Lowell

Garfunkelux Holdco 2 S.A.

QE 30 June 2022 Results

1. Highlights

- **120 Month Estimated Remaining Collections** ("ERC") at £3,791.6m as of 30 June 2022, up 9.0% since 30 June 2021.
- **Portfolio investments acquired** for the three months ending 30 June 2022 total £93.8m, a decrease of £36.2m compared with the three months ending 30 June 2021.
- **Debt Purchase gross cash collections** of £184.4m in the three months ending 30 June 2022, a decrease of 4.6% on the three months ending 30 June 2021.
- **Cash income** of £213.4m in the three months ending 30 June 2022, down 7.6% compared to the three month period ending 30 June 2021.
- **Cash EBITDA**(1) for the three months ended 30 June 2022 of £118.0m, a 15.4% decrease on the three month period ending 30 June 2021, with LTM Cash EBITDA to 30 June 2022 of £511.3m.
- **Net debt to LTM Pro forma Cash EBITDA**(2) is at 4.2x as at 30 June 2022. Normalised net debt to LTM Pro forma Cash EBITDA(3) is at 4.0x as at 30 June 2022, when adjusting for the DACH cyber incident.
- **Net secured debt to LTM Pro forma Cash EBITDA**(2) is at 3.3x as at 30 June 2022.

(1) Cash EBITDA is defined as cash collections on acquired portfolios plus service revenue, other revenue and other income less collection activity costs and other expenses (which together equal operating costs) and before exceptional items, depreciation, amortisation and impairment of non-performing loans.

(2) Pro forma LTM Cash EBITDA as quoted is defined as Group Cash EBITDA for the twelve months ended 30 June 2022, adjusted for Pro forma cost adjustments.

(3) When adjusting for Cyber impact in DACH; assumption that Cash EBITDA performance flat vs Q1-22.

1. Highlights (continued)

Commenting on the results, Colin Storrar, CEO, said:

"These results demonstrate the resilience of our business against the backdrop of an increasingly complex environment. Our ability to maintain efficiency, continue to grow the business and announce transformative transactions like the Hoist UK acquisition position us well for the rest of the year."

About Lowell:

Lowell is one of Europe's largest credit management companies with a mission to make credit work better for all and a commitment to fair and ethical customer practices. It operates in the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, and Sweden. The Group employs over 4,000 people, including 1,500 in the UK.

Lowell's unparalleled combination of data analytics, deep consumer 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 is committed to delivering the most fair and affordable 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** ("GMMs").

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.

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 GMMs 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 June 2022 and 30 June 2021.

(£ in millions unless otherwise noted)	Three months ended or as at 30 June 2022	Three months ended or as at 30 June 2021
Portfolio investments acquired	93.8	130.0
Gross cash collections (in total)	408.8	452.1
Gross cash collections (DP 'debt purchase')	184.4	193.3
Gross cash collections (3PC 'third party collections')	224.5	258.8
3PC income	29.4	37.7
Cash income	213.4	231.0
Cash EBITDA[1]	118.0	139.4
84 month ERC	3,129.9	2,853.7
120 month ERC	3,791.6	3,479.5
180 month ERC	4,417.1	4,154.8

(1) Cash EBITDA is defined as cash collections on acquired portfolios plus service revenue, other revenue and other income less collection activity costs and other expenses (which together equal operating costs) and before exceptional items, depreciation, amortisation and impairment of non-performing loans.

2. Operating & financial review (continued)

Collections
DP Collections were £184.4m in the three months ending 30 June 2022, a decrease of £8.9m on the three month period ending 30 June 2022. The DACH cyber incident has led to a deferral of gross collections across DP & 3PC, with a net impact of c.£14m to Cash EBITDA in the three months to 30 June 2022.

Income
Total income of £128.5m was generated in the three months ending 30 June 2022, a decrease of £34.3m on the three month period ending 30 June 2021.

Total income includes income from portfolio investments of £106.4m in the three months to 30 June 2022 (three months to 30 June 2021: £99.5m) and net portfolio write-down of £7.6m in the three months to 30 June 2022 (three months to 30 June 2021 net portfolio write-up: £18.1m).

Service revenue in the three months to 30 June 2022 of £29.4m included 3PC income of £29.0m and lawyer service revenue of £0.4m (three months to 30 June 2021: 3PC income of £37.7m and lawyer service revenue of £6.7m).

Operating expenses
Operating expenses, including exceptional costs of £5.5m, were £111.5m for the period (three months to 30 June 2021: £121.1m). Of which £64.9m were collection activity costs, which include lawyer service costs which totalled £0.4m in the three months to 30 June 2022 (three months to 30 June 2021: £6.8m).

Finance costs
Finance costs totalled £48.1m for the three months ended 30 June 2022, see note 3.

Cash flow
Net cash used in operating activities after portfolio purchases and exceptional costs totalled £13.1m in the three months to 30 June 2022. Net cash generated from operating activities before portfolio purchases and income taxes paid totalled £87.4m in the 3 months to 30 June 2022.

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 June 2022 is shown below.

	UK As at 30 June 2022		DACH As at 30 June 2022		Nordics As at 30 June 2022	
	Invested (£ millions)	Gross Money Multiple (1)	Invested (€ millions)	Gross Money Multiple (1)	Invested (€ millions)	Gross Money Multiple (1)
Total 120 month	2,369	2.5	825	3.0	1,547	2.3
Total 180 month	2,369	2.7	825	3.1	1,547	2.4

(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 June 2022

	Note	3 months to 30 June 2022 £000	3 months to 30 June 2021 £000
Continuing operations			
Income			
Income from portfolio investments	4	106,402	99,463
Net portfolio write (down) / up	4	(7,613)	18,149
Portfolio fair value release	4	(95)	(276)
Service revenue	2	29,423	44,412
Other revenue		264	728
Other income		85	348
Total income		**128,466**	**162,824**
Operating expenses			
Collection activity costs		(64,870)	(61,973)
Other expenses		(46,603)	(59,091)
Total operating expenses		**(111,473)**	**(121,064)**
Operating profit		**16,993**	**41,760**
Finance income		(264)	1,321
Finance costs	3	(48,100)	(45,203)
(Loss)/profit for the period, before tax		**(31,371)**	**(2,122)**
Tax (charge) / credit		724	3,970
Loss for the period		**(30,647)**	**1,848**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(2,542)	4,725
Other comprehensive expenditure, net of tax		**(2,542)**	**4,725**
Total comprehensive expenditure for the period		**(33,189)**	**6,573**

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 financial position
As at 30 June 2022

	Note	30 June 2022 £000	30 June 2021 £000
Assets			
Non-current assets			
Goodwill		1,194,976	1,191,680
Intangible assets		127,205	143,625
Property, plant and equipment		33,293	44,242
Portfolio investments	4	1,268,473	1,101,164
Other financial assets		3,466	4,459
Deferred tax assets		65,057	39,882
Total non-current assets		**2,692,470**	**2,525,052**
Current assets			
Portfolio investments	4	619,799	553,175
Inventories		45	65
Trade and other receivables	5	31,377	48,405
Other financial assets		11,520	11,596
Derivatives		2,874	-
Assets for current tax		1,817	1,191
Cash and cash equivalents		143,588	166,423
Total current assets		**811,020**	**780,855**
Total assets		**3,503,490**	**3,305,907**
Equity			
Share capital		4,385	4,385
Share premium and similar premiums		1,109,586	1,109,586
Reserves		(125,364)	(116,255)
Retained deficit		(441,161)	(396,681)
Total equity		**547,446**	**601,035**
Liabilities			
Non-current liabilities			
Borrowings	7	2,505,839	2,294,851
Retirement benefit deficit		9,072	9,569
Provisions		4,895	4,117
Other financial liabilities		26,405	37,786
Deferred tax liabilities		38,981	34,808
Total non-current liabilities		**2,585,192**	**2,381,131**
Current liabilities			
Trade and other payables	6	87,856	161,985
Provisions		7,502	15,587
Borrowings	7	233,047	107,592
Derivatives		-	2,256
Other financial liabilities		15,256	12,363
Current tax liabilities		27,191	23,958
Total current liabilities		**370,852**	**323,741**
Total equity and liabilities		**3,503,490**	**3,305,907**

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
3 months ended 30 June 2022

	Share Capital £000	Share premium & similar premiums £000	Capital Reserve £000	Translation reserve £000	Valuation reserve £000	Retained deficit £000	Total £000
Balance at 1 April 2021	**4,385**	**1,109,586**	**(8,291)**	**(111,075)**	**(1,614)**	**(398,529)**	**594,462**
Loss for the period	-	-	-	-	-	1,848	1,848
Exchange differences	-	-	-	4,725	-	-	4,725
Total comprehensive Expenditure	**-**	**-**	**-**	**4,725**	**-**	**1,848**	**6,573**
Balance at 30 June 2021	**4,385**	**1,109,586**	**(8,291)**	**(106,350)**	**(1,614)**	**(396,681)**	**601,035**
Loss for the period	-	-	-	-	-	(5,294)	(5,294)
Actuarial loss on pension	-	-	-	-	818	-	818
Deferred tax on pensions	-	-	-	-	(172)	-	(172)
Exchange differences	-	-	-	(7,276)	-	-	(7,276)
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**(7,276)**	**646**	**(5,294)**	**(11,924)**
Balance at 31 December 2021	**4,385**	**1,109,586**	**(8,291)**	**(113,626)**	**(968)**	**(401,975)**	**589,111**
Loss for the period	-	-	-	-	-	(8,539)	(8,539)
Exchange differences	-	-	-	63	-	-	63
Total comprehensive income / (expenditure)	**-**	**-**	**-**	**63**	**-**	**(8,539)**	**(8,476)**
Balance at 31 March 2022	**4,385**	**1,109,586**	**(8,291)**	**(113,563)**	**(968)**	**(410,514)**	**580,635**
Loss for the period	-	-	-	-	-	(30,647)	(30,647)
Exchange differences	-	-	-	(2,542)	-	-	(2,542)
Total comprehensive income / (expenditure)	**-**	**-**	**-**	**(2,542)**	**-**	**(30,647)**	**(33,189)**
Balance at 30 June 2022	**4,385**	**1,109,586**	**(8,291)**	**(116,105)**	**(968)**	**(441,161)**	**547,446**

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 June 2022

	Note	3 months to 30 June 2022 £000	3 months to 30 June 2021 £000
Net cash (used in) / generated by operating activities	**8**	**(13,071)**	**37,350**
Investing activities			
Purchase of property, plant and equipment		(648)	(294)
Purchase of intangible assets		(6,485)	(4,094)
Net cash used in investing activities		**(7,133)**	**(4,388)**
Financing activities			
Proceeds from loans and borrowings		355,647	84,718
Repayment of borrowings		(282,229)	(33,369)
Payment of lease liabilities		(2,655)	(3,942)
Interest paid		(48,526)	(51,053)
Net cash generated from / (used in) financing activities		**22,237**	**(3,646)**
Net (decrease) / increase in cash and cash equivalents		**2,033**	**29,316**
Cash and cash equivalents at beginning of period		140,095	136,467
Effect of movements in exchange rates on cash held		1,460	640
Cash and cash equivalents at end of period		**143,588**	**166,423**

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 June 2022

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.

In April 2022 the Group announced the acquisition of Hoist Finance UK, with completion subject to the approval of the Financial Conduct Authority and is expected in H2-22.

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 2022.

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
In assessing whether the going concern basis is appropriate to adopt, the directors have undertaken a thorough review of forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these accounts.

These scenarios have been subject to stress testing, and downside scenarios have been considered, taking into account the Group's resilient performance since the beginning of the COVID-19 pandemic. In the scenarios considered to be reasonable by management the Group maintains sufficient liquidity and cash reserves to continue in operational existence for the foreseeable future. The Group has liquidity available of c.£386m.

The Group's earliest debt maturity horizon is July 2025 and the latest is January 2027, being the Group's two securitisation facilities.

Consequently, the directors believe that it remains appropriate to prepare the interim financial statements on a going concern basis.

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 June 2022

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 held to collect contractual cash flows of payments of solely principal and interest, recognising them at amortised cost in line with IFRS 9.

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 classified as purchased or originated credit impaired ("POCI") in line with IFRS 9. As a result the estimated future cash flows, and hence EIR, 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/down 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 standard profile of a gross collection curve of these portfolios.

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 the IFRS 9 forward looking expected credit loss ("ECL") model. As the Group's portfolio investments are classified as POCI assets, lifetime ECL is included in the calculation of EIR. The estimation of ECL includes an assessment of forward-looking economic assumptions. Impairment represents changes to carrying values, discounted at the EIR, of the portfolio investments as a result of reassessments of the estimated future cash flows. These are recognised in net portfolio write up/down in the SCI.

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

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 transaction price, which at this point equates to fair value. They must be measured subsequently at fair value.

Amortised cost financial assets

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

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.

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 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 acquired portfolio investments.

Impairment of financial assets

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

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 June 2022

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 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 June 2022 £000	3 months to 30 June 2021 £000
3PC income	29,045	37,718
Lawyer service revenue	378	6,694
	29,423	**44,412**

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2022

3. Finance costs

	3 months to 30 June 2022 £000	3 months to 30 June 2021 £000
Interest payable on the Senior Secured Notes	28,326	28,652
Fees payable on financing structures	1,737	1,639
Interest and fees payable on Revolving credit facility	1,401	1,114
Interest payable on shareholder loan	11,746	10,769
Net loss on financial instruments designated as FVTPL	1,394	-
Net foreign exchange loss	346	2,578
Interest payable on securitisation	2,671	1,556
Other interest payable	293	(1,521)
Interest expense from lease liabilities	186	416
	48,100	**45,203**

4. Portfolio investments

	30 June 2022 £000	30 June 2021 £000
Non-current	1,268,473	1,101,164
Current	619,799	553,175
Total	**1,888,272**	**1,654,339**

	30 June 2022 £000	30 June 2021 £000
At start of the period	1,878,020	1,595,642
Portfolios acquired during the period	93,837	130,007
Collections in the period	(184,351)	(193,256)
Income from portfolio investments	106,402	99,463
Net portfolio write (down) / up	(7,613)	18,149
Portfolio fair value release	(95)	(276)
Net foreign exchange movement	2,072	4,610
At end of the period	**1,888,272**	**1,654,339**

5. Trade and other receivables

	30 June 2022 £000	30 June 2021 £000
Trade receivables	10,760	12,594
Prepayments and accrued income	8,322	13,186
Other receivables	11,608	21,591
Tax receivable	687	1,034
	31,377	**48,405**

6. Trade and other payables

	30 June 2022 £000	30 June 2021 £000
Trade payables	11,044	6,083
Other taxes and social security	13,539	6,098
Accruals and deferred income	23,901	32,361
Other payables	39,372	117,443
	87,856	**161,985**

Other payables includes amounts due of £4.0m in respect of portfolios purchased but not yet paid for as at 30 June 2022 (30 June 2021: £63.6m).

Lowell

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 June 2022

7. Borrowings

	30 June 2022 £000	30 June 2021 £000
Non-current		
Unsecured borrowing at amortised cost		
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	521,449	475,464
Total unsecured	**521,449**	**475,464**
Secured borrowing at amortised cost		
Senior Secured Notes	1,662,650	1,662,650
Prepaid costs on secured borrowings	(16,992)	(24,226)
Securitisation loans	338,732	180,963
Total secured	**1,984,390**	**1,819,387**
Total borrowings due for settlement after 12 months	**2,505,839**	**2,294,851**
Current		
Unsecured borrowing at amortised cost		
Other interest payable	283	998
Total unsecured	**283**	**998**
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	21,080	18,800
Prepaid costs on secured borrowings	(5,807)	(4,671)
Revolving credit facility	132,132	68,345
Securitisation loans	85,359	24,120
Total secured	**232,764**	**106,594**
Total borrowings due for settlement before 12 months	**233,047**	**107,592**

In April 2022 the Group entered into a new securitisation facility, via Wolf Receivables Financing Plc, providing additional liquidity at completion of £100m through sale of the Senior Notes, at a coupon of SONIA + 325bps.

8. Note to the statement of cashflows

	Note	3 months to 30 June 2022 £000	3 months to 30 June 2021 £000
Loss for the period before tax		**(31,371)**	**(2,122)**
Adjustments for:			
Income on portfolio investments	4	(106,402)	(99,463)
Net portfolio write down / (up)	4	7,613	(18,149)
Portfolio fair value release	4	95	276
Collections on owned portfolios	4	184,351	193,256
Depreciation and amortisation		9,849	11,414
Finance income		264	(1,321)
Loss on disposal of property, plant and equipment and intangible assets		-	962
Finance costs	3	48,100	45,203
Unrealised gain from foreign exchange		(11,971)	1,489
Increase / (decrease) in trade and other receivables		797	(8,909)
(Increase) / decrease in trade and other payables		(12,131)	1,756
Movement in other net assets		(1,832)	(21,248)
Cash generated by operating activities before portfolio acquisitions		**87,362**	**103,144**
Portfolios acquired (1)		(100,275)	(63,454)
Income taxes paid		(158)	(2,340)
Net cash (used in) / generated by operating activities		**(13,071)**	**37,350**

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

9. Subsequent events

In August 2022 the Group sold 51% of its holding in the Junior Notes issued by Wolf Receivables Financing Plc.

Also in August 2022, the Group announced a securitisation commitment of £170m to fund the purchase of Hoist UK assets.

Reconciliations

Profit to Cash EBITDA

	3 months to 30 June 2022 £000
Loss for the period	(30,647)
Net finance costs	48,364
Taxation charge	(724)
Operating profit	**16,993**
Net portfolio write-down	7,613
Portfolio fair value release	95
Portfolio amortisation	77,949
Non-recurring costs / exceptional items, net of exceptional income	5,467
Depreciation and amortisation	9,849
Cash EBITDA	**117,966**

Cash collections to Cash EBITDA

	3 months to 30 June 2022 £000
Cash collections	184,351
Other income	29,773
Operating expenses	(111,473)
Non-recurring costs / exceptional items, net of exceptional income	5,467
Depreciation and amortisation	9,849
Cash EBITDA	**117,966**

Net cash flow to Cash EBITDA

	3 months to 30 June 2022 £000
Increase in cash in the period	2,033
Movement in debt	(73,419)
Portfolios acquired	100,275
Interest paid	48,527
Taxation servicing	158
Capital expenditure and financial investment	7,133
Payment of lease liabilities	2,655
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**87,362**
Working capital adjustments	25,137
Non-recurring costs /exceptional items, net of exceptional income	5,467
Cash EBITDA	**117,966**