Arrow Global Group PLC

Results for the nine months and quarter ended 30 September 2013

ARROW GLOBAL

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

Results for the nine months and quarter ended 30 September 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 nine months ended 30 September 2013.

Arrow Global Group PLC successfully completed an Initial Public Offering ("IPO") on the main market of the London Stock Exchange in October 2013. The following results are for Arrow Global Guernsey Holdings Limited consolidated, which was the equivalent group as at 30 September 2013, prior to completion of the IPO.

Financial Highlights

- Core collections[1] up 45.6% to £93.3 million (9 months ended 30 September 2012: £64.1 million)
- Adjusted EBITDA up 44.7% to £64.7 million (9 months ended 30 September 2012: £44.7 million); adjusted EBITDA ratio 69.4% (9 months ended 30 September 2012: 69.6%)
- Underlying net income up 156.9% to £18.5 million for nine months to 30 September 2013 (9 months ended 30 September 2012: £7.2 million)
- 120-month ERC up 38.8% to £626.9 million at 30 September 2013 (30 September 2012: £451.7 million)
- Pro forma Net debt £173.1m and Net Debt to Adjusted EBITDA ratio 2.1 after taking into account the £42m net IPO proceeds

Operating Highlights

- Successful IPO completed in October 2013 raising net proceeds of £42 million
- Committed Revolving Credit Facility (RCF) increased to £55 million
- Acquired debt portfolios with face value of £1,062 million for an aggregate purchase price of £74.0 million[2], with 82.7% of purchase price underpinned by paying accounts
- Following these acquisitions, the face value of total assets under management increased to £8.6 billion (31 December 2012: £7.6 billion), including purchased portfolios of £6.9 billion
- Owned customer accounts increased to 5.0 million as of 30 September 2013 (31 December 2012: 3.6 million)
- Existing portfolios continue to perform in-line with expectations – cumulative gross collections as of September 2013 maintained at 103% of underwriting
- Ranked first in the 2013 annual OC&C industry index

- Extended strategic relationship with Experian to 2023 and increased Proprietary Collections Bureau[3]('PCB') to 15.1 million records as of 30 September 2013 (31 December 2012: 11 million records)

Tom Drury, Chief Executive of Arrow Global, commented:

"We have been delighted with the success of Arrow's IPO and the strong response from investors, which has been validation of our unique business model and significant future growth prospects.

"Arrow Global had a good third quarter, contributing to an excellent first nine months to 30 September, with core collections up 46%, adjusted EBITDA up 45% and adjusted EBITDA margins broadly maintained consistently at 69%.

"In November, we announced our initial investment in the Government student loan portfolio, through a consortium with CarVal Investors. This is our third investment in this asset class, which we believe will be a growing market opportunity for Arrow, and brings our cumulative portfolio investments for the year to date to £90m.

"We see a strong pipeline of portfolio acquisition opportunities ahead and, while the market remains competitive, our ability to access multiple sources of origination will allow us to invest at or above our target returns. We remain on track to deliver £100m of portfolio purchases for the year and the Board is confident that we will deliver a trading result in line with our expectations for the full year ending 31 December 2013."

28 November 2013

Notes:

1. Core collections is collections on Arrow Global's purchased loan portfolios.

2. Including £0.5 million of student loan investments held as loan notes.
3. 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.

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Mike Davies
Catherine Wickman
Tom Drummond

There will be a conference call for investors today at 2pm (UK time). Dial in details below:

Participant Dial-In Number:	0800 694 0257
Participant Dial-in International:	+44 (0) 1452 555566
Conference ID:	14233444

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 £8.6 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.

We use our data capability to acquire portfolios underpinned by paying accounts, with the opportunity to convert non-paying accounts. 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 9 months to 30-Sep-13 £m	As of and 9 months to 30-Sep-12 £m
84-month ERC	464.4	540.0	376.1
120-month ERC	551.3	626.9	451.7
Purchases of loan portfolios	83.9	74.0	35.7
Number of accounts ('000)	3,562	4,965	3,443
Number of loan portfolios	96	106	87
Core collections	88.7	93.3	64.1
Collection activity costs	(19.6)	(21.0)	(13.9)
Collection cost ratio (%)	22.1%	22.5%	21.6%
Adjusted EBITDA	61.9	64.7	44.7
Adjusted EBITDA ratio	69.8%	69.4%	69.6%
Net debt	90.4	215.1	53.4
Underlying net income	11.1	18.5	7.2

ERC and portfolio acquisitions

At 30 September 2013, 84-Month ERC and 120-Month ERC have increased to £540.0 million and £626.9 million respectively (31 December 2012: £464.4 million and £551.3 million respectively). Of the 84-month ERC of £540.0 million, 88% was in the UK consisting of 93 loan portfolios and 12% was in Portugal consisting of 13 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 YTD 2013, we acquired debt portfolios with a face value of £1,062 million for a purchase price of £74.0 million. Of these portfolios, £287.0 million comprises paying accounts, representing 82.7% of the purchase price. This mitigates our downside risk on these portfolios, whilst we use our data assets to seek to penetrate the £775.1 million of non-paying accounts.

	Face Value	Purchase Price	% of Investment
Paying Accounts	£287.0m	21.3p	82.7%
Non-paying accounts	£775.1m	1.7p	17.3%
Total	**£1,062.1m**	**7.0p**	**100%**

These acquisitions, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £258.1 million at 30 September 2013 (31 December 2012: £208.2 million).

Collections

Core collections for the nine months ended 30 September 2013 increased to £93.3 million (YTD to 30 September 2012: £64.1 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.

Revenue

During the quarter ended 30 September 2013 ('Q3 2013'), total revenue increased by £5.7 million to £21.8 million (Q3 2012: £16.1 million), due mainly to a rise in income from purchased loan portfolios to £21.4 million (Q3 2012: £15.6 million).

Operating profit

Operating profit pre-exceptional items in the quarter increased to £11.3 million (Q3 2012: £7.0 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 £21.3 million (Q3 2012: £14.6 million) with an Adjusted EBITDA ratio for the quarter at 69.2% YTD (Q3 2012: 66.1%).

Finance costs

Finance costs remained the same at £4.8 million (Q2 2012: £4.8 million). Interest on bond financing was £4.3 million in Q3 2013, compared with a £3.9 million shareholder interest expense in Q3 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 4.4 times for the quarter ended 30 September 2013.

Taxation

The taxation charge on ordinary activities increased by £0.5 million to £1.6 million (Q3 2012: £1.1 million).

Underlying net income

Underlying net income increased 230.7% to £4.9 million (Q3 2012: £1.5 million). The calculation of this measure can be seen in note 5.

Total comprehensive income for the period attributable to equity shareholders

Our profit for the period attributable to equity shareholders was £4.9 million (Q3 2012: £1.2 million).

Cash flow and net debt

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased to £13.7 million (Q3 2012: £7.4 million). This was largely due to an increase in collections during the period to £30.7 million (Q3 2012: £22.1 million). Our leverage ratio (Net Debt/84-month ERC) was 39.8%.

Recent Developments and Outlook

IPO

The IPO raised net proceeds of £42 million which are intended to be used for future portfolio acquisitions.

In connection with the IPO the Group undertook a reorganisation of its corporate structure that resulted in Arrow Global Group PLC becoming the ultimate holding company. The reorganisation did not affect the Group's operations, which continue to be carried out through its operating subsidiaries.

A new Board was established, with a wealth of diverse business experience which will enhance the business, as follows.

Jonathan Bloomer	Chairman and Non-Executive Director
Tom Drury	Chief Executive Officer
Rob Memmott	Chief Financial Officer
Zach Lewy	Executive Director
Lindsey McMurray	Non-Executive Director
Sir George Matheson	Non-Executive Director
Robin Phipps	Non-Executive Director
Ian Gascoigne	Non-Executive Director
Iain Cornish	Non-Executive Director
Gillian Key-Vice	Non-Executive Director

Recent Developments

In November, OC&C announced that Arrow Global had been named the leading debt purchaser for 2013. Also in November, Arrow announced our investment in the Government student loan portfolio through a consortium, Erudio Student Loans, with Carval Investors. Arrow's initial investment will be £11m and has committed to invest up to a further £22m by January 2016. This is Arrow's third investment in student loans, which we believe will be a growing market opportunity.

Outlook

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 107 to 117 full time employees.

The Board is confident that we will deliver a trading result in line with expectations for the full year ending 31 December 2013. Looking forward, we expect a strong pipeline of portfolio acquisition opportunities, underpinning future earnings growth. We also believe that we have the capacity to pay future dividends while continuing to invest in these portfolios and we intend to follow a progressive dividend policy for the Group.

Unaudited Consolidated Statement of Comprehensive Income

For the period ended 30 September 2013

	Note	9 month ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Continuing operations					
Revenue					
Income from purchased loan portfolios	*4*	64,141	45,197	21,422	15,595
Portfolio write up		4,746	467	-	-
Profit on portfolio and loan note sales		115	318	-	-
		69,002	45,982	21,422	15,595
Interest income		18	-	6	-
Income from asset management		1,101	1,231	382	545
Total revenue		**70,121**	**47,213**	**21,810**	**16,140**
Operating expenses					
Collection activity costs		(21,018)	(13,867)	(6,708)	(5,137)
Professional fees and services		(1,346)	(1,800)	(310)	(831)
Other expenses		(8,333)	(7,824)	(3,458)	(3,146)
Total operating expenses		**(30,697)**	**(23,491)**	**(10,476)**	**(9,114)**
Operating profit (pre-exceptional costs)		**39,424**	**23,722**	**11,334**	**7,026**
Exceptional items		(3,314)	(55)	-	-
Operating profit (post-exceptional costs)	*4*	**36,110**	**23,667**	**11,334**	**7,026**
Finance costs	*6*	(14,455)	(14,154)	(4,830)	(4,816)
Exceptional finance costs	*6*	(3,916)	-	-	-
Profit before tax		**17,739**	**9,513**	**6,504**	**2,210**
Taxation charge on ordinary activities		(5,323)	(2,700)	(1,577)	(1,055)
Profit for the period attributable to equity shareholders		**12,416**	**6,813**	**4,927**	**1,155**
Foreign exchange translation difference arising on revaluation of foreign operations		(22)	(69)	20	(83)
Total comprehensive income for the period attributable to equity shareholders		**12,394**	**6,744**	**4,947**	**1,072**

Unaudited Consolidated Balance Sheet

As at 30 September 2013

		30 Sept 2013	31 December 2012
Assets	***Note***	**£000**	**£000**
Non-current assets			
Purchased loan portfolios	*8*	202,356	163,079
Other non-current assets[1]		5,623	3,984
Total non-current assets		**207,979**	**167,063**
Current assets			
Cash and cash equivalents		6,301	9,610
Purchased loan portfolios	*8*	55,752	45,092
Other current assets[2]		11,656	7,187
Total current assets		**73,709**	**61,889**
Total assets		**281,688**	**228,952**
Total purchased loan portfolios	*8*	*258,108*	*208,171*
Total equity attributable to shareholders		**54,045**	**12,555**
Liabilities			
Non-current liabilities			
Bank loan		-	97,381
Shareholders' loan		-	106,585
Senior secured notes		211,586	-
Other non-current liabilities[3]		2,174	2,619
Total non-current liabilities		**213,760**	**206,585**
Current liabilities			
Trade and other payables	*7*	7,863	7,728
Senior secured notes		1,444	-
Other current liabilities[4]		4,576	2,084
Total current liabilities		**13,883**	**9,812**
Total liabilities		**227,643**	**216,397**
Total equity and liabilities		**281,688**	**228,952**

1. Other non-current assets consist of goodwill, other intangible assets, property, plant and equipment, loan notes and deferred tax assets, as applicable
2. Other current assets consist of other receivables, derivative asset and current tax asset, as applicable
3. Other non current liabilities consists of non-controlling interest loan and deferred tax liability, as applicable
4. Other current liabilities consist of derivative liability and current tax liability, as applicable

Unaudited Consolidated Statement of Changes in Equity

For the year ended 31 December 2012:

	Ordinary shares*	Share premium	Retained earnings	Translation reserve	Own share 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 9 month period ended 30 September 2013:

	Ordinary shares*	Share premium	Retained earnings	Translation reserve	Own share reserve	Total
Balance at 1 January 2013	**10**	**3**	**12,868**	**(326)**	**-**	**12,555**
Profit for the period	-	-	12,416	-	-	12,416
Exchange differences	-	-	-	(22)	-	(22)
Total comprehensive income for the period	-	-	**12,416**	**(22)**	**-**	**12,394**
Issue of shares	6	30,520	-	-	-	30,526
Repurchase of own shares	-	-	-	-	(1,430)	(1,430)
Balance at 30 September 2013	**16**	**30,523**	**25,284**	**(348)**	**(1,430)**	**54,045**

* Included within ordinary shares at 30 September 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 Consolidation Statement of Cash Flows

For the 9 and 3 month periods ended 30 September 2013:

	Note	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Net cash flow from operating activities before purchases of purchased loan portfolios and loan notes		54,033	37,864	13,672	7,433
Purchases of purchased loan portfolios		(56,234)	(35,657)	(5,532)	(4,831)
Purchases of loan notes		(1,798)	-	-	-
Net cash used in operating activities	*4*	(3,999)	2,207	8,140	2,602
Net cash used in investing activities		(19,717)	(697)	(1,625)	(124)
Net cash flow generated by financing activities		20,449	545	(10,202)	(3,770)
Net (decrease)/increase in cash and cash equivalents		**(3,267)**	**2,055**	**(3,687)**	**(1,292)**
Cash and cash equivalents at beginning of period		**9,610**	**6,440**	**9,964**	**9,676**
Effect of exchange rates on cash and cash equivalents		(42)	(107)	24	4
Cash and cash equivalents at end of period		**6,301**	**8,388**	**6,301**	**8,388**

Notes to the Unaudited Consolidated Financial Statements

1. Basis of Preparation

The annual financial statements of Arrow Global Guernsey Holdings Limited are considered statements prepared in accordance with IFRSs as adopted by the European Union. The Group's interim results for the 9 months ended 30 September 2013 were approved by the board of directors of the Group (the 'Directors') on 25 November 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 October 2013, Arrow Global PLC successfully completed an IPO. Gross proceeds of £50 million were raised, net of estimated fees and expenses in connection with the offer of £8 million. The residual cash is to be used in operating activities. As part of the IPO process, the RCF facility was increased to £55 million, which remained undrawn for the period to 30 September 2013.

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

	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Net cash flow used in operating activities	(3,999)	2,207	8,140	2,602
Purchases of loan portfolios	56,234	35,657	5,532	4,831
Purchases of loan notes	1,798	-	-	-
Proceeds from disposal of loan portfolios	(558)	(694)	-	-
Income taxes paid	2,901	2,330	1,307	448
Working capital adjustments	1,710	1,205	6,080	5,404
Profit on disposal of purchased loan portfolios	115	318	-	-
Gain/ (loss) on fair value derivatives	306	(524)	86	(21)
Amortisation of acquisition and bank facility fees	848	1,146	58	485
Fair value (gains)/losses on interest rate swaps	(620)	597	(87)	76
Interest payable	1,059	2,370	163	758
Exceptional items	4,921	55	-	-
Adjusted EBITDA	**64,715**	**44,667**	**21,279**	**14,583**

Reconciliation of Core Collections to EBITDA

	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Income from loan portfolios	64,141	45,197	21,422	15,595
Portfolio amortisation	29,109	18,940	9,319	6,459
Core collections	**93,250**	**64,137**	**30,741**	**22,054**
Profit on portfolios	115	318	-	-
Other income	1,119	1,231	388	545
Operating expenses	(34,011)	(23,546)	(10,476)	(9,114)
Depreciation and amortisation	557	642	192	192
Foreign exchange losses	81	684	376	421
Amortisation of acquisition and bank facility fees	290	1,146	58	485
Exceptional costs	3,314	55	-	-
Adjusted EBITDA	**64,715**	**44,667**	**21,279**	**14,583**

4. Reconciliations to Adjusted EBITDA *(continued)*

Reconciliation of Operating Profit to EBITDA

	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Profit for the period attributable to equity shareholders	12,416	6,813	4,927	1,155
Interest expense	14,455	14,154	4,830	4,816
Taxation charge on ordinary activities	5,323	2,700	1,577	1,055
Exceptional items	3,916	-	-	-
Operating profit	**36,110**	**23,667**	**11,334**	**7,026**
Portfolio amortisation	29,109	18,940	9,319	6,459
Portfolio write-up	(4,746)	(467)	-	-
Depreciation and amortisation	557	642	192	192
Foreign exchange (gains)/losses	81	684	376	421
Amortisation of acquisition and bank facility fees	290	1,146	58	485
Exceptional items	3,314	55	-	-
Adjusted EBITDA	**64,715**	**44,667**	**21,279**	**14,583**

Exceptional items for the six months to 30 Sept 2013:

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

5. Underlying net income

	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Profit after tax	12,416	6,813	4,927	1,155
Exceptional items	7,230	487	-	432
Tax impact of exceptional items	(1,144)	(110)	-	(97)
	18,502	**7,190**	**4,927**	**1,490**

6. Finance costs

	9 months ended 30 Sept 2013 £000	9 months ended 30 Sept 2012 £000	3 months ended 30 Sept 2013 £000	3 months ended 30 Sept 2012 £000
Interest on minority interest loans	30	258	-	93
Interest on bank loans	1,920	2,370	163	758
Interest on senior secured notes	11,647	-	4,264	-
Other interest	19	-	-	-
Shareholder interest expense	1,291	10,929	-	3,889
Total interest expense	**14,907**	**13,557**	**4,427**	**4,740**
Fair value losses on interest rate swaps	(620)	597	(87)	76
Amortisation of financing costs	4,084	-	490	-
	18,371	**14,154**	**4,830**	**4,816**
Exceptional financing costs	(3,916)	-	-	-
	14,455	**14,154**	**4,830**	**4,816**

7. Trade and other payables

	At 30 September 2013 £000	At 31 December 2012 £000
Trade payables	2,706	3,146
Taxation and social security	64	69
Other liabilities and accruals	5,093	4,513
	7,863	**7,728**

8. Purchased loan portfolios

	For 9 months ended 30 Sept 2013 £000	Year ended 31 December 2013 £000
As at 1 January	208,171	150,005
Portfolios acquired during the period[1]	56,235	84,431
Portfolios acquired through acquisition of a subsidiary	18,301	-
Collections in the period	(93,250)	(88,720)
Income from purchased loan portfolios	64,141	62,261
Exchange gain on purchased loan portfolios	204	(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 September	**258,108**	**208,171**

[1] September 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.

In September 2013, the Group renegotiated a revolving credit facility with The Royal Bank of Scotland plc, as security agent for a consortium of participating financial institutions. The renegotiated revolving credit facility provided for £50 million of committed financing and an additional £5 million of committed financing upon the successful IPO, taking the current available finance to £55 million. 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 Sept 2013**
SSLTV[1]	25%	0.0%
LTV[2]	75%	39.8%

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