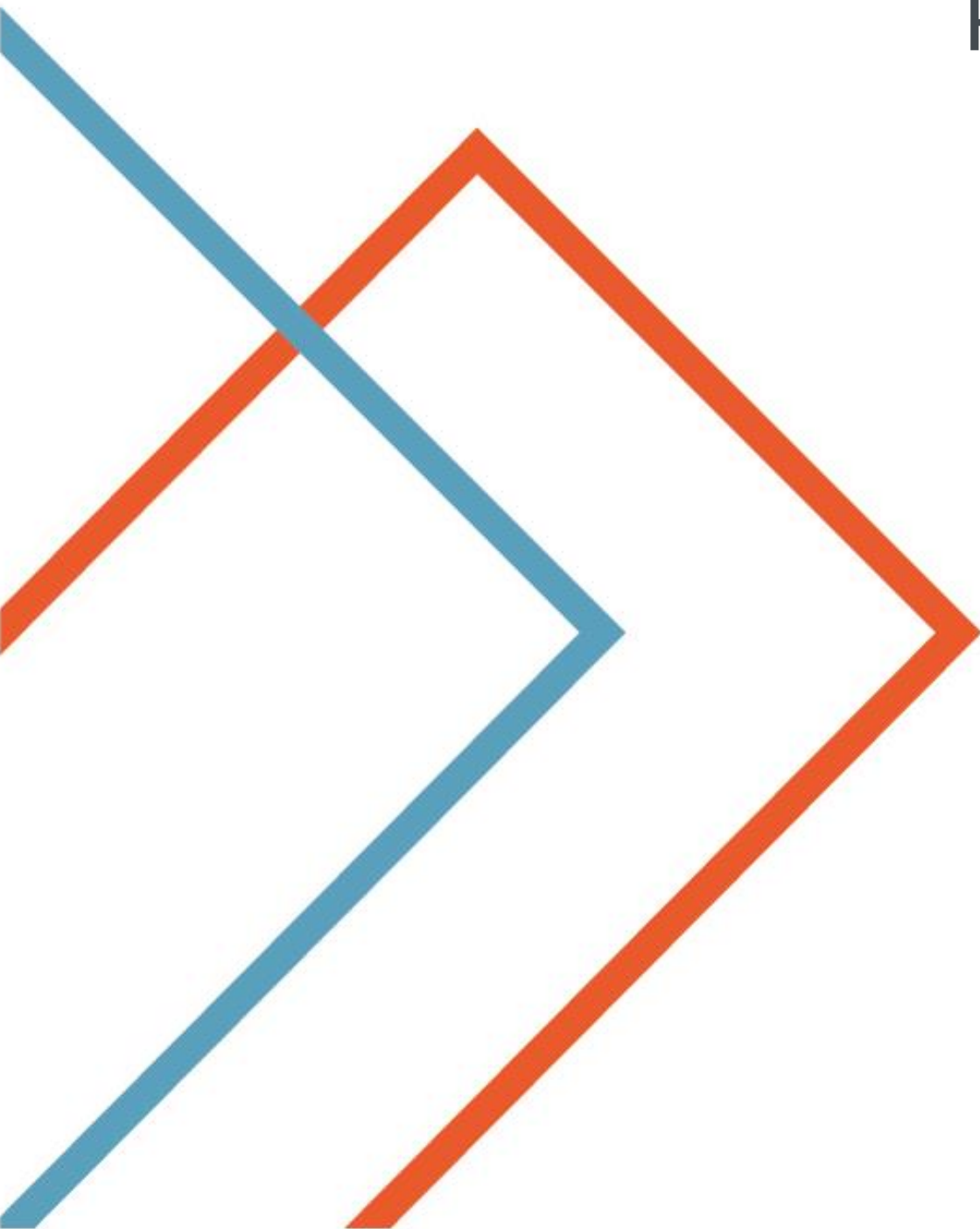


Garfunkelux Holdco 2 S.A.
QE 30 September 2019
Results



1. Highlights

- > **120 Month Estimated Remaining Collections** ("ERC") at £3,346.7m as of 30 September 2019, up 12.2% since 30 September 2018.
- > **Portfolio investments acquired** for the three months ending 30 September 2019 total £109.0m.
- > **Debt Purchase gross cash collections** of £204.0m in the three months ending 30 September 2019, an increase of 16.3% on the three months ending 30 September 2018.
- > **Cash income** of £246.3m in the three months ending 30 September 2019, up 11.6% compared to the three month period ending 30 September 2018.
- > **Cash EBITDA⁽¹⁾** for the three months ended 30 September 2019 of £131.1m, a 15.3% increase on the three month period ending 30 September 2018, with LTM Cash EBITDA to September 2019 of £478.7m.
- > **Net debt to LTM Pro forma Cash EBITDA⁽²⁾** is at 4.9x as at 30 September 2019.
- > **Net secured debt to LTM Pro forma Cash EBITDA⁽²⁾** is at 4.0x as at 30 September 2019.

(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 2019, adjusted for Pro forma cost adjustments.

1. Highlights (continued)

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

"We continue to grow our business in the right way, and these strong results demonstrate the progress, momentum and execution of our plans. I am pleased to see the contribution each of our regions has made, and to report leverage reducing by 0.2x to 4.9x in line with our guidance.

The markets remain attractive in terms of both value and volume, we are on track to meet our purchasing guidance of £390m for the year continuing to deploy capital at increasingly attractive returns.

We have also seen margins continue to improve with Cash EBTIDA growth outpacing Cash Income again, providing an increase on margin in excess of 100bps year-on-year. This is testament to the work behind the scenes in increasing the operational efficiency of the business.

Our business has great foundations and I believe we are well positioned to continue leveraging the scale we have built across the Group as part of our sustainable growth strategy."

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 and Sweden.

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** ("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 2019 and 30 September 2018.

(£ in millions unless otherwise noted)	Three months ended or as at 30 September 2019	Three months ended or as at 30 September 2018
Portfolio investments acquired	109.0	111.1
Gross cash collections (in total)	477.5	467.3
Gross cash collections (DP 'debt purchase')	204.0	175.4
Gross cash collections (3PC 'third party collections')	273.5	291.9
3PC income	42.3	43.3
Cash income	246.3	220.7
Cash EBITDA ⁽¹⁾	131.1	113.7
84 month ERC	2,785.3	2,511.0
120 month ERC	3,346.7	2,981.7
180 month ERC	3,950.8	3,472.8

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

2. Operating & financial review (continued)

Collections

Strong quarterly collections on DP Portfolios were achieved by the business totalling £204.0m in the three months ending 30 September 2019.

Income

Total income of £185.0m was generated in the three months ending 30 September 2019, an increase of £5.6m on the three month period ending 30 September 2018. Service revenue in the three months to 30 September 2019 totalled £54.9m included 3PC income of £42.3m and lawyer service revenue of £12.6m (three months to 30 September 2018: 3PC income of £43.3m and lawyer service revenue of £12.1m).

Operating expenses

Operating expenses including exceptional costs of £8.7m were £148.4m for the period, of which £87.7m were collection activity costs. Collection costs include lawyer service costs which totalled £12.9m in the three months to 30 September 2019 (three months to September 2018: £12.3m).

Finance costs

Excluding foreign exchange effects, finance costs totalled £55.4m for the three months ended 30 September 2019, see note 3.

Cash flow

Net cash generated by operating activities after portfolio purchases and exceptional costs totalled £53.8m in the three months to 30 September 2019. Net cash generated from operating activities before portfolio purchases and income taxes paid totalled £131.3m in the 3 months to September 2019.

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 2019 is shown below.

	UK		DACH		Nordics	
	As at 30 September 2019		As at 30 September 2019		As at 30 September 2019	
	Invested (£ millions)	Gross Money Multiple ⁽¹⁾	Invested (€ millions)	Gross Money Multiple ⁽¹⁾	Invested (€ millions)	Gross Money Multiple ⁽¹⁾
Total 120 month	1,842	2.5x	602	3.1x	1,120	2.4x
Total 180 month	1,842	2.7x	602	3.3x	1,120	2.5x

(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
As at 30 September 2019

	Note	3 months to 30 September 2019 £000	3 months to 30 September 2018 £000
Continuing operations			
Income			
Income from portfolio investments	4	96,128	90,656
Net portfolio write up	4	32,705	29,927
Portfolio fair value release	4	(391)	(497)
Service revenue	2	54,915	55,413
Other revenue		1,304	3,277
Other income		338	590
Total income		184,999	179,366
Operating expenses			
Collection activity costs		(87,698)	(78,939)
Other expenses		(60,735)	(61,272)
Total operating expenses		(148,433)	(140,211)
Operating profit		36,566	39,155
Finance income		4,132	743
Finance costs	3	(56,523)	(48,043)
Loss for the period, before tax		(15,825)	(8,145)
Tax expense		(511)	(1,237)
Loss for the period		(16,336)	(9,382)
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		313	1,406
Net fair value gains – cash flow hedges		96	-
Other comprehensive income, net of tax		409	1,406
Total comprehensive expenditure for the period		(15,927)	(7,976)

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 September 2019

	Note	30 September 2019 £000	30 September 2018 £000
Assets			
Non-current assets			
Goodwill		1,209,886	1,211,692
Intangible assets		156,501	163,557
Property, plant and equipment		61,660	12,655
Portfolio investments	4	1,052,205	944,154
Other financial assets		9,441	8,871
Deferred tax assets		14,703	9,804
Total non-current assets		2,504,396	2,350,733
Current assets			
Portfolio investments	4	584,140	556,096
Inventories		64	106
Trade and other receivables	5	50,921	75,940
Other financial assets		6,763	12,245
Derivatives		903	-
Assets for current tax		4,517	4,043
Cash and cash equivalents		136,515	99,272
Total current assets		783,823	747,702
Total assets		3,288,219	3,098,435
Equity			
Share capital		4,385	4,385
Share premium and similar premiums		516,721	516,721
Reserves		(101,263)	(93,708)
Retained deficit		(254,481)	(208,292)
Total equity		165,362	219,106
Liabilities			
Non-current liabilities			
Borrowings	7	2,511,500	2,381,021
Provisions		11,576	10,370
Other financial liabilities		48,206	90
Deferred tax liabilities		47,550	49,533
Total non-current liabilities		2,618,832	2,441,014
Current liabilities			
Trade and other payables	6	142,789	117,411
Provisions		15,854	15,640
Borrowings	7	296,345	261,580
Derivatives		5,387	4,059
Other financial liabilities		11,337	7,084
Current tax liabilities		32,313	32,541
Total current liabilities		504,025	438,315
Total equity and liabilities		3,288,219	3,098,435

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 September 2019

	Share Capital £000	Share premium & similar premiums £000	Capital Reserve £000	Translation reserve £000	Valuation reserve £000	Hedging reserve £000	Retained deficit £000	Total £000
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
Loss for the period	-	-	-	-	-	-	(2,236)	(2,236)
Actuarial gains on pension	-	-	-	-	457	-	-	457
Deferred tax on pensions	-	-	-	-	(149)	-	-	(149)
Exchange differences	-	-	-	(4,214)	-	-	-	(4,214)
Total comprehensive income/ (expenditure)	-	-	-	(4,214)	308	-	(2,236)	(6,142)
Balance at 31 December 2018	4,385	516,721	(7,946)	(89,614)	(54)	-	(210,528)	212,964
Loss for the period	-	-	-	-	-	-	(27,617)	(27,617)
Exchange differences	-	-	-	(3,745)	-	-	-	(3,745)
Net fair value losses – cash flow hedges	-	-	-	-	-	(313)	-	(313)
Total comprehensive expenditure	-	-	-	(3,745)	-	(313)	(27,617)	(31,675)
Balance at 30 June 2019	4,385	516,721	(7,946)	(93,359)	(54)	(313)	(238,145)	181,289
Loss for the period	-	-	-	-	-	-	(16,336)	(16,336)
Exchange differences	-	-	-	313	-	-	-	313
Net fair value gains – cash flow hedges	-	-	-	-	-	96	-	96
Total comprehensive income/ (expenditure)	-	-	-	313	-	96	(16,336)	(15,927)
Balance at 30 September 2019	4,385	516,721	(7,946)	(93,046)	(54)	(217)	(254,481)	165,362

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 2019

	Note	3 months to 30 September 2019 £000	3 months to 30 September 2018 £000
Net cash generated by/(used in) operating activities	8	53,779	(8,039)
Investing activities			
Purchase of property, plant and equipment		(992)	(1,274)
Purchase of intangible assets		(5,053)	(4,462)
Acquisition of subsidiary, net of cash acquired		(2,926)	-
Net cash used in investing activities		(8,971)	(5,736)
Financing activities			
Proceeds from loans and borrowings		70,960	31,694
Transaction costs related to loans and borrowings		(327)	(1,494)
Repayment of borrowings		(70,756)	(4,068)
Payment of lease liabilities		(3,319)	-
Interest paid		(29,862)	(26,139)
Net cash used in financing activities		(33,304)	(7)
Net increase/(decrease) in cash and cash equivalents		11,504	(13,782)
Cash and cash equivalents at beginning of period		126,313	112,945
Effect of movements in exchange rates on cash held		(1,302)	109
Cash and cash equivalents at end of period		136,515	99,272

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 2019

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.

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 2019.

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.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2019

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 2019

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 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 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 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 models.

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2019

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.

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 2019

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 2019 £000	3 months to 30 September 2018 £000
3PC income	42,334	43,277
Lawyer service revenue	12,581	12,136
	54,915	55,413

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2019

3. Finance costs

	3 months to 30 September 2019 £000	3 months to 30 September 2018 £000
Interest payable on the Senior Secured Notes	28,386	28,179
Interest payable on the Senior Unsecured Notes	5,997	6,325
Fees payable on the notes	3,487	2,061
Interest and fees payable on Revolving credit facility	2,700	2,793
Interest payable on shareholder loan	8,948	8,085
Net loss/(gain) on financial instruments designated as FVTPL	2,130	(720)
Interest payable on securitisation	1,908	88
Other interest payable	1,273	1,232
Net foreign exchange loss	1,114	-
Interest expense from lease liabilities	580	-
	56,523	48,043

4. Portfolio investments

	30 September 2019 £000	30 September 2018 £000
Non-current	1,052,205	944,154
Current	584,140	556,096
Total	1,636,345	1,500,250

	30 September 2019 £000	30 September 2018 £000
At start of the period	1,614,832	1,439,296
Portfolios acquired during the period	108,997	111,065
Collections in the period	(203,958)	(175,381)
Income from portfolio investments	96,128	90,656
Net portfolio write up	32,705	29,927
Portfolio fair value release	(391)	(497)
Other	(11,968)	5,184
At end of the period	1,636,345	1,500,250

Garfunkelux Holdco 2 S.A.
Notes to the unaudited condensed consolidated interim financial statements
3 months ended 30 September 2019

5. Trade and other receivables

	30 September 2019 £000	30 September 2018 £000
Trade receivables	13,963	14,182
Prepayments and accrued income	20,214	17,801
Other receivables	14,315	43,117
Tax receivable	2,429	840
	50,921	75,940

6. Trade and other payables

	30 September 2019 £000	30 September 2018 £000
Trade payables	13,683	18,442
Other taxes and social security	5,433	4,340
Accruals and deferred income	42,779	29,343
Other payables	80,894	65,286
	142,789	117,411

Other payables includes amounts due of £38.2m in respect of portfolios purchased but not yet paid for as at 30 September 2019 (30 September 2018: £21.2m).

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3 months ended 30 September 2019

7. Borrowings

	30 September 2019 £000	30 September 2018 £000
Non-current		
Unsecured borrowing at amortised cost		
Senior Notes	196,500	230,000
Prepaid costs on unsecured borrowings	(5,792)	(5,006)
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	394,539	360,691
Total unsecured	585,247	585,685
Secured borrowing at amortised cost		
Senior Secured Notes	1,826,698	1,832,777
Prepaid costs on secured borrowings	(29,162)	(39,817)
Securitisation loans	128,717	2,376
Total secured	1,926,253	1,795,336
Total borrowings due for settlement after 12 months	2,511,500	2,381,021
Current		
Unsecured borrowing at amortised cost		
Interest on Senior Notes	9,006	10,542
Other interest payable	999	722
Total unsecured	10,005	11,264
Secured borrowing at amortised cost		
Interest on Senior Secured Notes	27,128	27,760
Revolving credit facility	183,435	203,586
Securitisation loans	75,777	18,970
Total secured	286,340	250,316
Total borrowings due for settlement before 12 months	296,345	261,580

Senior Unsecured Notes

On 29 August 2019 the Group repurchased £33.5m of the 11% Senior Unsecured Notes through its subsidiary company Simon Bidco Limited. Following the 11% Senior Unsecured Notes purchase, £196.5 million in aggregate principal remains outstanding in the open market. The 11% Unsecured Senior Notes repurchased by the Group remain held by the Group.

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8. Note to the statement of cashflows

	Note	3 months to 30 September 2019 £000	3 months to 30 September 2018 £000
Loss for the period before tax		(15,825)	(8,145)
Adjustments for:			
Income on portfolio investments	4	(96,128)	(90,656)
Net portfolio write up	4	(32,705)	(29,927)
Portfolio fair value release	4	391	497
Collections on owned portfolios	4	203,958	175,381
Depreciation and amortisation		10,183	7,910
Impairment of intangible assets		100	-
Finance income		(4,132)	(743)
Loss on disposal of property, plant and equipment and intangible assets		22	-
Finance costs	3	56,523	48,043
Unrealised gains from foreign exchange		940	298
Decrease in trade and other receivables		11,008	105
Decrease in trade and other payables		(2,974)	(9,444)
Movement in other net assets		(56)	126
Cash generated by operating activities before portfolio acquisitions		131,305	93,445
Portfolios acquired ⁽¹⁾		(76,431)	(99,673)
Net cash generated by/(used in) operating activities		54,874	(6,228)
Income taxes paid		(1,095)	(1,811)
Net cash generated by/(used in) operating activities		53,779	(8,039)

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

Reconciliations

Profit to Cash EBITDA

	3 months to 30 September 2019 £000
Loss for the period	(16,336)
Net finance costs	52,391
Taxation expense	511
Operating profit	36,566
Portfolio amortisation	107,830
Net portfolio write up	(32,705)
Portfolio fair value release	391
Non-recurring costs/exceptional items, net of exceptional income	8,732
Depreciation, amortisation and impairment	10,283
Cash EBITDA	131,097

Cash collections to Cash EBITDA

	3 months to 30 September 2019 £000
Cash collections	203,958
Other income	56,557
Operating expenses	(148,433)
Non-recurring costs/exceptional items, net of exceptional income	8,732
Depreciation, amortisation and impairment	10,283
Cash EBITDA	131,097

Net cash flow to Cash EBITDA

	3 months to 30 September 2019 £000
Increase in cash in the period	11,504
Movement in debt	(204)
Portfolios acquired	76,431
Interest paid	29,862
Income taxes paid	1,095
Transaction costs related to loans and borrowings	327
Capital expenditure and financial investment	6,045
Acquisition of subsidiary, net of cash acquired	2,926
Payment of lease liabilities	3,319
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	131,305
Working capital adjustments	(8,940)
Non-recurring costs/exceptional items, net of exceptional income	8,732
Cash EBITDA	131,097