Garfunkelux Holdco 2 S.A.

QE 30 June 2017 Results

1. Highlights

- **120 Month Estimated Remaining Collections** ("ERC") at £1,898.0m as of 30 June 2017, up 25.6% since 30 June 2016 and 6.5% since 31 March 2017.
- **Portfolio investments acquired** for the three months ending 30 June 2017 total £73.0m.
- **Debt Purchase gross cash collections** of £114.5m in the three months ending 30 June 2017, up 21.3% compared to the three month period ended 30 June 2016.
- **Cash income** of £142.5m in the three months ending 30 June 2017, up 27.6% compared to the three month period ended 30 June 2016.
- **Cash EBITDA**(1) for the three months ended 30 June 2017 of £70.9m, an 18.2% increase on Q2 2016, with LTM Cash EBITDA to June 2017 of £284.4m.
- **Operating profit** for the three months ended 30 June 2017 of £34.4m, up 12.5% compared to the three month period ended 30 June 2016.
- **The number of owned accounts** is 27.4m as at 30 June 2017, an increase of 14.6% since 30 June 2016.
- As at 30 June 2017, the aggregate **face value of debt** purchased since inception(2) totalled £22.9bn, a 13.9% increase from 30 June 2016.
- **Loan to value ratio** (net debt/(Lowell 120m ERC + GFKL 180m ERC)) 69.9% at 30 June 2017.
- **Net debt to proforma LTM Cash EBITDA**(3) is at 4.8x cover at 30 June 2017.
- **Net secured debt to proforma LTM Cash EBITDA**(3) is at 4.0x cover at 30 June 2017.

(1) Cash EBITDA is defined as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which together equals servicing costs) and before exceptional items, depreciation and amortisation.

(2) Inception is defined as the inception of Lowell, GFKL and Tesch as trading entities.

(3) Proforma LTM Cash EBITDA as quoted is defined as Group Cash EBITDA for the twelve months ended 30 June 2017, further adjusted to include the Cash EBITDA contribution of the Tesch Group as if this acquisition had occurred at 1 July 2016.

1. Highlights (continued)

Commenting on the results, Colin Storrar CFO said:

"By focusing on our core strategy of combining sophisticated decision science with class-leading customer service, we have again delivered strong quarterly growth across our key metrics.

The Group's work to expand its data capabilities, reinforce operating structures and put clients and consumers first, consistently underpins our operational strategy and provides a good platform for second half."

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About Lowell:

Lowell is one of Europe's largest credit management companies with operations in the UK, Germany and Austria, and a vision to be the best in its field in Europe. Lowell combines its principled approach, international experience, deep understanding of data analytics and operational efficiency to serve every part of the credit management value chain, with expertise in debt purchasing, third party collections, business process outsourcing, credit management and e-commerce. Previously named Lowell GFKL Group, Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. It is backed by global private equity firm Permira, and Ontario Teachers' Pension Plan, and is headquartered in both Leeds (UK) and Essen (Germany). For more information on Lowell, please visit our investor website: www.lowellgroup.com

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 18.

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 2017 and 30 June 2016.

(£ in millions unless otherwise noted)	**Three months ended or as at 30 June 2017**	**Three months ended or as at 30 June 2016**
Portfolio investments acquired	73.0	44.6
Number of owned accounts (in millions)	27.4	23.9
Gross cash collections (in total)	219.8	148.2
Gross cash collections (3PC 'third party collections')	105.3	53.8
Gross cash collections (DP 'debt purchase')	114.5	94.4
3PC income	28.0	17.3
Cash income	142.5	111.7
Cash EBITDA [(1)]	70.9	60.0
84 month ERC	1,607.6	1,277.6
120 month ERC	1,898.0	1,511.6
180 month ERC	2,199.5	1,751.2

(1) Cash EBITDA is defined as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which together equals servicing costs) and before exceptional items, depreciation and amortisation.

2. Operating & financial review (continued)

Collections
Strong quarterly collections on DP Portfolios of £114.5m were achieved by the business in the three months ending 30 June 2017, an increase of 21.3% on the corresponding three months to 30 June 2016.

Revenue
Total revenue of £131.3m was generated in the three months ending 30 June 2017, an increase of £20.9m on Q2 2016, with the most significant increase being seen in income from portfolio investments.

Operating expenses
Operating expenses including exceptional costs of £4.6m were £97.2m for the period, of which £45.1m were deemed collection activity costs.

Finance costs
Excluding foreign exchange effects, finance costs totalled £38.1m for the three months ended 30 June 2017, see note 2.

Cash flow
Net cash used in operating activities totalled £7.2m in the three months ended 30 June 2017.

While returns achieved on an individual portfolio can vary, the business has a consistent and impressive track record of generating strong and sustainable unlevered returns on its aggregate purchased portfolios. Gross cash-on-cash multiple as at 30 June 2017 is shown below.

	UK As of 30 June 2017		DACH As of 30 June 2017	
	Invested (£ millions)	**Gross cash-on-cash multiple (1)**	**Invested (€ millions)**	**Gross cash-on-cash multiple (1)**
Total 120 month	1,302.5	2.4	479.6	3.0
Total 180 month	1,302.5	2.6	479.6	3.2

(1) 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.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of comprehensive income
3 months ended 30 June 2017

	Note	3 months to 30 June 2017 £000	3 months to 30 June 2016 £000
Continuing operations			
Revenue			
Income from portfolio investments	3	58,730	47,303
Portfolio write up	3	29,839	27,156
Portfolio fair value release	3	(641)	(858)
Service revenue		42,486	36,107
Other revenue		840	634
Total revenue		**131,254**	**110,342**
Other income		352	375
Operating expenses			
Collection activity costs		(45,076)	(42,512)
Other expenses		(52,140)	(37,640)
Total operating expenses		**(97,216)**	**(80,152)**
Operating profit		**34,390**	**30,565**
Interest income		140	671
Finance costs	2	(45,388)	(16,585)
(Loss)/profit before tax		**(10,858)**	**14,651**
Tax credit/(expense)		2,297	(2,070)
(Loss)/profit for the period		**(8,561)**	**12,581**
(Loss)/Profit attributable to:			
Equity holders of the parent		(8,561)	12,651
Non-controlling interests		-	(70)
		(8,561)	**12,581**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(3,296)	(18,031)
Other comprehensive expenditure, net of tax		**(3,296)**	**(18,031)**
Total comprehensive expenditure for the period		**(11,857)**	**(5,450)**
Total comprehensive expenditure attributable to:			
Equity holders of the parent		(11,857)	(5,380)
Non-controlling interests		-	(70)
		(11,857)	**(5,450)**

The notes on pages 11 to 17 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of financial position
As at 30 June 2017

	Note	30 June 2017 £000	30 June 2016 £000
Assets			
Non-current assets			
Goodwill		1,018,109	912,370
Intangible assets		119,268	90,738
Property, plant and equipment		10,163	7,576
Portfolio investments	3	522,767	394,140
Other financial assets		4,792	3,155
Total non-current assets		**1,675,099**	**1,407,979**
Current assets			
Portfolio investments	3	363,897	294,019
Inventories		57	26
Trade and other receivables	4	42,542	39,963
Other financial assets		8,048	10,924
Assets for current tax		590	887
Cash and cash equivalents		92,085	60,966
Total current assets		**507,219**	**406,785**
Total assets		**2,182,318**	**1,814,764**
Equity			
Share capital		3,730	3,730
Share premium and similar premiums		400,396	397,300
Reserves		(23,399)	(20,073)
Retained deficit		(109,308)	(87,255)
Total equity attributable to equity holders of the parent		**271,419**	**293,702**
Non-controlling interests		-	430
Total equity		**271,419**	**294,132**
Liabilities			
Non-current liabilities			
Borrowings	6	1,723,605	1,312,789
Provisions		7,128	5,312
Derivatives		-	363
Other financial liabilities		131	61
Deferred tax liabilities		43,330	33,071
Total non-current liabilities		**1,774,194**	**1,351,596**
Current liabilities			
Trade and other payables	5	70,743	62,987
Provisions		14,950	12,538
Borrowings	6	27,768	70,868
Derivatives		-	311
Other financial liabilities		6,785	6,188
Current tax liabilities		16,459	16,144
Total current liabilities		**136,705**	**169,036**
Total equity and liabilities		**2,182,318**	**1,814,764**

The notes on pages 11 to 17 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of changes in equity
As at 30 June 2017

	Share capital	Share premium and similar premiums	Capital reserve	Translation reserve	Valuation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 April 2016	**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**
Exchange Differences	-	-	-	(18,031)	-	-	**(18,031)**	-	**(18,031)**
Capital Contribution	-	40,067	-	-	-	-	**40,067**	-	**40,067**
Deferred tax on pensions	-	-	20	-	-	-	**20**	-	**20**
Total comprehensive income/(expenditure)	**-**	**40,067**	**20**	**(18,031)**	**-**	**12,651**	**34,707**	**(70)**	**34,637**
Balance at 30 June 2016	**3,730**	**397,300**	**(8,423)**	**(11,932)**	**282**	**(87,255)**	**293,702**	**430**	**294,132**
Loss for the period	-	-	-	-	-	(12,416)	**(12,416)**	(23)	**(12,439)**
Capital Contribution	-	3,096	-	-	-	-	**3,096**	-	**3,096**
Purchase of NCI	-	-	526	(119)	-	-	**407**	(407)	**-**
Exchange differences	-	-	-	(35)	-	-	**(35)**	-	**(35)**
Actuarial losses on pension	-	-	-	-	(1,048)	-	**(1,048)**	-	**(1,048)**
Deferred tax on pensions	-	-	-	-	338	-	**338**	-	**338**
Other	-	-	(51)	-	-	-	**(51)**	-	**(51)**
Total comprehensive income/(expenditure)	**-**	**3,096**	**475**	**(154)**	**(710)**	**(12,416)**	**(9,709)**	**(430)**	**(10,139)**
Balance at 31 December 2016	**3,730**	**400,396**	**(7,948)**	**(12,086)**	**(428)**	**(99,671)**	**283,993**	**-**	**283,993**
Loss for the period	-	-	-	-	-	(1,076)	**(1,076)**	-	**(1,076)**
Exchange differences	-	-	-	359	-	**-**	**359**	-	**359**
Total comprehensive income/(expenditure)	**-**	**-**	**-**	**359**	**-**	**(1,076)**	**(717)**	**-**	**(717)**
Balance at 31 March 2017	**3,730**	**400,396**	**(7,948)**	**(11,727)**	**(428)**	**(100,747)**	**283,276**	**-**	**283,276**
Loss for the period	-	-	-	-	-	(8,561)	**(8,561)**	-	**(8,561)**
Exchange differences	-	-	-	(3,296)	-	-	**(3,296)**	-	**(3,296)**
Total comprehensive income/(expenditure)	**-**	**-**	**-**	**(3,296)**	**-**	**(8,561)**	**(11,857)**	**-**	**(11,857)**
Balance at 30 June 2017	**3,730**	**400,396**	**(7,948)**	**(15,023)**	**(428)**	**(109,308)**	**271,419**	**-**	**271,419**

The notes on pages 11 to 17 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of cash flows
3 months ended 30 June 2017

	3 months to 30 June 2017 £000	3 months to 30 June 2016 £000
(Loss)/Profit for the period before tax	**(10,858)**	**14,651**
Adjustments for:		
Depreciation and amortisation	4,806	3,085
Interest receivable	(140)	(671)
Loss on sale of property, plant and equipment and intangible assets	-	70
Finance costs	45,388	16,585
Unrealised losses from foreign exchange	(1,340)	(1,844)
Increase in portfolio investments	(47,009)	(23,844)
(Increase)/decrease in trade and other receivables	(5,791)	3,410
Increase in trade and other payables	8,183	4,865
Movement in other net assets	389	1,490
Cash (used in)/generated from operating activities	**(6,372)**	**17,797**
Income taxes paid	(791)	(1,904)
Net cash (used in)/generated from operating activities	**(7,163)**	**15,893**
Investing activities		
Interest received	79	-
Purchase of property, plant and equipment	(797)	(1,056)
Purchase of intangible assets	(414)	(2,225)
Acquisition of subsidiary, net of cash acquired	-	(17,066)
Net cash used in investing activities	**(1,132)**	**(20,347)**
Financing activities		
Proceeds from loans and borrowings	148,486	24,808
Transaction costs related to loans and borrowings	(832)	-
Repayment of borrowings	(82,500)	-
Interest paid	(39,986)	(39,713)
Net cash from/(used in) financing activities	**25,168**	**(14,905)**
Net increase / (decrease) in cash and cash equivalents	**16,873**	**(19,359)**
Cash and cash equivalents at beginning of period	73,448	79,053
Effect of movements in exchange rates on cash held	1,764	1,272
Cash and cash equivalents at end of period	**92,085**	**60,966**

The notes on pages 11 to 17 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

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.

Basis of consolidation
The Group interim financial statements consolidate the interim financial statements of Garfunkelux Holdco 2 S.A. ("the Company") and its subsidiaries (together "the Group") for the three month period ending 30 June 2017.

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 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 initially record 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 Statement of Comprehensive Income ("SCI"). 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.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

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.

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 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 acquired 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 to adjust the EIR due to the complexity of the portfolios acquired. Reassessing and changing the EIR in this way does not have a material impact on the financial statements.

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

Increases in portfolio carrying values can and do occur should forecasted cash flows be deemed greater than previous estimates and because of the rolling nature of the period to derive future cash receipts. 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 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 in the UK.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

1. Accounting policies (continued)

Revenue recognition and effective interest rate method (continued)

Service Revenue

Service revenue represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third party clients including collection lawyers, 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 in the SCI.

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.

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 EIR 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.

Litigation costs represent upfront fees paid during the litigation process, expected to be recoverable from the customer and added to the customer account balance to be recovered at a later date. Release to the SCI is in line with the collection profile.

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 EIR 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.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

1. Accounting policies (continued)

Financial instruments (continued)

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 EIR 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.

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).

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

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 2017 £000	3 months to 30 June 2016 £000
Interest payable on the senior secured notes	22,271	17,406
Interest payable on the senior unsecured notes	6,325	6,323
Fees payable on the notes	1,775	1,156
Interest and fees payable on Revolving Credit Facility	992	845
Interest payable on shareholder loan	6,563	5,188
Other interest payable	147	391
Notional interest on financial liabilities relating to non-controlling interest	-	832
Foreign exchange losses/(gains)	7,315	(15,556)
	45,388	**16,585**

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

3. Portfolio investments

	30 June 2017 £000	30 June 2016 £000
Opening balance	835,072	659,022
Portfolios acquired during the period	73,019	44,613
Collections in the period	(114,545)	(94,352)
Income from portfolio investments	58,730	47,303
Portfolio fair value release	(641)	(858)
Portfolio write-up	29,839	27,156
Impairment of non-performing loans	(516)	(2,312)
Other	5,706	7,587
	886,664	**688,159**

4. Trade and other receivables

	30 June 2017 £000	30 June 2016 £000
Trade receivables	7,828	9,076
Prepayments and accrued income	8,197	6,865
Other receivables	26,517	24,022
	42,542	**39,963**

5. Trade and other payables

	30 June 2017 £000	30 June 2016 £000
Trade payables	10,028	10,547
Other taxes and social security	1,993	2,016
Accruals and deferred income	17,991	16,028
Other payables	40,731	34,396
	70,743	**62,987**

Other payables includes amounts due of £15.0m in respect of portfolios purchased but not yet paid for at 30 June 2017 (30 June 2016 £10.7m).

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2017

6. Borrowings

	30 June 2017 £000	30 June 2016 £000
Non-current		
Unsecured borrowing at amortised cost		
Senior Notes	230,000	230,000
Prepaid costs on unsecured borrowings	(7,683)	(8,834)
Shareholder loan owed to Garfunkelux Holdco 1 S.à.r.l.	295,044	255,587
Total unsecured	**517,361**	**476,753**
Secured borrowing at amortised cost		
Senior Secured Notes	1,243,590	866,490
Prepaid costs on secured borrowings	(37,346)	(30,454)
Total secured	**1,206,244**	**836,036**
Total borrowings due for settlement after 12 months	**1,723,605**	**1,312,789**
Current		
Unsecured borrowing at amortised cost		
Interest on Senior Notes	4,217	4,216
Other interest payable	600	517
Total unsecured	**4,817**	**4,733**
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	22,951	17,428
Revolving credit facility	-	48,707
Total secured	**22,951**	**66,135**
Total borrowings due for settlement before 12 months	**27,768**	**70,868**

Reconciliations

Profit to Cash EBITDA

	3 months to 30 June 2017 £000
Loss for the period	(8,561)
Net finance costs	45,248
Taxation credit	(2,297)
Operating profit	**34,390**
Portfolio amortisation	55,815
Portfolio write-up	(29,839)
Portfolio fair value release	641
Impairment of non-performing loans	516
Non-recurring costs / exceptional items	4,601
Depreciation and amortisation	4,806
Cash EBITDA	**70,930**

Cash collections to Cash EBITDA

	3 months to 30 June 2017 £000
Cash collections	114,545
Other income	43,678
Operating expenses	(97,216)
Non-recurring costs / exceptional items	4,601
Impairment of non-performing loans	516
Depreciation and amortisation	4,806
Cash EBITDA	**70,930**

Net cash flow to Cash EBITDA

	3 months to 30 June 2017 £000
Increase in cash in the period	16,873
Movement in debt	(65,986)
Purchases of loan portfolios	73,019
Interest paid, net of interest received	39,907
Income taxes paid	791
Transaction costs related to loans and borrowings	832
Capital expenditure and financial investment	1,211
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**66,647**
Working capital adjustments	(318)
Non-recurring costs /exceptional items	4,601
Cash EBITDA	**70,930**