Garfunkelux Holdco 2 S.A.

QE 30 September 2022 Results

1. Highlights

- **120 Month Estimated Remaining Collections** ("ERC") at £3,765.1m as of 30 September 2022, up 7.7% since 30 September 2021.
- **Portfolio investments acquired**(4) for the three months ending 30 September 2022 total £123.9m, an increase of £68.5m compared with the three months ending 30 September 2021.
- **Debt Purchase gross cash collections** of £277.7m(3) in the three months ending 30 September 2022, an increase of 50.4% on the three months ending 30 September 2021.
- **Cash income** of £308.3m(3) in the three months ending 30 September 2022, up 38.4% compared to the three month period ending 30 September 2021.
- **Cash EBITDA**(1) for the three months ended 30 September 2022 of £203.8m(3), a 53.8% increase on the three month period ending 30 September 2021, with LTM Cash EBITDA to 30 September 2022 of £582.7m(3).
- **Net debt to LTM Pro forma Cash EBITDA**(2) is at 3.7x as at 30 September 2022.
- **Net secured debt to LTM Pro forma Cash EBITDA**(2) is at 3.0x as at 30 September 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 September 2022, adjusted for Pro forma cost adjustments.

(3) Includes £90.9m gross accelerated debt purchase cashflows relating to the deconsolidation of the publicly rated ABS structure.

(4) Includes £12.5m fair value portfolio acquisitions, reflecting purchased 49% Junior Note holding in publicly rated ABS transaction.

1. Highlights (continued)

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

"These results demonstrate the continued underlying delivery of our business. The Group is performing in line with our June reforecast and the DACH region continues to show pleasing progress in its recovery following the Cyber incident in Q1.

"The deconsolidation of the publicly rated ABS facility is a key milestone, providing a repeatable funding source which will allow the Group to recycle capital and crystalise returns earlier in the investment cycle

"Our run rate on purchases has peaked following a strong LTM period, and we expect purchases to be more closely aligned to our Replacement Rate as we move through into 2023."

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 September 2022 and 30 September 2021.

(£ in millions unless otherwise noted)	Three months ended or as at 30 September 2022	Three months ended or as at 30 September 2021
Portfolio investments acquired[(2)]	123.9	55.4
Gross cash collections (in total)[(3)]	536.0	433.3
Gross cash collections (DP 'debt purchase')	277.7	184.6
Gross cash collections (3PC 'third party collections')	258.3	248.7
3PC income	30.7	38.2
Cash income[(3)]	308.3	222.8
Cash EBITDA[(1)(3)]	203.8	132.5
84 month ERC	3,004.9	2,865.5
120 month ERC	3,765.1	3,496.6
180 month ERC	4,519.2	4,182.8

(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) Includes £12.5m fair value portfolio acquisitions, reflecting purchased 49% Junior Note holding in publicly rated ABS transaction.

(3) Includes £90.9m gross accelerated debt purchase cashflows relating to the deconsolidation of the publicly rated ABS structure.

2. Operating & financial review (continued)

Collections
DP Collections were £277.7m in the three months ending 30 September 2022, an increase of £93.1m on the three month period ending 30 September 2021.

Income
Total income of £139.4m was generated in the three months ending 30 September, a decrease of £27.1m on the three month period ending 30 September 2021.

Total income includes income from portfolio investments of £105.2m in the three months to 30 September 2022 (three months to 30 September 2021: £99.3m) and net portfolio write-up of £3.1m in the three months to 30 September 2022 (three months to 30 September 2021 net portfolio write-up: £20.0m).

Service revenue in the three months to 30 September 2022 of £30.7m included 3PC income of £30.7m and lawyer service revenue of £nil (three months to 30 September 2021: 3PC income of £38.2m and lawyer service revenue of £7.2m).

Operating expenses
Operating expenses, including exceptional costs of £2.5m, were £117.2m for the period (three months to 30 September 2021: £131.3m). Of which £68.7m were collection activity costs, which include lawyer service costs which totalled £nil in the three months to 30 September 2022 (three months to 30 September 2021: £7.4m).

Finance costs
Finance costs totalled £48.5m for the three months ended 30 September 2022, see note 3.

Cash flow
Net cash used in operating activities after portfolio purchases and exceptional costs totalled £65.2m in the three months to 30 September 2022. Net cash generated from operating activities before portfolio purchases and income taxes paid totalled £187.1m in the 3 months to 30 September 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 September 2022 is shown below.

	UK As at 30 September 2022		**DACH As at 30 September 2022**		**Nordics As at 30 September 2022**	
	Invested (£ millions)	**Gross Money Multiple (1)**	**Invested (€ millions)**	**Gross Money Multiple (1)**	**Invested (€ millions)**	**Gross Money Multiple (1)**
Total 120 month	2,434	2.5	872	2.8	1,554	2.2
Total 180 month	2,434	2.7	872	2.9	1,554	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 September 2022

	Note	3 months to 30 September 2022 £000	3 months to 30 September 2021 £000
Continuing operations			
Income			
Income from portfolio investments	4	105,183	99,349
Net portfolio write up	4	3,122	20,010
Portfolio fair value release	4	(95)	(276)
Service revenue	2	30,708	45,417
Other revenue		354	1,300
Other income		97	715
Total income		**139,369**	**166,515**
Operating expenses			
Collection activity costs		(68,723)	(66,434)
Other expenses		(48,430)	(64,903)
Total operating expenses		**(117,153)**	**(131,337)**
Operating profit		**22,216**	**35,178**
Finance income		100	528
Finance costs	3	(48,546)	(46,137)
(Loss) for the period, before tax		**(26,230)**	**(10,431)**
Tax credit / (charge)		8,139	(292)
Loss for the period		**(18,091)**	**(10,723)**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(3,405)	(860)
Other comprehensive expenditure, net of tax		**(3,405)**	**(860)**
Total comprehensive expenditure for the period		**(21,496)**	**(11,583)**

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

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Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of financial position
As at 30 September 2022

	Note	30 September 2022 £000	30 September 2021 £000
Assets			
Non-current assets			
Goodwill		1,208,110	1,192,964
Intangible assets		127,134	138,516
Property, plant and equipment		34,809	41,778
Portfolio investments	4	1,361,525	1,093,072
Other financial assets		2,923	3,529
Deferred tax assets		74,882	36,581
Total non-current assets		**2,809,383**	2,506,440
Current assets			
Portfolio investments	4	501,335	552,570
Inventories		46	45
Trade and other receivables	5	45,913	44,402
Other financial assets		14,553	15,828
Derivatives		1,782	-
Assets for current tax		3,726	1,903
Cash and cash equivalents		175,400	114,299
Total current assets		**742,755**	**729,046**
Total assets		**3,552,138**	**3,235,486**
Equity			
Share capital		4,385	4,385
Share premium and similar premiums		1,109,586	1,109,586
Reserves		(128,769)	(117,115)
Retained deficit		(459,252)	(407,405)
Total equity		**525,950**	**589,451**
Liabilities			
Non-current liabilities			
Borrowings	7	2,532,382	2,298,862
Retirement benefit deficit		9,237	9,644
Provisions		4,985	3,756
Other financial liabilities		27,963	36,360
Deferred tax liabilities		38,750	30,644
Total non-current liabilities		**2,613,317**	**2,379,266**
Current liabilities			
Trade and other payables	6	90,360	102,908
Provisions		6,807	14,495
Borrowings	7	268,817	111,747
Derivatives		-	1,969
Other financial liabilities		16,586	9,376
Current tax liabilities		30,301	26,274
Total current liabilities		**412,871**	**266,769**
Total equity and liabilities		**3,552,138**	**3,235,486**

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

Lowell

Garfunkelux Holdco 2 S.A.
Unaudited condensed consolidated interim statement of changes in equity
3 months ended 30 September 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 01 July 2021	**4,385**	**1,109,586**	**(8,291)**	**(106,350)**	**(1,614)**	**(396,681)**	**601,035**
Loss for the period	-	-	-	-	-	(10,723)	(10,723)
Exchange differences	-	-	-	(860)	-	-	(860)
Total comprehensive Expenditure	**-**	**-**	**-**	**(860)**	**-**	**(10,723)**	**(11,583)**
Balance at 30 September 2021	**4,385**	**1,109,586**	**(8,291)**	**(107,210)**	**(1,614)**	**(407,405)**	**589,451**
Loss for the period	-	-	-	-	-	5,430	5,430
Actuarial loss on pension	-	-	-	-	818	-	818
Deferred tax on pensions	-	-	-	-	(172)	-	(172)
Exchange differences	-	-	-	(6,416)	-	-	(6,416)
Total comprehensive income/ (expenditure)	**-**	**-**	**-**	**(6,416)**	**646**	**5,430**	**(340)**
Balance at 31 December 2021	**4,385**	**1,109,586**	**(8,291)**	**(113,626)**	**(968)**	**(401,975)**	**589,111**
Loss for the period	-	-	-	-	-	(39,186)	(39,186)
Exchange differences	-	-	-	(2,479)	-	-	(2,479)
Total comprehensive income / (expenditure)	**-**	**-**	**-**	**(2,479)**	**-**	**(39,186)**	**(41,665)**
Balance at 30 June 2022	**4,385**	**1,109,586**	**(8,291)**	**(116,105)**	**(968)**	**(441,161)**	**547,446**
Loss for the period	-	-	-	-	-	(18,091)	(18,091)
Exchange differences	-	-	-	(3,405)	-	-	(3,405)
Total comprehensive income / (expenditure)	**-**	**-**	**-**	**(3,405)**	**-**	**(18,091)**	**(21,496)**
Balance at 30 September 2022	**4,385**	**1,109,586**	**(8,291)**	**(119,510)**	**(968)**	**(459,252)**	**525,950**

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 2022

	Note	3 months to 30 September 2022 £000	3 months to 30 September 2021 £000
Net cash generated from / (used in) operating activities	**8**	**65,248**	**(5,360)**
Investing activities			
Purchase of property, plant and equipment		(174)	(298)
Purchase of intangible assets		(4,124)	(3,003)
Net cash used in investing activities		**(4,298)**	**(3,301)**
Financing activities			
Proceeds from loans and borrowings		429,886	34,041
Repayment of borrowings		(443,646)	(61,180)
Payment of lease liabilities		(2,891)	(2,670)
Interest paid		(15,528)	(13,867)
Net cash generated from / (used in) financing activities		**(32,179)**	**(43,676)**
Net increase/ (decrease) in cash and cash equivalents		**28,771**	**(52,337)**
Cash and cash equivalents at beginning of period		143,588	166,423
Effect of movements in exchange rates on cash held		3,041	213
Cash and cash equivalents at end of period		**175,400**	**114,299**

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 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, following approval of the Financial Conduct Authority the acquisition completed on 25 October 2022.

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 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.£543m.

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

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

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

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.

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 September 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 September 2022 £000	3 months to 30 September 2021 £000
3PC income	30,708	38,206
Lawyer service revenue	-	7,211
	30,708	**45,417**

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

3. Finance costs

	3 months to 30 September 2022 £000	3 months to 30 September 2021 £000
Interest payable on the Senior Secured Notes	29,279	28,591
Fees payable on financing structures	1,772	1,434
Interest and fees payable on Revolving credit facility	686	1,457
Interest payable on shareholder loan	11,875	10,887
Net loss on financial instruments designated as FVTPL	781	36
Net foreign exchange loss	203	433
Interest payable on securitisation	3,466	1,578
Other interest payable	162	1,329
Interest expense from lease liabilities	322	392
	48,546	**46,137**

4. Portfolio investments

	30 September 2022 £000	30 September 2021 £000
Non-current	1,361,525	1,093,072
Current	501,335	552,570
Total	**1,862,860**	**1,645,642**

	30 September 2022 £000	30 September 2021 £000
At start of the period	1,888,272	1,654,339
Portfolios acquired during the period(1)	123,873	55,424
Collections in the period(2)	(277,712)	(184,602)
Income from portfolio investments	105,183	99,349
Net portfolio write up(3)	3,122	20,010
Portfolio fair value release	(95)	(276)
Net foreign exchange movement	20,217	1,398
At end of the period	**1,862,860**	**1,645,642**

(1) Includes £12.5m fair value portfolio acquisitions, reflecting purchased 49% Junior Note holding in publicly rated ABS transaction.

(2) Includes £90.9m gross accelerated debt purchase cashflows relating to the deconsolidation of the publicly rated ABS structure.

(3) Includes £12.6m revaluation gain on carrying value of portfolio assets disposed of as part of publicly rated ABS transaction.

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5. Trade and other receivables

	30 September 2022 £000	30 September 2021 £000
Trade receivables	11,402	11,225
Prepayments and accrued income	11,367	11,453
Other receivables	22,281	20,511
Tax receivable	863	1,213
	45,913	**44,402**

6. Trade and other payables

	30 September 2022 £000	30 September 2021 £000
Trade payables	6,560	5,362
Other taxes and social security	11,190	5,965
Accruals and deferred income	41,296	39,800
Other payables	31,314	51,781
	90,360	**102,908**

Other payables includes amounts due of £4.0m in respect of portfolios purchased but not yet paid for as at 30 September 2022 (30 September 2021: £6.0m).

7. Borrowings

	30 September 2022 £000	30 September 2021 £000
Non-current		
Unsecured borrowing at amortised cost		
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	533,324	486,351
Total unsecured	**533,324**	**486,351**
Secured borrowing at amortised cost		
Senior Secured Notes	1,701,267	1,665,500
Prepaid costs on secured borrowings	(15,220)	(22,930)
Securitisation loans	313,011	169,941
Total secured	**1,999,058**	**1,812,511**
Total borrowings due for settlement after 12 months	**2,532,382**	**2,298,862**
Current		
Unsecured borrowing at amortised cost		
Other interest payable	290	834
Total unsecured	**290**	**834**
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	43,240	39,081
Prepaid costs on secured borrowings	(5,808)	(4,822)
Revolving credit facility	155,336	65,890
Securitisation loans	75,759	10,764
Total secured	**268,527**	**110,913**
Total borrowings due for settlement before 12 months	**268,817**	**111,747**

Lowell

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8. Note to the statement of cashflows

	Note	3 months to 30 September 2022 £000	3 months to 30 September 2021 £000
Loss for the period before tax		**(26,230)**	**(10,431)**
Adjustments for:			
Income on portfolio investments	4	(105,183)	(99,349)
Net portfolio write up	4	(3,122)	(20,010)
Portfolio fair value release	4	95	276
Collections on owned portfolios	4	277,712	184,602
Depreciation and amortisation		9,604	13,141
Finance income		(100)	(528)
Loss on disposal of property, plant and equipment and intangible assets		-	417
Finance costs	3	48,546	46,137
Unrealised gain from foreign exchange		14,449	(1,716)
Decrease in trade and other receivables		(21,091)	(34)
Decrease / (increase) in trade and other payables		4,941	(4,785)
Movement in other net assets		(12,482)	(1,680)
Cash generated by operating activities before portfolio acquisitions		**187,139**	**106,040**
Portfolios acquired (1)		(119,689)	(111,706)
Income taxes paid		(2,202)	306
Net cash used in operating activities		**65,248**	**(5,360)**

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

9. Subsequent events

On 25 October 2022 the Group completed the acquisition of Hoist Finance UK.

Reconciliations

Profit to Cash EBITDA

	3 months to 30 September 2022 £000
Loss for the period	(18,091)
Net finance costs	48,446
Taxation credit	(8,139)
Operating profit	**22,216**
Net portfolio write-up	(3,122)
Portfolio fair value release	95
Portfolio amortisation	172,529
Non-recurring costs / exceptional items, net of exceptional income	2,500
Depreciation and amortisation	9,605
Cash EBITDA	**203,823**

Cash collections to Cash EBITDA

	3 months to 30 September 2022 £000
Cash collections	277,712
Other income	31,160
Operating expenses	(117,153)
Non-recurring costs / exceptional items, net of exceptional income	2,500
Depreciation and amortisation	9,604
Cash EBITDA	**203,823**

Net cash flow to Cash EBITDA

	3 months to 30 September 2022 £000
Increase in cash in the period	28,771
Movement in debt	13,759
Portfolios acquired	119,689
Interest paid	15,528
Taxation servicing	2,203
Capital expenditure and financial investment	4,298
Payment of lease liabilities	2,891
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**187,139**
Working capital adjustments	14,184
Non-recurring costs /exceptional items, net of exceptional income	2,500
Cash EBITDA	**203,823**