (Note 13).

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

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 June 2015	-	-	-	-	-
Acquisition of subsidiaries	116	2,358	1,261	2,766	6,501
Additions	3	12	48	124	187
Disposals	-	-	(13)	(79)	(92)
Currency exchange differences	-	-	-	91	91
At 31 December 2015	**119**	**2,370**	**1,296**	**2,902**	**6,687**
Accumulated depreciation					
At 1 June 2015	-	-	-	-	-
Charge for the period	(11)	(52)	(105)	(316)	(484)
Disposals	-	-	10	74	84
Asset impairment	-	-	-	(29)	(29)
Currency exchange differences	-	-	-	(6)	(6)
At 31 December 2015	**(11)**	**(52)**	**(95)**	**(277)**	**(435)**
Net book value					
At 31 December 2015	**108**	**2,318**	**1,201**	**2,625**	**6,252**

Property, Plant and Equipment acquired through the acquisition of subsidiaries are included in cost at their net book value at the time of the acquisition.

14. GROUP STRUCTURE

The Group includes the following subsidiary undertakings. All subsidiaries are included in the consolidation:

Name	Country of incorporation	Ordinary share holding %
Garfunkelux Holdco 3 S.A	Luxembourg	100
Garfunkel Holding GmbH	Germany	100
GFKL Financial Services GmbH (Formerly GFKL Financial Services AG)	Germany	100
Zyklop Deutschland GmbH	Germany	100
GFKL Pay Protect GmbH (Formerly Domnowski Inkasso GmbH)	Germany	100
Proceed Portfolio Services GmbH	Germany	100
GFKL Collections GmbH	Germany	100
Deutsche Multlauskunftel GmbH	Germany	100
GFKL Service Center GmbH	Germany	100
Proceed Collection Services GmbH	Germany	100
Sirius Inkasso GmbH	Germany	100
INKASSO BECKER WUPPERTAL GmbH & Co. KG	Germany	100
IBW Verwaltungsund Beteilligungs GmbH	Germany	100
Intratech GmbH	Germany	51
debifact Factoring GmbH & Co. KG	Germany	100
debifact Verwaltungs GmbH	Germany	100
Simon Holdco Limited	Jersey	75*
Simon Midco Limited	UK	75*
Simon Bidco Limited	UK	75*
Metis Bidco Limited	UK	75*
Lowell Finance Holdings Limited	UK	75*
Lowell Group Financing Plc	UK	75*
Lowell Group Limited	UK	75*
Lowell Funding Limited	UK	75*
Lowell Acquisitions Limited	UK	75*
Lowell Holdings Ltd	UK	75*
Lowell Finance Ltd	UK	75*
Lowell Financial Ltd	UK	75*
Lowell Portfolio I Ltd	UK	75*
Tocatto Ltd	UK	75*
Lowell Portfolio III Holdings Limited	UK	75*
Lowell Portfolio III Limited	UK	75*
Lowell Portfolio IV Holdings Limited	UK	75*
Lowell Portfolio IV Limited	UK	75*
Lowell Solicitors Limited	UK	75*
Interlaken Group Limited	UK	75*
Fredrickson International Limited	UK	75*
SRJ Debt Recoveries Limited	UK	75*

* As at 31 December 2015 the Company indirectly owned 75% of Simon Holdco Limited and all of its subsidiaries, both direct and indirect. The results of Simon Holdco Limited and all of its direct and indirect subsidiaries are consolidated at an effective 100% ownership as a legal obligation was created at the point of acquisition on 13 October 2015 that all the remaining shares would be acquired at a later date. This transaction is scheduled to take place in May 2016. This transaction results in a financial liability of £55.5m as noted in Note 21.

15. PORTFOLIO INVESTMENTS

	31 December 2015 £000
Non-current	
Portfolio investments	345,683
Current	
Portfolio investments	270,778
Total	**616,461**

The movements in acquired portfolio investments were as follows:

	31 December 2015 £000
As at the period brought forward	**-**
On acquisition of subsidiaries	600,474
Portfolios acquired during the period	46,820
Collections in the period	(103,052)
Income from portfolio investments	52,476
Portfolio fair value release	(573)
Portfolio write-up	20,718
Write down of non-performing loans	(3,488)
Other	3,086
As at the period end	**616,461**

16. TRADE AND OTHER RECEIVABLES

	31 December 2015 £000
Trade receivables	9,199
Other receivables	17,558
Tax receivable	77
	26,834

Trade receivables are primarily made up of amounts due from clients for services provided. This figure includes gross receivables of £8.0m, and an allowance for bad debt of £0.3m. Average receivables days as at 31 December 2015 are 52.6.

17. OTHER FINANCIAL ASSETS

	31 December 2015 £000
Non-current	
Receivables from affiliated companies	4,903
Other financial assets	58
	4,961
Current	
Securitisation receivables	2,094
Other financial assets	7,917
	10,011
	14,972

Receivables from affiliated companies relate to loans made to Garfunkelux Nominee S.A.R.L together with accrued interest.

18. BORROWINGS

	31 December 2015 £000
Non-current	
Unsecured borrowing at amortised cost	
Senior Notes	230,000
Prepaid costs on Senior Notes	(9,197)
Shareholder loan owed to Garfunkelux Holdco 1 S.A.R.L	198,689
Total unsecured	**419,492**
Secured borrowing at amortised cost	
Senior Secured Notes	834,005
Prepaid costs on Senior Secured Notes	(32,350)
Total Secured	**801,655**
Total borrowings due for settlement after 12 months	**1,221,147**
Current	
Unsecured borrowing at amortised cost	
Bank overdraft	8
Interest on Senior Notes	5,060
Revolving credit facility	10,012
Other interest payable	474
Total unsecured	**15,554**
Secured borrowing at amortised cost	
Interest on Senior Secured Notes	18,460
Total Secured	**18,460**
Total borrowings due for settlement before 12 months	**34,014**

18. BORROWINGS (continued)

During the period financing transaction costs of £41.5m were incurred in respect of Senior and Senior Secured Notes.

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

Senior Secured Notes ("Notes")

On 23 July 2015 the Group issued €365m 7.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 February and 1 August, commencing 1 February 2016. The Notes will mature on 1 August 2022, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 20 July 2015.

On 19 October 2015 the Group issued a further £565m 8.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2022, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015.

The Senior Secured Notes are secured on the assets of the Group.

There are two covenant measures under the terms of the Notes; Fixed Charge Coverage Ratio, which must be at least 2:1 and Consolidated Senior Secured Leverage Ratio, which cannot exceed 4.5:1. Both covenants are incurrance covenants.

Senior Unsecured Notes ("Notes")

On 19 October 2015 the Company issued a further £230m 11.0% Senior Notes due 2023. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2023, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015.

There is one covenant measure under the terms of the Notes, the Fixed Charge Coverage Ratio, which must be at least 2:1. Again, this is an incurrance covenant only.

Bridge financing

On 30 June 2015 the Group entered into a loan facility agreement for €365.2m through its subsidiary Garfunkelux Holdco 3 S.A., which was used as a current bridge financing until redeemed by the bond issue on 23 July 2015. The loan had an interest rate of 5.25% margin plus EURIBOR.

On 13 October 2015 the Company entered into a senior loan facility agreement for £240.0m, on the same date its subsidiary, Garfunkelux Holdco 3 S.A., also entered into a Senior Secured loan facility agreement for £555.0m. Both of these loans were used as bridge financing until redeemed by the Notes issued on 19 October 2015. The loans had interest rates of 10.09% and 8.03% respectively.

Revolving Credit Facility ("RCF")

The Group entered into an RCF on 29 June 2015 for €60m. On 18 August 2015 the facility was increased to €200m. The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility.

Any Material Company or other member of the Group, which becomes a guarantor of the Amended and Restated RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favour of the Security Agent.

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

18. BORROWINGS (continued)

Shareholder Loan

The Group entered into a loan facility in October 2014 for €260.4m with its holding company Garfunkelux Holdco 1 S.A.R.L. The loan has an interest rate of 9.73%.

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

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

	31 December 2015 £000
Notes	8.79%
Bridge financing	7.83%
RCF	4.00%
Shareholder loan owed to Garfunkelux Holdco 1 S.A.R.L.	9.73%

19. TRADE AND OTHER PAYABLES

	31 December 2015 £000
Trade payables	8,200
Anticipated losses from onerous contracts	103
Other taxes and social security	3,907
Accruals and deferred income	16,052
Other payables	32,447
	60,709

Other payables includes amounts due of £10.7m in respect of portfolios purchased but not yet paid for at 31 December 2015.

20. PROVISIONS

	31 December 2015 £000
Non-current	
Provisions for pensions (see Note 29)	3,522
Other provisions	605
	4,127
Current	
Provisions for VAT backpayments	5,928
Restructuring Provision	1,131
Other provisions	3,579
	10,638

21. OTHER FINANCIAL LIABILTIES

	31 December 2015 £000
Non-current	
Liability to purchase Simon Holdco Limited shares (see Note 14)	55,471
Other financial liabilities	117
	55,588
Current	
Liability from potential treasury shares	5,522
Liability from portfolio financing	1,359
	6,881

The liability in respect of treasury shares relate to the merger of ABIT AG ("ABIT") and GFKL Financial Services AG in 2006. The liability arises from ABIT shareholders outstanding claims which will be fulfilled by a cash settlement. This liability relates to the unsettled amounts together with accrued interest.

22. SHARE CAPITAL

	31 December 2015 £000
Called up, allotted and fully paid:	
Share capital on incorporation (6,200,000 ordinary shares of €0.01 each)	45
Increase in share capital (493,800,005 ordinary shares of €0.01 each)	3,685
	3,730

The rights attached to the ordinary shares are as follows:

Voting
Each shareholder shall have one vote for every Share held. Each Shareholder and Beneficiary Unit ("BU") holder (see Note 23), where applicable, may vote through voting forms in the manner set out in the convening notice in relation to a Shareholders' Meeting. The Shareholders and the BU holders may only use voting forms provided by the Company and which contain at least the place, date and time of the meeting, the agenda of the meeting, the proposal submitted to the decision of the meeting, as well as for each proposal three boxes allowing the Shareholder and the BU holder to vote in favour, against, or abstain from voting on each proposed resolution by ticking the appropriate box.

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

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

22. SHARE CAPITAL (continued)

Distributions

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

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

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

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

23. RESERVES

Capital reserves

During the period Garfunkel Holding GmbH purchased additional shares of GFKL Financial Services AG from minorities. Garfunkel Holding GmbH initialised a squeeze out of the minority interests of GFKL Financial Services AG. This resulted in a negative capital reserve of £8,462k.

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

	31 December 2015 £000
Beneficiary Units ("BU")	19
Repurchase of NCI shares	(8,462)
	(8,443)

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

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

Rights

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

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

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

24. RETAINED DEFICIT

	31 December 2015 £000
Loss for the period	(68,525)
Non controlling interest	(50)
At 31 December 2015	**(68,575)**

25. NON-CONTROLLING INTEREST

	31 December 2015 £000
Profit for the period	50
Non controlling interest on the acquisition of subsidiary	476
At 31 December 2015	**526**

The non controlling interest belongs to a third party, which owns 49% of the shares of Intratech GmbH.

26. CASH AND CASH EQUIVALENTS

	31 December 2015 £000
Cash and bank balances	90,804
Restricted cash balances	16,142
	106,946

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

The Group holds cash on behalf of third parties as part of its collection activities. These restricted cash balances are shown within cash.

27. COMMITMENTS

Operating Lease arrangements

The Group as lessee

	1 June - 31 December 2015 £000
Lease payments under operating leases recognised as an expense in the period	**3,119**

Non-cancellable operating lease rentals are payable as follows:

	31 December 2015 £000
No later than one year	6,535
Later than one year and no later than five years	13,680
Later than five years	8,608
	28,823

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease in the UK has been negotiated for a lease term of 15 years, commenced on 9 December 2013, with the option to break, free of charge, after 10 years.

The main property lease in Germany has been negotiated for a lease term of 10 years, commenced on 3 February 2014.

The other property leases are for periods of one to three years with various options for breaks. Car leases run for three years with the option to extend.

Other than the information noted above for Operating Leases, the Group has no other outstanding commitments at 31 December 2015.

28. FINANCIAL INSTRUMENTS

Significant accounting policies

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

Categories of financial instruments

	31 December 2015 £000
Financial assets	
Cash and cash equivalents	106,946
Loans and receivables	616,461
Other financial assets	46,052
Financial liabilities	
Borrowings - Notes	1,087,525
Borrowings – (RCF)	10,012
Borrowings – Shareholder loan	198,689
Borrowings – other	482
Trade and other payables	60,709
Other financial liabilities	62,468
Tax liability	13,988
Provisions	14,765
Derivatives (FVTPL)	816

Financial risk management objectives

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

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

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

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

28. FINANCIAL INSTRUMENTS (continued)

Credit risk management

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

The risk from the concentration of debtor credit risk is limited due to the high number of individual customer balances and the relatively low value of each of the individual's debts. At 31 December 2015 the Group had 22.1m individual customer accounts.

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

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

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

Liquidity risk management

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

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2015, the Group had available undrawn committed borrowing facilities of €186.4m. See Note 18 for further details on banking facilities.

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

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

As at 31 December 2015

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	8.79	1,087,525	1,746,806	49,749	46,750	467,502	1,182,805
Revolving credit facility	4.00	10,012	10,012	10,012	-	-	-
Shareholder loan	9.73	198,689	198,689	-	-	-	198,689
Other liabilities	-	153,228	153,228	93,012	-	60,216	-
Total liabilities		**1,449,454**	**2,108,735**	**152,773**	**46,750**	**527,718**	**1,381,494**

* Includes Loan principal outstanding and accrued interest (Note 18).

Other liabilities includes "Trade and other payables", "Provisions", "Derivatives", "Current tax liabilities", "Other financial liabilities", "Other accrued interest" (Note 18) and "Overdraft" (Note 18).

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

Undrawn Group financing facilities

	31 December 2015 £000
RCF	
Amount used	10,000
Amount unused	137,400
	147,400

The total RCF available of €200m has been translated at the year end at a rate of 0.737.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, while the day to day management of operational risk rests with line managers.

28. FINANCIAL INSTRUMENTS (continued)

Market risk

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

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

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place €365m and £565m of Senior Secured loan Notes, £230m of Senior loan Notes, and a €200m RCF facility. At 31 December 2015 the RCF facility was £10m drawn down. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Group fail. In the UK, a number of entities are regulated by the Financial Conduct Authority ("FCA"). If the FCA deemed the Company's and Group's conduct and customer interaction to be poor or non compliant it can impose a financial penalty and/or financial redress for customers. The ultimate penalty would be the withdrawal of the Company's authorisation to provide financial services. The Directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the Lowell FAIR programme, which was launched in December 2013, and enshrines the FCA's six Treating Customers Fairly principles around fair customer treatment in the Company's day-to-day activity. Specifically, the FAIR programme helps shape processes to achieve fair outcomes for customers, assessment of affordability and monitoring and oversight to minimise conduct risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by fixed rate Notes and share capital.

The Group's RCF has a variable interest rate at 31 December 2015 this was £10m drawn down.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. The Group enters into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates. As of 31 December 2015, interest rate swaps with a total negative fair value of £0.8m were held. There were no interest rate swaps with positive fair values. They were not designated as hedges for hedge accounting purposes (IAS 39). The residual maturity was determined on the bases of the residual maturities of the derivative.

Foreign currency risk

The Group has exposure to foreign currency risk through its investments in overseas operations which have functional currencies other than Sterling. The Group minimises its foreign currency risk by having both assets and liabilities in functional currencies other than sterling. The carrying values of the Groups principle foreign currency denominated assets and liabilities are as follows:

	31 December 2015	
	Assets £000	**Liabilities £000**
Euro	541,668	566,961

28. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Sensitivity

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

	£000
Loss before tax	22,137
Shareholders' equity	2,529

Capital management risk

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 18 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity ("SoCE").

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

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

	31 December 2015 £000
Financial assets	
Investments and receivables	662,513
Cash and cash equivalents	106,946
Total financial assets	**769,459**
Financial liabilities	
Fair value through SCI	4,338
Financial liabilities measured at amortised cost	1,445,116
Total financial liabilities	**1,449,454**

Derivatives with positive and negative fair values

As of 31 December 2015, interest rate swaps with a total negative fair value of £0.8m were held. There were no interest rate swaps with positive fair values. They were not designated as hedges for hedge accounting purposes (IAS 39). The residual maturity was determined on the basis of the residual maturities of the derivatives.

28. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole period. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher and all other variables were held constant, the Group's profit for the period ended 31 December 2015 would be c£0.1m lower. This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts
The derivatives recognised relate exclusively to interest rate swaps that the Group concludes with its banking partners in OTC trade. In order to recognise the fair value of these derivatives, the fair value calculation performed by the Group as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counter parties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Fair value of financial instruments carried at amortised cost
Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, with portfolio investments being the only exception.

	31 December 2015	
	Carrying Amount £000	**Fair Value £000**
Financial assets		
Cash and cash equivalents	106,946	106,946
Investments and receivables:		
Portfolio investments	616,461	616,559
Other financial assets	46,052	46,052
Total financial assets	**769,459**	**769,557**
Financial liabilities		
Fair value through SCI:		
Provisions for pensions	3,522	3,522
Derivatives	816	816
Financial liabilities measured at amortised cost:		
Senior Secured Notes*	852,465	852,465
Senior Notes*	235,060	235,060
RCF	10,012	10,012
Shareholder loan	198,689	198,689
Other financial liabilities	148,890	148,890
Total financial liabilities	**1,449,454**	**1,449,454**

* Includes Loan principal outstanding and accrued interest (Note 18).

28. FINANCIAL INSTRUMENTS (continued)

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The Senior and the Senior Secured Notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

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

The fair value of the portfolios is calculated by discounting the net forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage which differ for portfolios that are not deemed as "paying" at the point of acquisition and those that are deemed as "paying". A "paying" portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined as follows.

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

• The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month to 120 month forecast cashflows.

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

28. FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the Statement of Financial Position

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

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

	31 December 2015		
	Level 1 £000	**Level 2 £000**	**Level 3 £000**
Financial liabilities at fair value			
Provisions for pensions	-	3,522	-
Derivatives	-	816	-

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

	31 December 2015 £000
Derivative financial instruments with negative fair values	
Not designated as part of a hedge relationship	**816**

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 as of the balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of 31 December 2015.

29. EMPLOYEE BENEFITS

The Group has defined benefit pension obligations through its German subsidiary GFKL. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.31% and 2.53%, depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5%, salary increases in a range from 0.0% to 2.0%, and the employee turnover rate in a range from 0.0% to 2.0%. The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

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

The net liability is calculated as follows:

	31 December 2015 £000
Present value of unfunded defined benefit obligation	6,002
Plan assets	(2,480)
Net liability	**3,522**

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

	31 December 2015 £000
Balance of defined benefit obligation on acquisition of subsidiary	6,105
Interest expense	60
Pension payments	(30)
Current service cost	40
Actuarial gains	(393)
Currency translation adjustments	220
Closing balance of defined benefit obligation	**6,002**

29. EMPLOYEE BENEFITS (continued)

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

	31 December 2015 £000
Balance of plan assets on acquisition of subsidiary	2,341
Net interest income	20
Actuarial gains	15
Contributions	20
Payments	(1)
Currency translation adjustments	85
Closing balance of plan assets	**2,480**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by the Group. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €91k.

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

	1 June - 31 December 2015 £000
Balance on acquisition of subsidiary	3,764
Payments arising from pension obligations	(29)
Allocation to defined benefit obligation	100
Allocation to plan assets	(40)
Actuarial gains/losses	(408)
Currency translation adjustments	135
Closing balance	**3,522**

29. EMPLOYEE BENEFITS (continued)

A quantitative sensitivity analysis of the key assumptions as of 31 December 2015 is as shown below:

	31 December 2015 £000
Interest rate	
Increase 0.2%	(539)
Decrease 0.2%	621
Salary trend	
Increase 0.5%	80
Decrease 0.5%	(74)
Benefits trend	
Increase 0.5%	462
Decrease 0.5%	(413)

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realised changes in key assumptions occurring at the end of the reporting period.

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

	31 December 2015 £000
Within the next 12 months	66
Between 2 and 5 years	720
Between 5 and 10 years	1,017
More than 10 years	10,474
Total expected payments	**12,277**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

30. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

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

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

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

Transactions with related parties

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

Period ended 31 December 2015

	Parent Company's immediate parent £000
Shareholder loan	
Principal and accrued interest	198,689
As at 31 December 2015	**198,689**

	31 December 2015 £000
Other period end balances with related parties	
Other related parties	**4,903**

Other related parties relate to loans made to Garfunkelux Nominee S.A.R.L. (See Note 17).

Remuneration of key management personnel

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

	1 June - 31 December 2015 £000
Short-term employee benefits	**1,165**

The above details relate to seven key management personnel who are Directors of subsidiary undertakings of the Company. They are paid Directors' emoluments by subsidiary companies (Simon Bidco Limited, Lowell Financial Limited and GFKL Financial Services GmbH) for their services to the Group. The Directors of the Company are not paid by any company that forms part of the Group, see note 5d.

31. SUBSEQUENT EVENTS

On 29 January 2016 the Group sold Proceed Portfolio Services GmbH to a third party for €0.6m, realising a gain.

On 1 March 2016, and as decided at the Shareholders meeting dated 16th February 2016, GFKL Financial Services AG changed company form into a GmbH. GFKL Financial Services AG was subsequently renamed GFKL Financial Services GmbH.