Arrow Global Guernsey Holdings Limited

("Arrow Global" or "the Group" or "the Company")

Results for the six months and quarter ended 30 June 2013

Arrow Global, one of Europe's largest and fastest growing providers of debt purchase and receivables management solutions, is pleased to announce its results for the six months ended 30 June 2013.

Financial Highlights

- Total revenue up 55.3% to £48.3 million (H1 2012: £31.1 million)
- Total collections[1] up 34.9% to £69.6 million (H1 2012: £51.6 million)
- Core collections[2] up 48.5% to £62.5 million (H1 2012: £42.1 million)
- Adjusted EBITDA up 44.2% to £43.4 million (H1 2012: £30.1 million); adjusted EBITDA ratio 69.5% (H1 2012: 71.5%).
- 84-month Estimated Remaining Collections ('ERC') up 41.4% to £548.7 million at 30 June 2013 (30 June 2012: £388.0 million)
- 120-month ERC up 36.7% to £637.4 million at 30 June 2013 (30 June 2012: £466.1 million)
- Net debt[3] at 30 June 2013: £217.4 million, with a leverage ratio[4] of 39.6%

Operating Highlights

- Acquired debt portfolios with face value of £999 million for an aggregate purchase price of £68.5 million[5], with 85.1% of purchase price underpinned by paying accounts
- Eight portfolio purchases in total, including two significant UK financial services portfolios
- Following these acquisitions, the face value of total assets under management increased to £8.5 billion (31 December 2012: £7.6 billion), including purchased portfolios of £6.9 billion
- Owned customer accounts increased to 4.9 million as of June 2013 (31 December 2012: 3.6 million)
- Existing portfolios continue to perform in-line with expectations – cumulative gross collections as of June 2013 are at 103% of underwriting

- Extended strategic relationship with Experian to 2023 and increased Proprietary Collections Bureau[6] ('PCB') to 13.4 million records as of 30 June 2013 (31 December 2012: 11 million records)
- Senior management team augmented with the appointment of Steve Greenwood as Chief Risk Officer and the promotion of Georgina Hayes to Director of Operations.

Tom Drury, Chief Executive of Arrow Global, commented:

"Arrow Global had a strong second quarter, contributing to a very good first half, with core collections up 49%, adjusted EBITDA up 44% and adjusted EBITDA ratio broadly maintained consistently at 69.5%.

"For the six months to 30 June 2013, we added debt portfolios with a face value of £999 million, bringing the face value of assets under management to £8.5 billion, and increased 84-month and 120-month ERC as at 30 June 2013 to £548.7 million and £637.4 million respectively.

"We use our data capability to acquire portfolios underpinned by paying accounts, with the opportunity to convert non-paying accounts. During the first six months we acquired 1.2 million accounts for £68.5 million at an average price of 20.8p for paying accounts and 1.4p for non-paying accounts. We also extended our relationship with Experian and increased our proprietary PCB database to 13.4 million records at the end of June.

"We are committed to remaining at the forefront of the industry for compliance and risk management and our continuing progress in these areas was enhanced through the appointment of Steve Greenwood as Chief Risk Officer, and the promotion of Georgina Hayes to Director of Operations. Under their direction, our preparations for the transition of our principal regulatory body from the OFT to the FCA are progressing well.

"Looking forward, we believe we have a strong pipeline of portfolio acquisition opportunities in our core UK market, where the outlook remains strong. We also continue to evaluate new market opportunities where there may be potential scope to further enhance returns. All this taken together gives us good reason to look forward to the future with confidence."

14 August 2013

Notes:

1. Total collections include core collections and collections from third party assets under management.
2. Core collections is collections on Arrow Global's purchased loan portfolios.
3. Net debt is debt owed to third parties and cash and cash equivalents, but not including shareholder loan notes or unamortised bank arrangement fees, as appropriate.
4. Leverage ratio is net debt/84-month ERC.
5. Including £0.5 million of student loan investments held as loan notes.
6. Developed in conjunction with Experian, the PCB is one of the UK's first debt collection bureaus. Arrow Global uses the data capability within the PCB to enhance underwriting accuracy and to optimise collections by matching missing and incomplete customer data.

For further information:

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There will be a conference call for investors today at 3pm (UK time). Dial in details below:

Participant Dial-In Number:	0800 694 0257
Participant Dial-in International:	+44 (0) 1452 555566
Conference ID:	30226354

About Arrow Global (for further information please visit the company website: www.arrowglobal.net)

Notes to Editors

Arrow Global is one of Europe's largest and fastest growing providers of debt purchase and receivables management solutions, with £8.5 billion assets under management, including £6.9 billion of purchased assets. Our data driven, compliance focused and customer-centric business model offers a tailored approach for creditors and customers alike.

Our intensive data analysis and account segmentation help to ensure that each customer is offered the most suitable solution for their individual circumstances. We have developed data analytical tools which provide an optimised understanding of individual customers' circumstances and help us adhere to regulatory and compliance requirements, for which Arrow Global has an established track record.

Forward looking statements

This announcement contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this document and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

BUSINESS & FINANCIAL REVIEW

Business Review

	As of and year to 31-Dec-12 £m	As of and 6 months to 30-Jun-13 £m	As of and 6 months to 30-Jun-12 £m
84-month ERC	464.4	548.7	388.0
120-month ERC	551.3	637.4	466.1
Purchases of loan portfolios	83.9	68.5	30.8
Number of accounts (‘000)	3,562	4,886	3,405
Number of loan portfolios	96	103	84
Core collections	88.7	62.5	42.1
Collection activity costs	(19.6)	(14.3)	(8.7)
Collection cost ratio (%)	22.1%	22.9%	20.7%
Adjusted EBITDA	61.9	43.4	30.1
Adjusted EBITDA ratio	69.8%	69.5%	71.5

ERC and portfolio acquisitions

At 30 June 2013, 84-Month ERC and 120-Month ERC have increased to £548.7 million and £637.4 million respectively (31 December 2012: £464.4 million and £551.3 million respectively). Of the 84-month ERC of £548.7 million, 88% was in the UK consisting of 91 loan portfolios and 12% was in Portugal consisting of 12 loan portfolios. 86% was in financial services assets, which have a higher average balance and have a longer tail than assets in other sectors.

During H1 2013, we acquired debt portfolios with a face value of £999 million for a purchase price of £68.5 million. Of these portfolios, £276.5 million comprises paying accounts, representing 85.1% of the purchase price. This mitigates our downside risk on these portfolios, whilst we use our data assets to seek to penetrate the £722.7 million of non-paying accounts.

	Face Value	Purchase Price	% of Investment
Paying Accounts	£276.5m	20.8p	85.1%
Non-paying accounts	£722.7m	1.4p	14.9%
Total	**£999.2m**	**6.9p**	**100%**

These acquisitions, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £262.4 million at 30 June 2013 (31 December 2012: £208.2 million).

Collections

Core collections for the six months ended 30 June 2013 increased to £62.5 million (H1 2012: £42.1 million), reflecting the increased size of our loan portfolios. At the end of the quarter core collections are cumulatively 103% of our original underwriting forecast and 100.1% relative to last year’s ERC.

Financial Review

Revenue

During the quarter ended 30 June 2013 ('Q2 2013'), total revenue increased by £10.4 million to £26.3 million (Q2 2012: £15.9 million), due mainly to a significant rise in income from purchased loan portfolios to £23.3 million (Q2 2012: £15.0 million) and a portfolio write-up of £2.1 million during the period, driven by the strong performance of the portfolios purchased in 2011.

Operating profit

Operating profit pre-exceptional items increased to £15.0 million (Q2 2012: £8.7 million), due to the increase in revenue driven by our core collections. Our collection activity cost ratio has been maintained, driving the increase in Adjusted EBITDA to £24.4 million (Q2 2012: £15.7 million) with an Adjusted EBITDA ratio at 69.4% for the quarter (Q2 2012: 73.1%).

Finance costs

Finance costs were £0.4 million lower at £4.6 million (Q2 2012: £5.0 million). Interest on bond financing was £4.4 million in Q2 2013, compared with a £3.6 million shareholder interest expense in Q2 2012. The shareholder loans were repaid or converted into equity on issuance of the £220,000,000 7.875% senior secured notes (the 'senior secured notes'). Our cash cover ratio (Adjusted EBITDA/ interest) was 5.3 times for the quarter ended 30 June 2013.

Profit before Tax

After taking into account the costs of the issuance of the senior secured notes, a portion of which have been capitalised and will be amortised over the length of the senior secured notes, profit before tax for the quarter ended 30 June 2013 was £12.0 million (Q2 2012: £3.7 million).

Taxation

The taxation charge on ordinary activities increased by £2.1 million to £3.4 million (Q2 2012: £1.3 million).

Total comprehensive income for the period attributable to equity shareholders

Our profit for the period attributable to equity shareholders was £8.6 million (Q2 2012: £2.4 million).

Cash flow and net debt

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased to £31.5 million (Q2 2012: £21.8 million). This was largely due to an increase in collections during the period to £35.2 million (Q2 2012: £21.5 million), partially offset by a low deferred consideration balance in March 2012 creating a large increase in trade and other payables during Q2 2012 of £9.4 million versus £3.7 million in Q2 2013. Our leverage ratio (Net Debt/84-month ERC) was 39.6%.

Senior Management Appointments

Since 30 June, we have augmented our senior management team with the appointment of a Chief Risk Officer, Steve Greenwood, and the promotion of Georgina Hayes to Director of Operations. Both Steve and Georgina have an impressive range and depth of experience in our and related industries and their expertise will be invaluable to us as we continue to build on our position at the forefront of compliance control, protecting the reputation of the credit originators and Arrow Global.

Recent Developments and Outlook

Following a strong first half we have now fully integrated the assets we acquired and gross collections for the 2013 vintage are at 102% of underwriting.

We have continued to invest in building our data analysis, risk and compliance teams to position us to remain at the forefront of the industry, and during the quarter we increased our head count from 102 to 107 full time, highly skilled employees. Our preparations for the transition of our principal regulatory body from the OFT to the FCA are progressing well.

Looking forward, we believe we have a strong pipeline of portfolio acquisition opportunities in our core UK market, where the outlook remains strong. We also continue to evaluate new market opportunities where there may be potential scope to further enhance returns. All this taken together gives us good reason to look forward to the future with confidence.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2013

	Note	**6 month ended 30 June 2013 £000**	**6 months ended 30 June 2012 £000**	**3 months ended 30 June 2013 £000**	**3 months ended 30 June 2012 £000**
Continuing operations					
Revenue					
Income from purchased loan portfolios	*4*	42,719	29,602	23,690	15,011
Portfolio write up		4,746	467	2,136	467
Profit/(loss) on portfolio and loan note sales		115	318	115	318
		47,580	30,387	25,941	15,796
Interest income		12	-	12	-
Income from asset management		719	686	344	95
Total revenue		**48,311**	**31,073**	**26,297**	**15,891**
Operating expenses					
Collection activity costs		(14,310)	(8,730)	(8,195)	(4,077)
Professional fees and services		(1,036)	(969)	(253)	(522)
Other expenses		(4,875)	(4,678)	(2,810)	(2,575)
Total operating expenses		**(20,221)**	**(14,377)**	**(11,258)**	**(7,174)**
Operating profit (pre-exceptional costs)		**28,090**	**16,696**	**15,039**	**8,717**
Exceptional costs [1]		(3,314)	(55)	1,565	(55)
Operating profit (post-exceptional costs)	*4*	**24,776**	**16,641**	**16,604**	**8,662**
Finance costs	*5*	(9,625)	(9,338)	(4,573)	(4,999)
Exceptional finance costs	*5*	(3,916)	-	-	-
Profit before tax		**11,235**	**7,303**	**12,031**	**3,663**
Taxation charge on ordinary activities		(3,746)	(1,645)	(3,409)	(1,261)
Profit for the year attributable to equity shareholders		**7,489**	**5,658**	**8,622**	**2,402**
Foreign exchange translation difference arising on revaluation of foreign operations		(42)	14	(84)	(249)
Total comprehensive income for the period attributable to equity shareholders		**7,447**	**5,672**	**8,538**	**2,153**

[1] Costs for the three months ended 30 June 2013 shows a credit of £1,565,000 due to capitalisation of costs of £3.9 million related to the issuance of the senior secured notes, offset by a £2.3 million non-cash adjustment relating to deferred tax as a result of aligning accounting policies.

UNAUDITED CONSOLIDATED BALANCE SHEET
As at 30 June 2013

		30 June 2013	31 December 2012
Assets	***Note***	**£000**	**£000**
Non-current assets			
Goodwill		1,968	1,968
Other intangible assets		1,670	1,755
Property, plant & equipment		235	252
Purchased loan portfolios	*8*	203,032	163,079
Loan notes		1,798	-
Deferred tax asset		9	9
Total non-current assets		**208,712**	**167,063**
Current assets			
Cash and cash equivalents		9,964	9,610
Other receivables	*6*	9,019	7,006
Derivative asset		82	143
Purchased loan portfolios	*8*	59,408	45,092
Current tax asset		-	38
Total current assets		**78,473**	**61,889**
Total purchased loan portfolios	*8*	*262,440*	*208,171*
Total assets		**287,185**	**228,952**
Equity			
Share capital		16	10
Share premium		30,523	3
Retained earnings/(deficit)		20,357	12,868
Translation reserve		(368)	(326)
Total equity attributable to shareholders		**50,528**	**12,555**
Liabilities			
Non-current liabilities			
Non-controlling interest loan		-	2,619
Bank loan		-	97,381
Shareholders' loan		-	106,585
Senior secured notes		211,184	-
Deferred tax liability		2,232	-
Total non-current liabilities		**213,416**	**206,585**
Current liabilities			
Trade and other payables	*7*	11,439	7,728
Derivative liability		170	451
Current tax liability		4,249	1,633
Senior secured notes		7,383	-
Total current liabilities		**23,241**	**9,812**
Total liabilities		**236,657**	**216,397**
Total equity and liabilities		**287,185**	**228,952**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012:

	Ordinary shares*	Share premium	Retained earnings	Translation reserve	Total
Balance at 1 January 2012	**10**	**3**	**3,456**	**(459)**	**3,010**
Profit for the year	-	-	9,412	-	9,412
Exchange differences	-	-	-	133	133
Total comprehensive income for the period	**-**	**-**	**9,412**	**133**	**9,545**
Balance at 31 December 2012	**10**	**3**	**12,868**	**(326)**	**12,555**

For the 6 month period ended 30 June 2013:

	Ordinary shares*	Share premium	Retained earnings	Translation reserve	Total
Balance at 1 January 2013	**10**	**3**	**12,868**	**(326)**	**12,555**
Profit for the period	-	-	7,489	-	7,489
Exchange differences	-	-	-	(42)	(42)
Total comprehensive income for the period	-	-	**7,489**	**(42)**	**7,447**
Issue of shares	6	30,520	-	-	30,526
Balance at 30 June 2013	**16**	**30,523**	**20,357**	**(368)**	**50,528**

* Included within ordinary shares at 30 June 2013 are A shares of £15,429 (2012: £9,002), B shares of £1,000 (2012: £1,000), C shares of £200 (2012: £200) and D shares of £50 (2012: £50).

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 and 3 month periods ended 30 June 2013:

	Note	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	3 months ended 30 June 2013 £000	3 months ended 30 June 012 £000
Cash flows from operating activities					
Profit/(loss) before tax		11,235	7,303	12,031	3,663
Non-cash movements:					
Portfolio write up		(4,746)	(467)	(2,136)	(467)
Income on purchased loan portfolios		(42,719)	(29,602)	(23,690)	(15,011)
Profit on disposal of purchased loan portfolios		(115)	(318)	(115)	(318)
Amortisation of legal acquisition fees		3,594	28	869	(151)
Depreciation and amortisation		365	450	185	313
Goodwill impairment		2,309	-	2,309	-
Increase in rolled up interest on shareholders' loans		1,291	7,040	-	3,586
Increase in rolled up interest on non-controlling interest loans		30	164	(1)	47
Increased interest on secured loan notes		7,383	-	4,421	-
Foreign exchange (gains)/losses		(295)	264	(143)	220
(Gain)/loss on fair values on derivatives		(220)	503	(380)	43
Operating cash flows before movement in working capital		**(21,888)**	**(14,635)**	**(6,650)**	**(8,075)**
(Increase)/decrease in other receivables		(2,456)	286	(755)	161
Increase in trade and other payables		3,232	4,950	3,695	9,353
Payment of deferred consideration		-	(1,065)	-	-
Collections in the period		62,509	42,083	35,156	21,480
Proceeds from disposal of purchased loan portfolios		558	694	558	694
Cash generated by operations		**41,955**	**32,313**	**32,004**	**23,613**
Income taxes and overseas taxation paid		(1,594)	(1,882)	(507)	(1,830)
Net cash flow from operating activities before purchases of purchased loan portfolios and loan notes		**40,361**	**30,431**	**31,497**	**21,783**
Purchases of purchased loan portfolios		(50,702)	(30,826)	(34,943)	(23,884)
Purchases of loan notes		(1,798)	-	(1,798)	-
Net cash used in operating activities	*4*	**(12,139)**	**(395)**	**(5,244)**	**(2,101)**
Investing activities					
Purchase of property, plant and equipment		(49)	(4)	(45)	-
Purchase of intangible assets		(217)	(569)	(53)	(169)
Acquisition of subsidiary, net of cash acquired		(17,826)	-	-	-
Net cash used in investing activities		**(18,092)**	**(573)**	**(98)**	**(169)**
Financing activities					
Proceeds from additional loans		6,884	22,363	5,000	13,161
Proceeds from senior secured notes (net of capitalised transaction fees)		210,626	-	(3,874)	-
Repayment of bank loan		(106,859)	(18,048)	(5,000)	(10,459)
Repayment of shareholder loans		(77,350)	-	-	-
Repayment of non-controlling interest loans		(2,650)	-	-	-
Net cash flow generated by financing activities		**30,651**	**4,315**	**(3,874)**	**2,702**
Net increase/(decrease) in cash and cash equivalents		**420**	**3,347**	**(9,216)**	**432**
Cash and cash equivalents at beginning of period		**9,610**	**6,440**	**19,193**	**9,369**
Effect of exchange rates on cash and cash equivalents		(66)	(111)	(13)	(125)
Cash and cash equivalents at end of period		**9,964**	**9,676**	**9,964**	**9,676**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The annual financial statements of Arrow Global Guernsey Holdings Limited are prepared in accordance with IFRSs as adopted by the European Union. The Group's interim results for the 3 months ended 31 March 2013 were approved by the board of directors of the Group (the 'Directors') on 1 May 2013, and have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those disclosed in the annual report for the year ended 31 December 2012.

The financial information for the year ended 31 December 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Going Concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

In January 2013, Arrow Global Finance plc, a public limited company was incorporated and issued a bond for £220,000,000 of senior secured notes. The proceeds of the bond were used for the repayment of existing liabilities with residual cash of £40m for use in operating activities.

3. Critical Accounting Policies and Estimates

The Group's significant accounting policies are described below. The application of these accounting policies requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for turnover and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. On an ongoing basis, we evaluate our estimates, which are based on historical experience and market and other conditions, and on assumptions that we believe to be reasonable. We have chosen to highlight certain policies that we consider critical to the operations of our business and understanding our consolidated financial information. The following areas are considered to involve a significant degree of judgment or estimation.

a) Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the Financial Statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

Upward revaluations ('uplifts') are recognized as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized which is reflected as a separate income statement line item.

b) Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months subsequent to the acquisition date of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

c) Estimation of cash flow forecasts

Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. Revaluations of portfolios are based on the rolling 84-month estimated remaining collections ('ERC') at the revaluation date. This ERC is updated with the Core Collections experience to date on a monthly basis using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios at a point in time.

4. Reconciliations to Adjusted EBITDA

Reconciliation of Net Cash Flow to EBITDA

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	3 months ended 30 June 2013 £000	3 months ended 30 June 2012 £000
Net cash flow used in operating activities	(12,139)	(395)	(5,244)	(2,101)
Purchases of loan portfolios	50,702	30,826	34,943	23,884
Purchases of loan notes	1,798	-	1,798	-
Proceeds from disposal of loan portfolios	(558)	(694)	(558)	(694)
Income taxes paid	1,594	1,882	507	1,830
Working capital adjustments	(4,370)	(4,199)	(3,809)	(9,363)
Profit on disposal of purchased loan portfolios	115	318	115	318
Gain/ (loss) on fair value derivatives	220	(503)	380	(43)
Amortisation of acquisition and bank facility fees	790	660	558	448
Fair value (gains)/losses on interest rate swaps	(533)	522	(581)	522
Interest payable	896	1,612	176	844
Exceptional costs	4,921	55	(3,874)	55
Adjusted EBITDA	**43,436**	**30,084**	**24,411**	**15,700**

Reconciliation of Core Collections to EBITDA

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	3 months ended 30 June 2013 £000	3 months ended 30 June 2012 £000
Income from loan portfolios	42,719	29,602	23,960	15,011
Portfolio amortisation	19,790	12,481	11,466	6,469
Core collections	**62,509**	**42,083**	**35,156**	**21,480**
Profit on portfolios	115	318	115	318
Other income	731	686	356	95
Operating expenses	(23,535)	(14,432)	(9,693)	(7,229)
Depreciation and amortisation	365	450	185	313
Foreign exchange (gains)/losses	(295)	264	(143)	220
Amortisation of acquisition and bank facility fees	232	660	-	448
Exceptional costs	3,314	55	(1,565)	55
Adjusted EBITDA	**43,436**	**30,084**	**24,411**	**15,700**

4. Reconciliations to Adjusted EBITDA *(continued)*

Reconciliation of Operating Profit to EBITDA

	6 months ended 30 June 2013 £000	**6 months ended 30 June 2012 £000**	**3 months ended 30 June 2013 £000**	**3 months ended 30 June 2012 £000**
Profit for the period attributable to equity shareholders	7,489	5,658	8,622	2,402
Interest expense	9,625	9,338	4,573	4,999
Taxation charge on ordinary activities	3,746	1,645	3,409	1,261
Exceptional costs	3,916	-	-	-
Operating profit	**24,776**	**16,641**	**16,604**	**8,662**
Portfolio amortisation	19,790	12,481	11,466	6,469
Portfolio write-up	(4,746)	(467)	(2,136)	(467)
Depreciation and amortisation	365	450	185	313
Foreign exchange (gains)/losses	(295)	264	(143)	220
Amortisation of acquisition and bank facility fees	232	660	-	448
Exceptional costs	3,314	55	(1,565)	55
Adjusted EBITDA	**43,436**	**30,084**	**24,411**	**15,700**

Exceptional costs for the six months to 30 June 2013:

Operating exceptional costs	3,314
Financing exceptional costs	3,916
	7,230
Non-cash adjustment	(2,309)
	4,921

5. Finance costs

	6 months ended 30 June 2013 £000	**6 months ended 30 June 2012 £000**	**3 months ended 30 June 2013 £000**	**3 months ended 30 June 2012 £000**
Interest on minority interest loans	30	165	(1)	48
Interest on bank loans	1,757	1,612	176	844
Interest on senior secured notes	7,383	-	4,421	-
Other interest	19	-	-	-
Shareholder interest expense	1,291	7,040	-	3,586
Total interest expense	**10,480**	**8,817**	**4,596**	**4,478**
Fair value losses on interest rate swaps	(533)	521	(581)	521
Amortisation of financing costs	3,594	-	558	-
	13,541	**9,338**	**4,573**	**4,999**
Exceptional financing costs	(3,916)	-	-	-
	9,625	**9,338**	**4,573**	**4,999**

6. Other receivables and prepayments

	At 30 June 2013	At 31 December 2012
	£000	£000
Prepayments	7,138	5,742
Other debtors	1,836	1,219
Deposits	45	45
	9,019	**7,006**

7. Trade and other payables

	At 30 June 2013	At 31 December 2012
	£000	£000
Trade payables	4,623	3,146
Taxation and social security	120	69
Other liabilities and accruals	6,696	4,513
	11,439	**7,728**

8. Purchased loan portfolios

	For 6 months ended 30 June 2013	Year ended 31 December 2013
	£000	£000
As at 1 January	208,171	150,005
Portfolios acquired during the period[1]	50,702	84,431
Portfolios acquired through acquisition of a subsidiary	18,301	-
Collections in the period	(62,508)	(88,720)
Income from purchased loan portfolios	42,719	62,261
Exchange gain on purchased loan portfolios	749	(200)
Amortisation of legal acquisition fees on portfolios	-	(230)
Disposal of purchased loan portfolios	(440)	(617)
Portfolio write up	4,746	1,241
As at 30 June	**262,440**	**208,171**

[1] June 2013 portfolio acquisitions includes portfolio costs capitalization of £984,000 (2012: £453,000).

9. Senior secured notes and revolving credit facility

In January 2013, Arrow Global Finance plc, a public limited company was incorporated and issued £220,000,000 of senior secured notes with a coupon of 7.875% and a maturity date of 2020.

The senior secured notes can be redeemed in full or in part on or after 1 March 2016 at the Group's option. Prior to 1 March 2016 the Group may redeem, at its option, some or all of the senior secured notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus and applicable "make-whole" premium. The senior secured notes are secured by substantially all of the assets of the Group, Interest is paid bi-annually.

9. Senior secured notes and revolving credit facility *(continued)*

In January 2013, the Group entered into a revolving credit facility with The Royal Bank of Scotland plc, as security agent for a consortium of participating financial institutions. The revolving credit facility provides for £40 million of committed financing and provides up to an additional £15 million on an uncommitted basis. The revolving credit facility terminates on 28 January 2018 and bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the loan-to-value "LTV" ratio at each quarter end.

The principal covenants relating to the revolving credit facility are as follows:

	Covenant	**30 June 2013**
SSLTV[1]	25%	0.0%
LTV[2]	75%	39.6%

[1] Net drawn position of revolving credit facility less cash on balance / 84-Month ERC.
[2] Net debt / 84-Month ERC.