Garfunkelux Holdco 2 S.A.

QE 30 September 2017 Results

1. Highlights

- **120 Month Estimated Remaining Collections** (“ERC”) at £1,952.8m as of 30 September 2017, up 17.8% since 30 September 2016.

- **Portfolio investments acquired** for the three months ending 30 September 2017 total £52.4m.

- **Debt Purchase gross cash collections** of £125.3m in the three months ending 30 September 2017, up 17.3% compared to the three month period ending 30 September 2016.

- **Cash income** of £152.2m in the three months ending 30 September 2017, up 20.7% compared to the three month period ending 30 September 2016.

- **Cash EBITDA**(1) for the three months ended 30 September 2017 of £77.5m, an 11.7% increase compared to the three month period ending 30 September 2016, with LTM Cash EBITDA to September 2017 of £292.6m.

- As at 30 September 2017, the aggregate **face value of debt** purchased since inception(2) totalled £23.3bn, a 11.5% increase from 30 September 2016.

- **Net debt to LTM Cash EBITDA** is at 4.8x cover as at 30 September 2017.

- **Net secured debt to LTM Cash EBITDA** is at 4.0x cover as at 30 September 2017.

- Announced the agreement to acquire the Carve-out Business from Intrum, consisting of Lindorff’s businesses in Denmark, Estonia, Finland and Sweden as well as Intrum Justita’s business in Norway, in early November 2017.

- Successfully refinanced the €405m 5.5% plus EURIBOR senior secured notes with offering of €415m 3.5% plus EURIBOR senior secured notes.

(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.

1. Highlights (continued)

Commenting on the results, James Cornell CEO said:

"This has been a successful quarter for us. We have delivered growth against all our key measures and provided clear evidence that our strategy delivers for clients and customers alike. We continue our strong growth track record and to support that have made another, significant acquisition.

The combination of Lowell and the Carve-out Business from Intrum has a compelling rationale, not least the exciting opportunities for the further growth and diversification of our business.

We're delighted to have extended the Lowell family with a business that shares our values, complements our strategy, and is aligned with our business ethos."

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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

1. Highlights (continued)

Non-IFRS financial measures

We have included certain non-IFRS financial measures in this trading update, including **Estimated Remaining Collections** (“ERC”), **Cash EBITDA** and **Gross Money Multiples**.

We present ERC because it represents our expected gross cash proceeds of the purchased debt portfolios recorded on our balance sheet 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 debt portfolios at any point in time, which is an important supplemental measure for our board of directors and management to assess the gross 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. Our ERC projection, calculated by our proprietary analytical models, utilises historical portfolio collection performance data and assumptions about future collection rates. While we cannot guarantee that we will achieve such collections and while our ERC projection may not be comparable to similar metrics used by other companies in our industry, our ERC forecasts have historically proven to be somewhat conservative through all phases of the economic cycle.

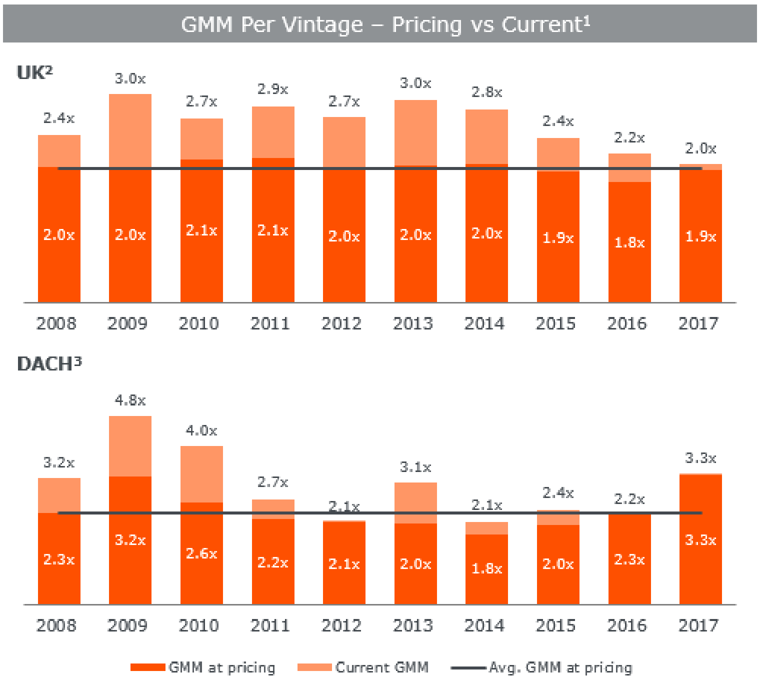
[1] *Actual collections for the 9 month period only to Sep-17*

We present Cash EBITDA because we believe it may enhance an investor’s understanding of our underlying cash flow generation at a given point in time that can be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses. 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.

Our board of directors and management use Cash EBITDA to understand cash profit in a period, mindful it is neither a proxy for future periods (since it is a lagged measure which can be influenced by the volume and mix of purchases in the latter months of the reported period), nor is it an indication of run off cash generation as the current cost base is representative of our front loaded cost curves and recent purchasing activity. 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 20.

We present Gross Money Multiples ("GMMs") because it represents our expected gross cash return from purchased debt portfolios. In addition, GMMs are one of a number of return metrics that we use when making pricing and investment decisions. GMMs can be reported on a rolling basis or on a static basis. On a rolling basis, GMMs are calculated as the sum of gross collections achieved to date plus our ERC as at the reporting date, divided by purchase price. All things being equal and based on this rolling definition, GMMs should improve over time as portfolios and vintages mature. On a static basis, GMMs are calculated over a static time-period – for example, a static 120m GMM will be based upon either gross collections achieved to date plus the remaining months of ERC required to get to a 120m total period or the original priced 120m collection expectations, divided by purchase price.

We present GMMs by region and vintage, and the profile of GMMs will show natural variability depending on the mix of assets acquired in any one vintage i.e. paying portfolios will exhibit a lower GMM, reflecting the lower risk characteristics of such assets.



[1] Current GMM is calculated using actual collections to Sep-17, plus estimated remaining collections across the next 120m (UK) and 180m (DACH)
[2] UK based on 120m ERC. GMM at pricing based on initial 120m only priced collection expectation
[3] DACH based on 180m ERC. GMM at pricing based on initial 180m only priced collection expectation

ERC, Cash EBITDA and Gross Money Multiples and all other non-IFRS measures 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 September 2017 and 30 September 2016.

(£ in millions unless otherwise noted)	Three months ended or as at 30 September 2017	Three months ended or as at 30 September 2016
Portfolio investments acquired	52.4	82.1
Gross cash collections (in total)	236.7	176.0
Gross cash collections (DP 'debt purchase')	125.3	106.8
Gross cash collections (3PC 'third party collections')	111.4	69.2
3PC income	27.0	19.3
Cash income	152.2	126.1
Cash EBITDA (1)	77.5	69.4
84 month ERC	1,652.8	1,403.2
120 month ERC	1,952.8	1,658.3
180 month ERC	2,266.2	1,923.9

(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 £125.3m were achieved by the business in the three months ending 30 September 2017, an increase of 17.3% on the corresponding three months ending 30 September 2016.

Revenue
Total revenue of £131.6m was generated in the three months ending 30 September 2017, an increase of £5.6m against the three month period ending 30 September 2016.

Operating expenses
Operating expenses including exceptional costs of £7.4m were £102.2m for the period, of which £45.3m were collection activity costs.

Finance costs
Excluding foreign exchange effects, finance costs totalled £54.2m for the three months ended 30 September 2017, see note 2.

In the three months ending 30 September 2017 finance costs include a £10.3m release of prepaid costs and redemption fees of £3.6m both incurred on the redemption of the €405m senior secured notes, see note 2.

Cash flow
Net cash generated from operating activities after portfolio purchases and exceptional costs totalled £6.2m in the three months to 30 September 2017. Net cash generated from operating activities before portfolio purchases and income taxes paid totalled £71.2m in the 3 months to September 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 Money Multiple as at 30 September 2017 is shown below.

	UK As of 30 September 2017		**DACH As of 30 September 2017**	
	Invested (£ millions)	**Gross Money Multiple (1)**	**Invested (€ millions)**	**Gross Money Multiple (1)**
Total 120 month	1,346.1	2.5	489.5	3.0
Total 180 month	1,346.1	2.7	489.5	3.2

(1) Gross Money 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 September 2017

	Note	3 months to 30 September 2017 £000	3 months to 30 September 2016 £000
Continuing operations			
Revenue			
Income from portfolio investments	3	63,620	50,885
Portfolio write up	3	27,447	33,992
Portfolio fair value release	3	(641)	(857)
Service revenue		40,342	41,250
Other revenue		874	746
Total revenue		**131,642**	**126,016**
Other income		2,686	1,419
Operating expenses			
Collection activity costs		(45,256)	(49,477)
Other expenses		(56,950)	(36,367)
Total operating expenses		**(102,206)**	**(85,844)**
Operating profit		**32,122**	**41,591**
Interest income		1,909	282
Finance costs	2	(55,282)	(31,963)
(Loss)/profit for the period, before tax		**(21,251)**	**9,910**
Tax expense		(5,598)	(2,208)
(Loss)/profit for the period		**(26,849)**	**7,702**
(Loss)/profit attributable to:			
Equity holders of the parent		(26,849)	7,693
Non-controlling interests		-	9
		(26,849)	**7,702**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		1,110	(2,972)
Other comprehensive income/(expenditure), net of tax		**1,110**	**(2,972)**
Total comprehensive (expenditure)/income for the period		**(25,739)**	**4,730**
Total comprehensive (expenditure)/income attributable to:			
Equity holders of the parent		(25,739)	4,721
Non-controlling interests		-	9
		(25,739)	**4,730**

The notes on pages 12 to 19 form part of the interim financial statements.

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

	Note	30 September 2017 £000	30 September 2016 £000
Assets			
Non-current assets			
Goodwill		1,019,167	1,008,472
Intangible assets		116,013	133,251
Property, plant and equipment		10,204	8,967
Portfolio investments	3	533,731	431,824
Other financial assets		9,425	3,313
Total non-current assets		**1,688,540**	**1,585,827**
Current assets			
Portfolio investments	3	371,358	324,225
Inventories		53	8
Trade and other receivables	4	40,058	43,728
Other financial assets		2,547	13,113
Assets for current tax		1,357	1,199
Cash and cash equivalents		88,927	88,911
Total current assets		**504,300**	**471,184**
Total assets		**2,192,840**	**2,057,011**
Equity			
Share capital		3,730	3,730
Share premium and similar premiums		400,396	397,300
Reserves		(22,289)	(23,071)
Retained deficit		(136,157)	(79,563)
Total equity attributable to equity holders of the parent		**245,680**	**298,396**
Non-controlling interests		-	439
Total equity		**245,680**	**298,835**
Liabilities			
Non-current liabilities			
Borrowings	6	1,758,050	1,532,288
Provisions		7,804	6,273
Derivatives		-	267
Other financial liabilities		164	30
Deferred tax liabilities		48,139	48,451
Total non-current liabilities		**1,814,157**	**1,587,309**
Current liabilities			
Trade and other payables	5	58,042	79,836
Provisions		15,412	13,878
Borrowings	6	35,894	51,975
Derivatives		-	294
Other financial liabilities		6,848	6,542
Current tax liabilities		16,807	18,342
Total current liabilities		**133,003**	**170,867**
Total equity and liabilities		**2,192,840**	**2,057,011**

The notes on pages 12 to 19 form part of the interim financial statements.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of changes in equity
As at 30 September 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 July 2016	**3,730**	**397,300**	**(8,423)**	**(11,932)**	**282**	**(87,255)**	**293,702**	**430**	**294,132**
Profit/(Loss) for the period	-	-	-	-	-	7,692	**7,692**	9	**7,702**
Adjustment to repurchase of shares in subsidiary	-	-	(26)	-	-	-	**(26)**	-	**(26)**
Exchange differences	-	-	-	(2,972)	-	-	**(2,972)**	-	**(2,972)**
Total comprehensive income/(expenditure)	**-**	**-**	**(26)**	**(2,972)**	**-**	**7,692**	**4,694**	**9**	**4,703**
Balance at 30 September 2016	**3,730**	**397,300**	**(8,449)**	**(14,904)**	**282**	**(79,563)**	**298,396**	**439**	**298,835**
Loss for the period	-	-	-	-	-	(20,108)	**(20,108)**	(32)	**(20,140)**
Exchange differences	-	-	-	2,937	-	-	**2,937**	-	**2,937**
Actuarial losses on pension	-	-	-	-	(1,048)	-	**(1,048)**	-	**(1,048)**
Deferred tax on pensions	-	-	-	-	338	-	**338**	-	**338**
Total comprehensive income/(expenditure)	**-**	**-**	**-**	**2,937**	**(710)**	**(20,108)**	**(17,881)**	**(32)**	**(17,913)**
Capital Contribution	-	3,096	-	-	-	-	**3,096**	-	**3,096**
Purchase of NCI	-	-	526	(119)	-	-	**407**	(407)	**-**
Adjustment to repurchase of shares in subsidiary			26	-	-	-	**26**	-	**26**
Other	-	-	(51)	-	-	-	**(51)**	-	**(51)**
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**
Loss for the period	-	-	-	-	-	(26,849)	**(26,849)**	-	**(26,849)**
Exchange differences	-	-	-	1,110	-	-	**1,110**	-	**1,110**
Total comprehensive income/(expenditure)	**-**	**-**	**-**	**1,110**	**-**	**(26,849)**	**(25,739)**	**-**	**(25,739)**
Balance at 30 September 2017	**3,730**	**400,396**	**(7,948)**	**(13,913)**	**(428)**	**(136,157)**	**245,680**	**-**	**245,680**

The notes on pages 12 to 19 form part of the interim financial statements.

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

	Note	3 months to 30 September 2017 £000	3 months to 30 September 2016 £000
Net cash generated from/(used in) operating activities	**7**	**6,246**	**(259)**
Investing activities			
Interest received		89	-
Purchase of property, plant and equipment		(608)	(1,213)
Purchase of intangible assets		(903)	(1,464)
Acquisition of subsidiary, net of cash acquired		-	(120,737)
Net cash used in investing activities		**(1,422)**	**(123,414)**
Financing activities			
Proceeds from loans and borrowings		367,690	198,030
Proceeds from Milla securitisation		13,606	-
Transaction costs related to loans and borrowings		(3,691)	(4,456)
Redemption fees paid		(3,588)	-
Repayment of borrowings		(358,830)	(31,682)
Interest paid		(23,316)	(11,848)
Net cash (used in)/generated from financing activities		**(8,129)**	**150,044**
Net (decrease)/increase in cash and cash equivalents		**(3,305)**	**26,371**
Cash and cash equivalents at beginning of period		92,085	60,966
Effect of movements in exchange rates on cash held		147	1,574
Cash and cash equivalents at end of period		**88,927**	**88,911**

The notes on pages 12 to 19 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 September 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 September 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.

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.

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.

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.

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.

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2. Finance costs

	3 months to 30 September 2017 £000	3 months to 30 September 2016 £000
Interest payable on the senior secured notes	23,678	17,836
Interest payable on the senior unsecured notes	6,325	6,325
Fees payable on the notes	1,737	1,217
Write off of prepaid costs on the senior secured notes	10,318	-
Interest and fees payable on Revolving Credit Facility	936	945
Interest payable on shareholder loan	6,888	5,869
Redemption fee on the senior secured notes	3,588	-
Other interest payable	688	364
Foreign exchange losses/(gains)	1,124	(593)
	55,282	**31,963**

3. Portfolio investments

	30 September 2017 £000	30 September 2016 £000
Opening balance at 1 July	886,664	688,159
Portfolios acquired during the period	52,448	63,777
Portfolios acquired through acquisition of subsidiary	-	18,336
Collections in the period	(125,300)	(106,757)
Income from portfolio investments	63,620	50,885
Portfolio fair value release	(641)	(857)
Portfolio write-up	27,447	33,992
Impairment of non-performing loans	(333)	(164)
Other	1,184	8,678
	905,089	**756,049**

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4. Trade and other receivables

	30 September 2017 £000	30 September 2016 £000
Trade receivables	10,914	13,338
Prepayments and accrued income	7,952	6,598
Other receivables	21,192	23,792
	40,058	**43,728**

5. Trade and other payables

	30 September 2017 £000	30 September 2016 £000
Trade payables	9,082	9,029
Other taxes and social security	2,621	3,014
Accruals and deferred income	20,983	20,954
Other payables	25,356	46,839
	58,042	**79,836**

Other payables includes amounts due of £1.7m in respect of portfolios purchased but not yet paid for as at 30 September 2017 (30 September 2016: £19.5m).

6. Borrowings

	30 September 2017 £000	30 September 2016 £000
Non-current		
Unsecured borrowing at amortised cost		
Senior Notes	230,000	230,000
Prepaid costs on unsecured borrowings	(7,379)	(8,533)
Shareholder loan owed to Garfunkelux Holdco 1 S.à.r.l.	302,468	272,355
Total unsecured	**525,089**	**493,822**
Secured borrowing at amortised cost		
Senior Secured Notes	1,252,180	1,077,295
Prepaid costs on secured borrowings	(32,825)	(38,829)
Securitisation loan	13,606	-
Total secured	**1,232,961**	**1,038,466**
Total borrowings due for settlement after 12 months	**1,758,050**	**1,532,288**
Current		
Unsecured borrowing at amortised cost		
Interest on Senior Notes	10,542	10,541
Other interest payable	929	464
Total unsecured	**11,471**	**11,005**
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	24,423	23,946
Revolving credit facility	-	17,024
Total secured	**24,423**	**40,970**
Total borrowings due for settlement before 12 months	**35,894**	**51,975**

Senior Secured Notes

On 20 September 2017 the Group redeemed both the €175m loan notes issued in April 2017 and the €230m loan notes issued in September 2016, in full at a redemption price of 101% plus any accrued and unpaid interest.

On 20 September 2017 the Group issued €415m 3.5% plus EURIBOR (subject to a 0% floor) Senior Secured Notes due 2023 through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the loan notes is payable quarterly on 1 December, 1 March, 1 June and 1 September, commencing on 1 December 2017. The notes will mature on 1 September 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 20 September 2017.

Securitisation loan

In September 2017, an existing securitisation facility in the DACH business was used to draw incremental funding of €15.6m.

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7. Note to the statement of cashflows

	Note	3 months to 30 September 2017 £000	3 months to 30 September 2016 £000
(Loss)/profit for the period before tax		**(21,251)**	**9,910**
Adjustments for:			
Income on portfolio investments	3	(63,620)	(50,885)
Portfolio write up	3	(27,447)	(33,992)
Portfolio fair value release	3	641	857
Impairment of non-performing loans	3	333	164
Net income on portfolio investments		**(90,093)**	**(83,856)**
Collections on owned portfolios	3	125,300	106,757
Depreciation and amortisation		5,022	3,265
Interest receivable		(1,909)	(282)
Loss on disposal of property, plant and equipment and intangible assets		30	5
Finance costs	2	55,282	31,963
Unrealised losses from foreign exchange		432	(2,265)
Decrease/(increase) in trade and other receivables		1,248	(11,142)
Increase in trade and other payables		(3,290)	(3,504)
Movement in other net assets		393	(2,522)
Cash generated from operating activities before portfolio acquisitions		**71,164**	**48,329**
Portfolios acquired (1)		(63,675)	(47,442)
Net cash generated from operating activities		**7,489**	**887**
Income taxes paid		(1,243)	(1,146)
Net cash generated from/(used in) operating activities		**6,246**	**(259)**

(1) Portfolios acquired represents the amount paid for portfolio purchases in the period, taking into account timing differences.

8. Subsequent events

On 2 November 2017, the Group announced the agreement to acquire the Carve-out Business from Intrum. The Carve-out Business comprises Lindorff's entire business in Denmark, Estonia, Finland and Sweden as well as Intrum Justitia's entire business in Norway. Given that the acquisition remains subject to regulatory approval, there are no current values for purchase price allocation, this will be undertaken in due course.

Reconciliations

Profit to Cash EBITDA

	3 months to 30 September 2017 £000
Loss for the period	(26,849)
Net finance costs	53,373
Taxation credit	5,598
Operating profit	**32,122**
Portfolio amortisation	61,680
Portfolio write-up	(27,447)
Portfolio fair value release	641
Impairment of non-performing loans	333
Non-recurring costs / exceptional items, net of exceptional income	5,187
Depreciation and amortisation	5,022
Cash EBITDA	**77,538**

Cash collections to Cash EBITDA

	3 months to 30 September 2017 £000
Cash collections	125,300
Other income	43,902
Operating expenses	(102,206)
Non-recurring costs / exceptional items, net of exceptional income	5,187
Impairment of non-performing loans	333
Depreciation and amortisation	5,022
Cash EBITDA	**77,538**

Net cash flow to Cash EBITDA

	3 months to 30 September 2017 £000
Increase in cash in the period	(3,305)
Movement in debt	(22,466)
Portfolios acquired	63,675
Interest paid, net of interest received	23,227
Income taxes paid	1,243
Transaction costs related to loans and borrowings	3,691
Redemption fees	3,588
Capital expenditure and financial investment	1,511
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**71,164**
Working capital adjustments	1,187
Non-recurring costs /exceptional items, net of exceptional income	5,187
Cash EBITDA	**77,538**