Garfunkelux Holdco 2 S.A.

QE 30 September 2018 Results

1. Highlights

- **120 Month Estimated Remaining Collections** ("ERC") at £2,981.7m as of 30 September 2018.
- **Portfolio investments acquired** for the three months ending 30 September 2018 total £111.1m.
- **Debt Purchase gross cash collections** of £175.4m in the three months ending 30 September 2018 including £36.0m from the Carve-out Business.
- **Cash income** of £220.7m in the three months ending 30 September 2018, including £54.9m contribution from the Carve-out Business.
- **Cash EBITDA**(1) for the three months ended 30 September 2018 of £113.7m, including £26.9m contribution from the Carve-out Business with LTM Cash EBITDA to September 2018 of £369.8m.
- **Net debt to Pro forma LTM Cash EBITDA**(2) is at 5.2x as at 30 September 2018.
- **Net secured debt to Pro forma LTM Cash EBITDA**(2) is at 4.6x as at 30 September 2018.

(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) Pro forma LTM Cash EBITDA as quoted is defined as Group Cash EBITDA for the twelve months ended 30 September 2018, adjusted to include the Cash EBITDA contribution of the Carve-out Business as if this acquisition had occurred at 1 October 2017 and further adjusted for Pro forma cost adjustments.

1. Highlights (continued)

Commenting on the results, James Cornell, Group CEO, said:

"Our performance again shows that this is a resilient business, managed effectively to deliver growth and returns.

We seek growth that increases scale and diversification, while remaining mindful of leverage. Capital is deployed rationally for attractive returns, and our diversity of geography, markets and sectors allows us to adapt swiftly to the shifting needs of our clients, and the local economies where we operate.

The new UK securitisation facility reflects the inherent value of our back-book. This facility diversifies our funding structure further; reduces our dependency on high yield and RCF funding; and increases our ability to manage our capital to grow the business the right way.

We continue to invest strategically for the long-term good of the business with stable, consistent returns, and are well–positioned for continued success."

About Lowell:

Lowell is one of Europe's largest credit management companies with a mission to make credit work better for all. It operates in the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, Sweden and Estonia.

Lowell's unparalleled combination of data analytics insight and robust risk management provides clients with expert solutions in debt purchasing, third party collections and business process outsourcing. With its ethical approach to debt management, Lowell always looks for the most appropriate, sustainable and fair outcome for each customer's specific circumstances.

Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. In 2018, Lowell completed the acquisition of the Carve-out Business from Intrum, which has market leading positions in the Nordic region. It is backed by global private equity firm Permira and Ontario Teachers' Pension Plan.

For more information on Lowell, please visit our investor website: www.lowell.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 incurrence covenants. 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.

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.

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 periods ended 30 September 2018 and 30 September 2017.

(£ in millions unless otherwise noted)	Three months ended or as at 30 September 2018[1]	Three months ended or as at 30 September 2017
Portfolio investments acquired	111.1	52.4
Gross cash collections (in total)	467.3	236.7
Gross cash collections (DP 'debt purchase')	175.4	125.3
Gross cash collections (3PC 'third party collections')	291.9	111.4
3PC income	43.3	27.0
Cash income	220.7	152.2
Cash EBITDA[2]	113.7	77.5
84 month ERC	2,511.0	1,652.8
120 month ERC	2,981.7	1,952.8
180 month ERC	3,472.8	2,266.2

(1) The effective date of the Carve-out Business acquisition was 31 March 2018 and as such these measures for the three months ended 30 September 2018 and as at 30 September 2018 include the results of the Carve-out Business. 2017 comparatives do not include the Carve-out Business.
(2) 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 were achieved by the business totalling £175.4m in the three months ending 30 September 2018, including £36.0m from the Carve-out Business.

Income
Total income of £179.4m was generated in the three months ending 30 September 2018 including the Carve-out Business. Service revenue in the three months to 30 September 2018 of £55.4m included 3PC income of £43.3m and lawyer service revenue of £12.1m (three months to 30 September 2017: 3PC income of £27.0m and lawyer service revenue of £13.4m).

Operating expenses
Operating expenses including exceptional costs of £11.4m were £140.2m for the period, of which £78.9m were collection activity costs. Collection costs include lawyer service costs which totalled £12.3m in the three months to 30 September 2018 (three months to September 2017: £13.8m).

Finance costs
Finance costs totalled £48.0m for the three months ended 30 September 2018, see note 3.

Cash flow
Net cash used in operating activities after portfolio purchases and exceptional costs totalled £8.0m in the three months to 30 September 2018. Net cash generated from operating activities before portfolio purchases and income taxes totalled £93.4m in the 3 months to September 2018.

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 2018 is shown below.

	UK As at 30 September 2018		DACH As at 30 September 2018		Nordics As at 30 September 2018	
	Invested (£ millions)	**Gross Money Multiple [1]**	**Invested (€ millions)**	**Gross Money Multiple [1]**	**Invested (€ millions)**	**Gross Money Multiple [1]**
Total 120 month	1,615.7	2.5	555.2	2.9	1,009.0	2.4
Total 180 month	1,615.7	2.6	555.2	3.1	1,009.0	2.6

(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 2018

	Note	3 months to 30 September 2018 £000	3 months to 30 September 2017* £000
Continuing operations			
Income			
Income from portfolio investments	4	90,656	63,620
Net portfolio write up	4	29,927	27,114
Portfolio fair value release	4	(497)	(641)
Service revenue	2	55,413	40,342
Other revenue		3,277	874
Other income		590	2,686
Total income		**179,366**	**133,995**
Operating expenses			
Collection activity costs		(78,939)	(60,543)
Other expenses		(61,272)	(41,330)
Total operating expenses		**(140,211)**	**(101,873)**
Operating profit		**39,155**	**32,122**
Finance income		743	1,909
Finance costs	3	(48,043)	(55,282)
Loss for the period, before tax		**(8,145)**	**(21,251)**
Tax expense		(1,237)	(5,598)
Loss for the period		**(9,382)**	**(26,849)**
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		1,406	1,110
Other comprehensive income, net of tax		**1,406**	**1,110**
Total comprehensive income for the period		**(7,976)**	**(25,739)**

The notes on pages 11 to 19 form part of the interim financial statements.

* Prior period figures have been restated to reclassify an amount from other expenses to collection activity costs and to reclassify net portfolio write up to income. These reclassifications have no effect on the reported loss for the period. See note 1 for further detail.

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of financial position
As at 30 September 2018

	Note	30 September 2018 £000	30 September 2017 £000
Assets			
Non-current assets			
Goodwill		1,211,692	1,019,167
Intangible assets		163,557	116,013
Property, plant and equipment		12,655	10,204
Portfolio investments	4	944,154	533,731
Other financial assets		8,871	9,425
Deferred tax assets		9,804	-
Total non-current assets		**2,350,733**	**1,688,540**
Current assets			
Portfolio investments	4	556,096	371,358
Inventories		106	53
Trade and other receivables	5	75,940	40,058
Other financial assets		12,245	2,547
Assets for current tax		4,043	1,357
Cash and cash equivalents		99,272	88,927
Total current assets		**747,702**	**504,300**
Total assets		**3,098,435**	**2,192,840**
Equity			
Share capital		4,385	3,730
Share premium and similar premiums		516,721	400,396
Reserves		(93,708)	(22,289)
Retained deficit		(208,292)	(136,157)
Total equity		**219,106**	**245,680**
Liabilities			
Non-current liabilities			
Borrowings	7	2,381,021	1,758,050
Provisions		10,370	7,804
Other financial liabilities		90	164
Deferred tax liabilities		49,533	48,139
Total non-current liabilities		**2,441,014**	**1,814,157**
Current liabilities			
Trade and other payables	6	117,411	58,042
Provisions		15,640	15,412
Borrowings	7	261,580	35,894
Derivatives		4,059	-
Other financial liabilities		7,084	6,848
Current tax liabilities		32,541	16,807
Total current liabilities		**438,315**	**133,003**
Total equity and liabilities		**3,098,435**	**2,192,840**

The notes on pages 11 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 2018

	Share Capital	Share premium and similar premiums	Capital Reserve	Translation reserve	Valuation reserve	Retained earnings	Total
Balance at 1 July 2017	**3,730**	**400,396**	**(7,948)**	**(15,023)**	**(428)**	**(109,308)**	**271,419**
Loss for the period	-	-	-	-	-	(26,849)	(26,849)
Exchange Differences	-	-	-	1,110	-	-	1,110
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**1,110**	**-**	**(26,849)**	**(25,739)**
Balance at 30 September 2017	**3,730**	**400,396**	**(7,948)**	**(13,913)**	**(428)**	**(136,157)**	**245,680**
Loss for the period	-	-	-	-	-	(26,270)	(26,270)
Actuarial gains on pension	-	-	-	-	95	-	95
Deferred tax on pensions	-	-	-	-	(29)	-	(29)
Exchange differences	-	-	-	(2,114)	-	-	(2,114)
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**(2,114)**	**66**	**(26,270)**	**(28,318)**
Balance at 31 December 2017	**3,730**	**400,396**	**(7,948)**	**(16,027)**	**(362)**	**(162,427)**	**217,362**
Loss for the period	-	-	-	-	-	(28,793)	(28,793)
Exchange differences	-	-	-	3,099	-	-	3,099
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**3,099**	**-**	**(28,793)**	**(25,694)**
Capital contribution	-	48,322	-	-	-	-	48,322
Functional currency adjustment	655	68,003	2	(68,660)	-	-	-
Balance at 31 March 2018	**4,385**	**516,721**	**(7,946)**	**(81,588)**	**(362)**	**(191,220)**	**239,990**
Loss for the period	-	-	-	-	-	(7,690)	(7,690)
Exchange Differences	-	-	-	(5,218)	-	-	(5,218)
Total comprehensive expenditure	**-**	**-**	**-**	**(5,218)**	**-**	**(7,690)**	**(12,908)**
Balance at 30 June 2018	**4,385**	**516,721**	**(7,946)**	**(86,806)**	**(362)**	**(198,910)**	**227,082**
Loss for the period	-	-	-	-	-	(9,382)	(9,382)
Exchange Differences	-	-	-	1,406	-	-	1,406
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**1,406**	**-**	**(9,382)**	**(7,976)**
Balance at 30 September 2018	**4,385**	**516,721**	**(7,946)**	**(85,400)**	**(362)**	**(208,292)**	**219,106**

The notes on pages 11 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 2018

	Note	3 months to 30 September 2018 £000	3 months to 30 September 2017 £000
Net cash (used in)/generated by operating activities	**8**	**(8,039)**	**6,246**
Investing activities			
Interest received		-	89
Purchase of property, plant and equipment		(1,274)	(608)
Purchase of intangible assets		(4,462)	(903)
Net cash used in investing activities		**(5,736)**	**(1,422)**
Financing activities			
Proceeds from loans and borrowings		31,694	367,690
Proceeds from securitisation		-	13,606
Transaction costs related to loans and borrowings		(1,494)	(3,691)
Redemption fees paid		-	(3,588)
Repayment of borrowings		(4,068)	(358,830)
Interest paid		(26,139)	(23,316)
Net cash used in financing activities		**(7)**	**(8,129)**
Net decrease in cash and cash equivalents		**(13,782)**	**(3,305)**
Cash and cash equivalents at beginning of period		112,945	92,085
Effect of movements in exchange rates on cash held		109	147
Cash and cash equivalents at end of period		**99,272**	**88,927**

The notes on pages 11 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 2018

1. Accounting policies

General information and basis of preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These interim financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. Those standards have been applied consistently to the historical periods.

Restatement of prior year presentation

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications have no effect on the reported loss for the period. An adjustment has been made to the Consolidated Statement of Comprehensive Income ("SCI") for the three months ended 30 September 2017 to reclassify appropriate staff costs as collection activity costs. In addition, as a result of the adoption of IFRS 9 on 1 January 2018, an adjustment has been made to present net portfolio write up within income for the three months to 30 September 2017. Previously, net portfolio write up was presented within revenue and operating expenses.

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 2018.

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.

1. Accounting policies (continued)

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.

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.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

1. Accounting policies (continued)

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 IFRS 9, 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.

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 net portfolio write up line within income, with subsequent reversals also recorded in this line. This line represents the net impairment gains on portfolio investments.

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.

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. Performance obligations within service contracts are the collection of cash and hence these are satisfied when the Group collects on debt. Payment is due from clients shortly after cash is collected on their behalf. Revenue is recognised when performance obligations are satisfied.

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 IFRS 9. 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 net portfolio write up. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in net portfolio write up.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

1. Accounting policies (continued)

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.

Portfolio investments include litigation costs which 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.

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.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

1. Accounting policies (continued)

Collection activity costs

Collection activity costs represent direct staff costs and the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs.

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. Service revenue

	3 months to 30 September 2018 £000	3 months to 30 September 2017 £000
3PC income	43,277	26,955
Lawyer service revenue	12,136	13,387
	55,413	**40,342**

Lowell

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

3. Finance costs

	3 months to 30 September 2018 £000	3 months to 30 September 2017 £000
Interest payable on the Senior Secured Notes	28,179	23,678
Interest payable on the Senior Unsecured Notes	6,325	6,325
Fees payable on the notes	2,061	1,737
Write off of prepaid costs on the senior secured notes	-	10,318
Interest and fees payable on Revolving Credit Facility	2,793	936
Interest payable on shareholder loan	8,085	6,888
Redemption fee on senior secured notes	-	3,588
Net (loss)/gain on financial instruments designated as FVTPL	(720)	-
Other interest payable	1,320	688
Net foreign exchange loss	-	1,124
	48,043	**55,282**

4. Portfolio investments

	30 September 2018 £000	30 September 2017 £000
Non-current	944,154	533,731
Current	556,096	371,358
Total	**1,500,250**	**905,089**

	30 September 2018 £000	30 September 2017 £000
At start of the period	1,439,296	886,664
Portfolios acquired during the period	111,065	52,448
Collections in the period	(175,381)	(125,300)
Income from portfolio investments	90,656	63,620
Net portfolio write up	29,927	27,114
Portfolio fair value release	(497)	(641)
Other	5,184	1,184
At end of the period	**1,500,250**	**905,089**

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

5. Trade and other receivables

	30 September 2018 £000	30 September 2017 £000
Trade receivables	14,182	10,914
Prepayments and accrued income	17,801	7,952
Other receivables	43,957	21,192
	75,940	**40,058**

6. Trade and other payables

	30 September 2018 £000	30 September 2017 £000
Trade payables	18,442	9,082
Other taxes and social security	4,340	2,621
Accruals and deferred income	29,343	20,983
Other payables	65,286	25,356
	117,411	**58,042**

Other payables includes amounts due of £21.2m in respect of portfolios purchased but not yet paid for as at 30 September 2018 (30 September 2017: £1.7m).

7. Borrowings

	30 September 2018 £000	30 September 2017 £000
Non-current		
Unsecured borrowing at amortised cost		
Senior Notes	230,000	230,000
Prepaid costs on unsecured borrowings	(5,006)	(7,379)
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	360,691	302,468
Total unsecured	**585,685**	**525,089**
Secured borrowing at amortised cost		
Senior Secured Notes	1,832,777	1,252,180
Prepaid costs on secured borrowings	(39,817)	(32,825)
Securitisation loans	2,376	13,606
Total secured	**1,795,336**	**1,232,961**
Total borrowings due for settlement after 12 months	**2,381,021**	**1,758,050**
Current		
Unsecured borrowing at amortised cost		
Interest on Senior Notes	10,542	10,542
Other interest payable	722	929
Total unsecured	**11,264**	**11,471**
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	27,760	24,423
Revolving credit facility	203,586	-
Securitisation loans	18,970	-
Total secured	**250,316**	**24,423**
Total borrowings due for settlement before 12 months	**261,580**	**35,894**

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2018

8. Note to the statement of cashflows

	Note	3 months to 30 September 2018 £000	3 months to 30 September 2017 £000
Loss for the period before tax		**(8,145)**	**(21,251)**
Adjustments for:			
Income on portfolio investments		(90,656)	(63,620)
Net portfolio write up		(29,927)	(27,114)
Portfolio fair value release		497	641
Collections on owned portfolios		175,381	125,300
Depreciation, amortisation and impairment		7,910	5,022
Finance income		(743)	(1,909)
Loss on sale of property, plant and equipment and intangible assets		-	30
Finance costs		48,043	55,282
Unrealised losses from foreign exchange		298	432
Decrease in trade and other receivables		105	1,248
Decrease in trade and other payables		(9,444)	(3,290)
Movement in other net assets		126	393
Cash generated from operating activities before portfolio acquisitions		**93,445**	**71,164**
Portfolios acquired (1)		(99,673)	(63,675)
Net cash (used in)/generated by operating activities		**(6,228)**	**7,489**
Income taxes paid		(1,811)	(1,243)
Net cash (used in)/generated by operating activities		**(8,039)**	**6,246**

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

9. Subsequent events

On 20 November 2018, Lowell Receivables Financing 1 Limited, an indirect subsidiary of Garfunkelux Holdco 2 S.A., signed and drew down a £255m Asset Backed Senior Facility.

Reconciliations

Profit to Cash EBITDA

	3 months to 30 September 2018 £000
Loss for the period	(9,382)
Net finance costs	47,300
Taxation expense	1,237
Operating profit	**39,155**
Portfolio amortisation	84,725
Net portfolio write up	(29,927)
Portfolio fair value release	497
Non-recurring costs / exceptional items, net of exceptional income	11,371
Depreciation, amortisation and impairment	7,910
Cash EBITDA	**113,731**

Cash collections to Cash EBITDA

	3 months to 30 September 2018 £000
Cash collections	175,381
Other income	59,280
Operating expenses	(140,211)
Non-recurring costs / exceptional items, net of exceptional income	11,371
Depreciation, amortisation and impairment	7,910
Cash EBITDA	**113,731**

Net cash flow to Cash EBITDA

	3 months to 30 September 2018 £000
Decrease in cash in the period	(13,782)
Movement in debt	(27,626)
Portfolios acquired	99,673
Interest paid, net of interest received	26,139
Income taxes paid	1,811
Transaction costs related to loans and borrowings	1,494
Capital expenditure and financial investment	5,736
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**93,445**
Working capital adjustments	8,915
Non-recurring costs /exceptional items, net of exceptional income	11,371
Cash EBITDA	**113,731**