Garfunkelux HoldCo 2 S.A.

QE 30 June 2016 Results

1 Highlights

- 120 Month Estimated Remaining Collections ("ERC") at £1,511.6m as of 30 June 2016, up 19.8% since 30 June 2015 and 4.0% since 31 March 2016.

- Portfolio investments acquired for the three months ending 30 June 2016 total £44.6m, with acquisitions for the year to 30 June 2016 of £246.9m, an increase of 27.0% on the 12 months ended 30 June 2015.

- Debt Purchase gross cash collections of £94.4m in the three months ending 30 June 2016, up 21.5% compared to the three month period ended 30 June 2015 and 4.1% on Q1 2016.

- Cash Income of £111.7m in the three months ending 30 June 2016, up 18.3% compared to the three month period ended 30 June 2015.

- Cash EBITDA* for the three months ended 30 June 2016 of £60.0m, with LTM Cash EBITDA to June 2016 of £228.4m.

- The number of owned accounts is 23.9m as at 30 June 2016, an increase of 16.0% since 30 June 2015.

- As at 30 June 2016, the aggregate face value of debt purchased since inception totalled £20.1bn, a 17.2% increase from 30 June 2015.

- Loan to value ratio (net debt/(Lowell 120m ERC + GFKL 180m ERC)) of 69.1% at 30 June 2016.

- Net debt to LTM cash EBITDA is at 4.7x cover at 30 June 2016.

- Net secured debt to LTM cash EBITDA is at 3.7x cover at 30 June 2016.

Note: The year-on-year comparisons captured on pages 2 to 7 of this report are not directly comparable given that the ultimate parent company in the Group, Garfunkelux Holdco 2 S.A. acquired GFKL on 30 June 2015 and Lowell on 13 October 2015. Thus, the comparisons stated (being either the three months to 30 June 2016 versus the three months to 30 June 2015 or the position as at 30 June 2016 versus the position as at 30 June 2015) are based on:

1) The trading results of Garfunkelux Holdco 2 S.A. for the three months to 30 June 2016 or as at 30 June 2016;
2) The combined trading results of Metis Bidco Limited ("Lowell") and GFKL Financial Services GmbH ("GFKL") for the three months to 30 June 2015 or as at 30 June 2015.

The 2015 comparatives in the unaudited financial statements on pages 8 to 18 are the results of Garfunkelux Holdco 2 S.A. for the period from incorporation on 1 June 2015 to 30 June 2015, including the acquisition of GFKL on 30 June 2015 but before the acquisition of Lowell and are not comparable to the combined results of GFKL and Lowell.

* Cash EBITDA as quoted is defined as Garfunkelux Holdco 2 S.A.'s operating profit excluding exceptional items, depreciation and amortisation and adjusted for acquired debt portfolio write ups and amortisation amounts.

1 Highlights (continued)

Colin Storrar, Chief Financial Officer, commented:

"I am delighted to announce impressive results for the Group this quarter. Cash EBITDA performance in the quarter is particularly pleasing, as is the step change in medium-term, forward flow acquisition visibility. The combination of our H1 trading, along with the future NPL acquisitions we've secured to date, means we look to the second half of 2016 and beyond with optimism."

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About GFKL Lowell Group:
The GFKL Lowell Group was created in October 2015 following the merger of German and UK market leaders GFKL and the Lowell Group. This union created one of the largest credit management companies in Europe. It benefits from the backing of global investment company Permira Funds and Ontario Teachers' Pension Plan (OTPP). The Group's experience, expertise and core strengths in data analytics and operational efficiency underpin its vision to be the most reputable and trusted partner in the European credit management sector. For more information on the Group, please visit our investor website: investors.garfunkelux.com.

For information on the individual companies, please visit:

www.gfkl.com
www.lowellgroup.co.uk

Non- IFRS financial measures
We have included certain non-IFRS financial measures in this trading update, including estimated remaining collections ("ERC") and Cash EBITDA.

We present ERC because it represents our expected gross cash proceeds of the purchased debt portfolios recorded on our balance sheet (the "Purchased Assets") over the 84-month, 120-month and 180-month periods. ERC is calculated as of a point in time assuming no additional purchases are made. ERC is a metric that is also often used by other companies in our industry. We present ERC because it represents our best estimate of the undiscounted cash value of our Purchased Assets at any point in time, which is an important supplemental measure for our board of directors and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. In addition, the instruments governing our indebtedness use ERC to measure our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness. ERC is a projection, calculated by our proprietary analytical models, which utilise historical portfolio collection performance data and assumptions about future collection rates, and we cannot guarantee that we will achieve such collections. ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry.

1 Highlights (continued)

Non- IFRS financial measures
We present Cash EBITDA because we believe it may enhance an investor's understanding of our profitability and cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. In addition to ERC, our board of directors and management also use Cash EBITDA to assess our performance. Cash EBITDA is not a measure calculated in accordance with IFRS and our use of the term Cash EBITDA may vary from others in our industry. For a reconciliation of Cash EBITDA to operating profit, see page 19.

ERC and Cash EBITDA and all the other non-IFRS measures presented have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS.

2 Operating & financial review

The following table summarises key performance indicators at, and for the period ended 30 June 2016 and 30 June 2015.

(£ in millions, except for percentages and ratios or unless otherwise noted)	Three months ended or as at 30 June 2016	Three months ended or as at 30 June 2015
Portfolio investments acquired	44.6	79.0
Number of owned accounts (in millions)	23.9	20.6
Gross cash collections (in total)	148.2	135.1
Gross cash collections (DP ‘debt purchase’)	94.4	77.7
Gross cash collections (3PC ‘third party collections’)	53.8	57.4
3PC Income	17.3	16.7
Cash Income	111.7	94.4
Cash EBITDA	60.0	50.2
84 month ERC	1,277.6	1,076.1
120 month ERC	1,511.6	1,262.2
180 month ERC	1,751.2	1,449.2

Note: The year-on-year comparisons captured on pages 2 to 7 of this report are not directly comparable given that the ultimate parent company in the Group, Garfunkelux Holdco 2 S.A. acquired GFKL on 30 June 2015 and Lowell on 13 October 2015. Thus, the comparisons stated (being either the three months to 30 June 2016 versus the three months to 30 June 2015 or the position as at 30 June 2016 versus the position as at 30 June 2015) are based on:

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2 Operating & financial review (continued)

Estimated Remaining Collections (ERC)

The table below summarises the ERC over the 180-month outlook period, split by the financial year in which the portfolios were acquired. 32.9% of the 180 month ERC is likely to be recovered in the next 24 months, with 53.1% of these projected collections expected to be recovered in the next four years. 38.1% of the 120 month ERC is estimated to be recovered in the next 24 months.

180 month ERC on owned portfolios as of 30 June 2016 by year of purchase

£m	0 – 12 Months	13 – 24 Months	25 – 36 Months	37 – 48 Months	49 – 60 Months	61 – 72 Months	73 – 84 Months	85 -120 Months	121 -180 Months	Total
Year of purchase										
2003	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	**0.3**
2004	1.1	1.1	1.0	0.9	0.9	0.8	0.8	2.1	2.9	**11.6**
2005	0.9	0.8	0.6	0.5	0.4	0.4	0.4	0.9	0.9	**5.8**
2006	3.1	2.8	2.4	2.1	1.8	1.7	1.5	3.9	4.8	**24.0**
2007	11.1	10.5	9.2	8.2	7.3	6.6	6.0	14.9	17.5	**91.3**
2008	4.3	3.5	2.7	2.2	1.8	1.6	1.4	3.5	3.5	**24.7**
2009	18.5	16.5	13.9	11.8	10.2	9.0	7.9	18.7	19.6	**126.1**
2010	10.0	8.2	6.5	5.1	4.2	3.6	3.1	6.9	6.7	**54.1**
2011	14.6	11.5	9.0	7.1	5.9	5.1	4.5	10.4	10.6	**78.6**
2012	26.6	21.1	16.6	13.2	11.0	9.6	8.5	20.1	20.8	**147.4**
2013	36.5	29.4	23.6	18.9	15.8	13.7	12.0	27.7	27.8	**205.4**
2014	60.3	45.6	35.3	27.7	22.8	19.6	16.9	38.6	38.1	**305.0**
2015	96.0	68.3	51.9	41.3	34.1	29.2	25.2	56.5	54.0	**456.5**
2016	42.6	30.4	23.3	19.2	16.1	13.9	12.3	29.9	32.5	**220.2**
Total	**325.8**	**249.6**	**196.2**	**158.3**	**132.5**	**114.8**	**100.4**	**234.0**	**239.6**	1,751.2
Cumulative %										
180 month	18.6%	32.9%	44.1%	53.1%	60.7%	67.2%	73.0%	86.3%	100.0%	
120 month	21.6%	38.1%	51.0%	61.5%	70.3%	77.9%	84.5%	100.0%		

180 month ERC on owned portfolios as of 30 June 2016 by year of purchase

£m	0 - 84 Months	0 - 120 Months	0-180 Months
Year of purchase			
2003	0.3	0.3	0.3
2004	6.6	8.7	11.6
2005	4.0	4.9	5.8
2006	15.3	19.2	24.0
2007	58.9	73.8	91.3
2008	17.7	21.1	24.7
2009	87.8	106.5	126.1
2010	40.6	47.5	54.1
2011	57.6	68.0	78.6
2012	106.6	126.7	147.4
2013	150.0	177.7	205.4
2014	228.3	266.9	305.0
2015	346.0	402.5	456.5
2016	157.8	187.7	220.2
Total	**1,277.6**	**1,511.6**	**1,751.2**
Percentage of 180 month ERC	73.0%	86.3%	100.0%

2 Operating & financial review (continued)

Collections

Strong quarterly collections on DP Portfolios of £94.4m were achieved by the business in the three months ending 30 June 2016 an increase of 21.5% on the corresponding three months to 30 June 2015.

Revenue

Total revenue of £110.3m was generated in the three months ending 30 June 2016, an increase of £18.5m on Q1 2016, driven by £27.2m of portfolio write ups in the period.

Operating Profit

Operating expenses including exceptional costs were £80.2m for the period, including £42.5m of collection activity costs.

Finance Costs

Excluding foreign exchange effects, finance costs totalled £32.1m for the three months ended 30 June 2016, see note 2.

Cash flow

Net cash generated by operating activities totalled £15.9m in the three months ended 30 June 2016.

While returns achieved on an individual portfolio can vary, the business has a track record of generating strong and consistent unlevered returns on its aggregate purchased portfolios. Gross cash-on-cash multiple as at 30 June 2016 is shown below.

	Lowell (120 month) As of 30 June 2016		GFKL (180 month) As of 30 June 2016	
	Invested (£ millions)	Gross cash-on-cash multiple (i)	Invested (€ millions)	Gross cash-on-cash multiple (i)
Total	1,072.2	2.4	397.7	3.2

(i) Gross Cash-On-Cash Multiple presented in this quarterly report only includes actuals to date and forecast collections for the next 120 or 180 months, although collections can extend past that period.

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Garfunkelux Holdco 2 S.A.

Unaudited consolidated interim statement of comprehensive income
3 months ended 30 June 2016

	Note	3 months to 30 June 2016 £000	1 month to 30 June 2015 £000
Continuing operations			
Revenue			
Income from portfolio investments	3	47,303	-
Portfolio write up	3	27,156	-
Portfolio fair value release	3	(858)	-
Service Income		36,107	-
Other revenue		634	-
Total Revenue		**110,342**	**-**
Other income		375	-
Operating expenses			
Collection activity costs		(42,512)	-
Other expenses		(37,640)	(7,131)
Total operating expenses		**(80,152)**	**(7,131)**
Operating profit/(loss)		**30,565**	**(7,131)**
Interest income		671	-
Finance costs	2	(16,585)	(310)
Profit/(loss) before tax		**14,651**	**(7,441)**
Tax expense		(2,070)	-
Profit/(loss) for the period		**12,581**	**(7,441)**
Profit/(loss) attributable to:			
Equity holders of the parent		12,651	(7,441)
Non-controlling interests		(70)	-
		12,581	**(7,441)**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(18,031)	-
Other comprehensive expenditure, net of tax		(18,031)	-
Total comprehensive expenditure for the period		**(5,450)**	**(7,441)**
Total comprehensive expenditure attributable to:			
Equity holders of the parent		(5,380)	(7,441)
Non-controlling interests		(70)	-
		(5,450)	**(7,441)**

The notes on pages 12 to 18 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.

Unaudited consolidated interim statement of financial position
As at 30 June 2016

	Note	30 June 2016 £000	30 June 2015 £000
Assets			
Non-current assets			
Goodwill		912,370	297,345
Intangible assets		90,738	64,374
Property, plant and equipment		7,576	2,499
Portfolio investments	3	394,140	54,094
Other financial assets		3,155	62
Total non-current assets		**1,407,979**	**418,374**
Current assets			
Portfolio investments	3	294,019	32,772
Inventories		26	13
Trade and other receivables	4	39,963	14,361
Other financial assets		10,924	6,152
Assets for current tax		887	3,233
Cash and cash equivalents		60,966	56,384
Total current assets		**406,785**	**112,915**
Total assets		**1,814,764**	**531,289**
Equity			
Share capital		3,730	3,557
Share premium		357,233	182,225
Reserves		19,994	-
Retained deficit		(87,255)	(7,441)
Total Equity attributable to equity holders of the parent		**293,702**	**178,341**
Non-controlling interests		430	618
Total Equity		**294,132**	**178,959**
Liabilities			
Non-current liabilities			
Borrowings	6	1,312,789	-
Derivatives		363	-
Provisions		5,312	4,218
Other financial liabilities		61	2,428
Deferred tax liabilities		33,071	26,311
Total non-current liabilities		**1,351,596**	**32,957**
Current liabilities			
Trade and other payables	5	62,987	44,344
Derivatives		311	-
Borrowings	6	70,868	253,466
Provisions		12,538	8,818
Other financial liabilities		6,188	-
Current tax liabilities		16,144	12,745
Total current liabilities		**169,036**	**319,373**
Total equity and liabilities		**1,814,764**	**531,289**

The notes on pages 12 to 18 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.

Unaudited consolidated interim statement of changes in equity
As at 30 June 2016

	Share capital	Share premium	Capital reserve	Translation Reserve	Valuation Reserve	Retained Earnings	**Total**	Non-Controlling Interest	**Total Equity**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 1 June 2015	-	-	-	-	-	-	-	-	-
Issuance of share capital on incorporation	44	-	-	-	-	-	**44**	-	**44**
Profit/(Loss) for the period	-	-	-	-	-	(7,441)	**(7,441)**	-	**(7,441)**
Increase in share capital and share premium	3,513	182,225	-	-	-	-	**185,738**	-	**185,738**
Change of consolidated group	-	-	-	-	-	-	-	618	**618**
Balance at 30 June 2015 (unaudited)	**3,557**	**182,225**	**-**	**-**	**-**	**(7,441)**	**178,341**	**618**	**178,959**
Profit/(Loss) for the period	-	-	-	-	-	(61,134)	**(61,134)**	50	**(61,084)**
Increase in share capital and share premium	173	175,008	-	-	-	-	**175,181**	-	**175,181**
Exchange differences	-	-	-	(6,048)	-	-	**(6,048)**	-	**(6,048)**
Actuarial gains on pension	-	-	-	-	408	-	**408**	-	**408**
Deferred tax on pensions	-	-	-	-	(126)	-	**(126)**	-	**(126)**
Repurchase of shares in subsidiary	-	-	(8,462)	-	-	-	**(8,462)**	-	**(8,462)**
Issuance of beneficial units	-	-	19	-	-	-	**19**	-	**19**
Non controlling interest	-	-	-	-	-	-	-	(142)	**(142)**
Balance at 31 December 2015	**3,730**	**357,233**	**(8,443)**	**(6,048)**	**282**	**(68,575)**	**278,179**	**526**	**278,705**
Loss for the period	-	-	-	-	-	(31,331)	**(31,331)**	(26)	**(31,357)**
Exchange differences	-	-	-	12,147	-	-	**12,147**	-	**12,147**
Balance at 31 March 2016 (unaudited)	**3,730**	**357,233**	**(8,443)**	**6,099**	**282**	**(99,906)**	**258,995**	**500**	**259,495**
Profit/(Loss) for the period	-	-	-	-	-	12,651	**12,651**	(70)	**12,581**
Capital contribution	-	-	40,067	-	-	-	**40,067**	-	**40,067**
Refund on repurchase of shares in subsidiary	-	-	20	-	-	-	**20**	-	**20**
Exchange differences	-	-	-	(18,031)	-	-	**(18,031)**	-	**(18,031)**
Balance at 30 June 2016 (unaudited)	**3,730**	**357,233**	**31,644**	**(11,932)**	**282**	**(87,255)**	**293,702**	**430**	**294,132**

The notes on pages 12 to 18 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.

Unaudited consolidated interim statement of cash flows
3 months ended 30 June 2016

	3 months to 30 June 2016 £000	1 month to 30 June 2015 £000
Profit/(loss) for the period before tax	**14,651**	**(7,441)**
Adjustments for:		
Depreciation of property, plant and equipment	447	-
Amortisation of intangible assets	2,638	-
Interest receivable	(671)	-
Loss on sale of property, plant and equipment and intangible assets	70	-
Finance costs	16,585	310
Unrealised gains from foreign exchange	(1,844)	-
Increase in portfolio investments	(23,844)	-
Decrease in trade and other receivables	3,410	-
Increase in trade and other payables	4,865	7,130
Movement in other net assets	1,490	-
Cash generated by/(used) in operating activities	**17,797**	**(1)**
Income taxes paid	(1,904)	-
Net cash generated by/(used) in operating activities	**15,893**	**(1)**
Investing activities		
Purchase of property, plant and equipment	(1,056)	-
Purchase of intangible assets	(2,225)	-
Cash paid for loans granted and other financial investments	-	(303)
Acquisition of subsidiary, net of cash acquired	(17,066)	(315,274)
Net cash used in investing activities	**(20,347)**	**(315,577)**
Financing activities		
Proceeds from loans and borrowings	24,808	252,271
Issue of ordinary shares	-	185,738
Repayment of bank borrowings	-	(66,091)
Interest paid	(39,713)	-
Net cash from financing activities	**(14,905)**	**371,918**
Net (decrease)/increase in cash and cash equivalents	**(19,359)**	**56,340**
Cash and cash equivalents at beginning of period	**79,053**	**44**
Effect of movements in exchange rates on cash held	1,272	-
Cash and cash equivalents at end of period	**60,966**	**56,384**

The notes on pages 12 to 18 form part of the interim financial statements.

1. Accounting policies

General information and basis of preparation

These interim financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods. As the Group was incorporated on 1 June 2015, prior period comparatives presented in these interim financial statements represent only one month, prior to the period when the trading companies were acquired.

Basis of consolidation

The Group interim financial statements consolidate the interim financial statements of Garfunkelux 2 Holdco S.A. ("the Company") and all its subsidiary undertakings (together "the Group") for the three month period ending 30 June 2016.

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

There are long-term business plans and short-term forecasts in place, which are reviewed and updated on an ongoing 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 interim 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. 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. 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.

During the period the functional currencies of two of the entities within the Group, Simon Holdco Limited and Simon Midco Limited have been finalised, both entities have yet to file their first set of accounts. These entities have a minimal number of transactions which are predominately Euro denominated and are therefore considered to be Euro functional currency entities rather than Sterling denomination as had been previously applied within the Group accounts and the Q1 2016 quarterly bond reporting. We consider a Euro functional currency to be more appropriate for these entities. This results in a net foreign exchange reversal of £15.6m in Q2, and helps minimise the effect of Euro Sterling movements upon Group trading results going forward.

Business combinations

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

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.

Revenue recognition and effective interest rate method

Finance revenue on portfolio investments

Income from portfolio investments represents the yield from portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39, 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 where the EIR may be adjusted due to the complexity of forecasting cashflows on 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.

1. Accounting policies (continued)

Revenue recognition and effective interest rate method (continued)

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 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. This uplift is being unwound in line with the profile of gross ERC over an 84 month period, in keeping with a standard collection curve profile.

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).

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position ("SFP") date in accordance with IAS 39. 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 SFP 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 portfolios are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment 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.

1. Accounting policies (continued)

Financial instruments (continued)

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

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

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. 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 statement of financial position 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.

Financial liability in respect of the purchase of non controlling interest

On 17th May 2016, the financial liability to purchase the remaining 25% of the shares in Simon Holdco Limited was settled through a shareholder loan of €27.0m and a capital contribution made into the Group of €51.3m. The new shareholder loan of €27.0m is an extension of the existing loan with the Group holding company, Garfunkelux Holdco 1 S.A.R.L. and consequently has an interest rate of 9.73%. The loan has a maturity date that falls six months following the maturity of the Senior notes or the date of the last maturing of any outstanding Senior debt of the company.

1. Accounting policies (continued)

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.

Collection activity costs

Collection activity costs represent the direct third party costs incurred 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).

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.

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.

2. Finance costs

	3 months to 30 June 2016 £000	3 months to 30 June 2015 £000
Interest payable on the senior secured notes	17,406	-
Interest payable on the senior unsecured notes	6,323	-
Interest payable on bridge financing facilities	-	310
Fees payable on the notes	1,156	-
Interest and fees payable on Revolving Credit Facility	845	-
Interest payable on shareholder loan	5,188	-
Other interest payable	391	-
Notional interest on financial liabilities relating to non-controlling interest	832	-
Reversal of foreign exchange losses	(15,556)	-
	16,585	**310**

During the period the functional currencies of two of the entities within the Group, Simon Holdco Limited and Simon Midco Limited have been finalised, resulting in a foreign exchange reversal of £15.6m in Q2. Please see note 1 for further details.

3. Portfolio investments

	3 months to 30 June 2016 £000	3 months to 30 June 2015 £000
As at 1 January 2016	659,022	-
Portfolios acquired during the period	44,613	86,866
Collections in the period	(94,352)	-
Income from portfolio investments	47,303	-
Portfolio fair value release	(858)	-
Portfolio write-up	27,156	-
Write down of non-performing loans	(2,312)	-
Other	7,587	-
	688,159	**86,866**

4. Trade and other receivables

	3 months to 30 June 2016 £000	3 months to 30 June 2015 £000
Trade receivables	9,076	4,390
Prepayments and accrued income	6,865	7,774
Other receivables	24,022	2,197
	39,963	**14,361**

5. Trade and other payables

	3 months to 30 June 2016 £000	3 months to 30 June 2015 £000
Trade payables	10,547	2,271
Other taxes and social security	2,016	1,590
Accruals and deferred income	16,028	1,425
Other payables	34,396	39,058
	62,987	**44,344**

6. Borrowings

	30 June 2016 £000	30 June 2015 £000
Non-current		
Unsecured borrowing at amortised cost		
Senior Notes	230,000	-
Prepaid costs on Senior Notes	(8,834)	-
Shareholder loan owed to Garfunkelux Holdco 1 S.A.R.L.	255,587	-
Total unsecured	**476,753**	**-**
Secured borrowing at amortised cost		
Senior Secured Notes	866,490	-
Prepaid costs on Senior Secured Notes	(30,454)	-
Total secured	**836,036**	**-**
Total borrowings due for settlement after 12 months	**1,312,789**	**-**
Current		
Unsecured borrowing at amortised cost		
Interest on Senior Notes	4,216	-
Bridge Financing Loan Facility	-	253,466
Revolving credit facility	48,707	-
Other interest payable	517	-
Total unsecured	**53,440**	**253,466**
Secured borrowing at amortised cost		-
Interest on Senior Secured Notes	17,428	-
Total secured	**17,428**	**-**
Total borrowings due for settlement before 12 months	**70,868**	**253,466**

Reconciliations

Operating Profit to Cash EBITDA

	3 months to 30 June 2016 £000
Profit for the period	12,581
Net finance costs	15,914
Taxation charge	2,070
Operating profit	**30,565**
Portfolio amortisation	47,049
Portfolio write up	(27,156)
Portfolio fair value adjustment	858
Direct write-down of portfolios	2,312
Non recurring costs / exceptional costs	1,536
Depreciation and amortisation	3,085
Other non-cash items	1,705
Cash EBITDA	**59,954**

Cash Collections to Cash EBITDA

	3 months to 30 June 2016 £000
Cash collections	94,352
Other income	37,116
Operating expenses	(80,152)
Non recurring costs / exceptional costs	1,536
Direct write-down of portfolios	2,312
Depreciation and amortisation	3,085
Other non-cash items	1,705
Cash EBITDA	**59,954**