Arrow Global Group PLC

Results for the three months ended
31 March 2015

Arrow Global Group PLC
("Arrow Global" or "the Group" or "the Company")
Results for the three months ended 31 March 2015

Arrow Global Group PLC "the Company" and its subsidiaries (together "the Group"), a leading European purchaser and manager of debt portfolios, is pleased to announce it's results for the three months ended 31 March 2015.

Commenting on today's results, Tom Drury, chief executive officer of Arrow Global said:

"Q1 was another strong period for Arrow Global, with growth across all our key financial metrics. Portfolio purchases were up 57.2% compared to the same quarter last year at £52.1 million, we remained highly cash generative with core collections increasing by over 50% to £51.1 million and we achieved a 41% increase in Adjusted EBITDA to £32.8 million.

"We also made significant operational progress, reinforcing our market leadership in Portugal, with the formalisation of a strategic partnership with CarVal Investors and the acquisition of Whitestar and Gesphone. In the UK, we continued to rationalise our servicer panel to ensure greater oversight against a backdrop of enhanced regulation, and also to drive synergies from the acquisition of Capquest in Q4 2014.

"Preparations for our FCA landing slot in Q3 this year remain a key focus. Aligned to this, we continue to develop and embed our customer-centric culture both internally and across our core servicer panel.

"We are on track to deliver overall full-year results in line with our expectations, with growth supported by good visibility in our origination pipeline. We have £79.9 million of future investment already contracted, with £28.8 million of this coming in the remainder of 2015."

27 May 2015

Highlights

- Reinforced market position in Portugal with the acquisition of Whitestar and Gesphone and strategic origination and servicing partnership with CarVal
- Core collections[1] up 53.4% to £51.1 million (Q1 2014: £33.3 million)
- Adjusted EBITDA up 40.7% to £32.8 million (Q1 2014: £23.3 million); Adjusted EBITDA ratio 64.2% (Q1 2014: 70.0%)
- Profit attributable to shareholders up 133.3% to £5.2 million (Q1 2014: £2.2 million)
- Underlying net income up 7.7% to £5.7 million (Q1 2014: £5.3 million)
- Acquired debt portfolios with face value of £583.9 million for an aggregate purchase price of £52.1 million, with a 120-month gross cash-on-cash multiple in line with our target returns
- 120-month ERC[2] up 6.6% to £1,156.6 million at 31 March 2015 (31 December 2014: £1,085.4 million)
- Net debt £471.4 million and pro forma net debt to LTM[3] Adjusted EBITDA ratio of 3.6x
- Balance sheet liquidity further strengthened with our Revolving Credit Facility (RCF) increased to £140 million

Notes:

1. Core collections are collections on Arrow Global's purchased loan portfolios, including proceeds from asset disposals
2. Estimated remaining collections
3. Last Twelve Months ("LTM") is calculated by the addition of the consolidated financial data for the year ended 31 December 2014 and the consolidated financial data for the three months to March 2015, and the subtraction of the consolidated financial data for the three months to March 2014

A glossary of terms can be found on pages 18 to 21 which includes a reconciliation of Adjusted EBITDA. The directors believe that the presentation of the Adjusted EBITDA measure allows the users of the financial statements to gain a better understanding of the underlying performance of the business

For further information:

Arrow Global **+44 (0)161 242 5896**

Tom Drury, CEO
Robert Memmott, CFO
Alex Barnett, Corporate Communications

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Mike Davies

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

Participant dial in UK: 0800 2797058
Participant dial.in International: +44 (0) 1452 580111
Conference ID: 51935930

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

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group 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 Group's present and future business strategies and the environment in which the Group 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 presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

Business and financial review of the three months to 31 March 2015

Arrow Global is a customer-centric debt management business that helps customers deal with their debt in a manageable way, whilst simultaneously helping clients to free up assets, allowing them to invest in other areas and support the wider economy. By treating customers fairly and working with them, we look to achieve the best possible outcomes for all our stakeholders (customers, clients and investors).

In Q1 2015, we remained focused on building leading positions in the markets in which we operate. In line with our stated strategy, we continued to diversify through a disciplined approach to expanding into new geographies and asset classes. Our acquisitions in Portugal gives us access to new markets and expertise and further enhance our client offering within mainland Europe.
We also made significant progress in the rationalisation of our servicer panel with 64% of non-paying accounts and 47% of paying accounts migrated as at the end of Q1 2015.

Key results

As of and period to	31-Mar-15	31-Mar-14	31-Dec-14
	£m	£m	£m
Purchases of loan portfolios	52.1	33.2	137.7
Total purchased loan portfolios	508.2	296.0	477.5
Core collections	51.1	33.3	148.5
Collection cost ratio (%)	24.2%	20.7%	23.0%
Total revenue	35.5	23.1	110.7
Adjusted EBITDA	32.8	23.3	101.0
Adjusted EBITDA ratio	64.2%	70.0%	68.0%
Profit before tax	6.5	3.5	24.1
Profit attributable to shareholders	5.2	2.2	18.3
Underlying net income	5.7	5.3	29.6
84-month ERC	957.8	587.8	897.3
120-month ERC	1,156.6	681.3	1,085.4
Net debt	471.4	201.4	439.7
Net assets	127.2	107.8	121.9

A glossary of terms can be found on pages 18 to 21.

Portfolio acquisitions

For the three months ended 31 March 2015, we acquired debt portfolios with a face value of £583.9 million for a purchase price of £52.1 million (up 57.2% compared to Q1 2014) and a 120-month gross cash-on-cash multiple for this vintage in line with our target returns. Of these portfolios, a face value of £85.5 million comprises paying accounts, representing 36.5% of the purchase price, mitigating our downside risk on these portfolios whilst we use our data assets to seek to penetrate the £498.4 million of non-paying accounts. Of the non-paying accounts bought in the quarter, 47.4% by purchase price were secured. 62% of total Q1 portfolio acquisitions by purchase price were in mainland Europe and 38% in the UK.

These acquisitions, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £508.2 million at 31 March 2015 (31 December 2014: £477.5 million). Our data-driven approach is a key strategic differentiator and drives purchasing and collections activities, giving us a greater level of insight and accuracy in our modelling and operations. Our Proprietary Collections Bureau has 21.1 million records.

Collections

Core collections increased by over 50% to £51.1 million (Q1 2014: £33.3 million), reflecting the increase in our portfolio assets base.

As at 31 March 2015 we have cumulatively collected 102% of our original underwriting forecast. Capquest is also performing well, at 102% of underwriting forecast.

Collections in Portugal continue to improve but are still to recover fully following the three month court closure towards the end of last year to allow for an IT system upgrade.

Collection costs

During the three months ended 31 March 2015 there was an increase in the collection cost ratio, to 24.2% (Q1 2014: 20.7%) reflecting additional collection related costs associated with Portuguese litigation. Significant progress has been made through the servicer migration plan with 47% of paying and 64% of non-paying accounts migrated at the end of Q1 2015, with efficiency in collection costs expected on completion of this process.

Adjusted EBITDA

Adjusted EBITDA is our proxy for free cash flow. For the three months ended 31 March 2015 Adjusted EBITDA increased by £9.5 million (40.7%) to £32.8 million (Q1 2014: £23.3 million). This was mainly driven by an increase in core collections net of collection costs. The Adjusted EBITDA ratio was 64.2% (Q1 2014: 70.0%) reflecting additional Portuguese costs to collect and the weighted average of Arrow and Capquest. The ratio will improve as synergies continue to be delivered.

Profit attributable to shareholders

Profit attributable to shareholders increased 133.3% from £2.2 million for Q1 2014 to £5.2 million for Q1 2015. This was largely driven by an increased operational profit of £5.6 million, offset by increased financing costs of £2.8 million, largely due to the introduction of the Euro Bond following the acquisition of Capquest.

During the period, non-recurring items of £0.6 million were incurred, with an associated tax impact of £0.1 million. The main non-recurring item was due to IPO staff costs of £0.4 million.

After taking into account non-recurring items discussed above, underlying net income increased 7.7% from £5.3 million to £5.7 million for the three months ending 31 March 2015.

Portfolio overview

Our 84-month Estimated Remaining Collections (ERC) – our expected collections from our back book – has increased by £60.5 million from 31 December 2014 to £957.8 million (120-month ERC – a 6.6% increase from £1,085.4 million to £1,156.6 million). The ERC is underpinned by paying accounts that have a face value of £1.5 billion, which represents 1.3 times 120-month ERC cover. As at 31 March 2015, we estimate the amount we would need to invest over the next year to maintain our current 120-month ERC level is circa £72 million.

Funding, net debt and net assets

We successfully increased our revolving credit facility (RCF) to £140 million. The RCF was drawn by £115.9 million as at 31 March 2015. As at 31 March 2015, we had cash and undrawn net debt resources of £61.6 million and cash interest cover of 4.6 times.

Net debt at 31 March 2015 was £471.4 million, being 3.7 times LTM Adjusted EBITDA and a net debt/84-month ERC loan to value ratio of 49.2%, which is significantly below our financial covenants of 75%. These ratios have increased due to timing of the funding of portfolios in March 2015.

Net assets increased by £5.5 million during the period, largely reflecting the retained profit for the period.

Outlook

We remain on track to deliver overall full-year results in line with our expectations, with growth supported by good visibility in our origination pipeline. We have £79.9 million of future investment already contracted, with £28.8 million of this coming in the remainder of 2015.

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Directors' responsibilities statement in respect of the results for the three months ended 31 March 2015

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first three months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining nine months of the year; and

  b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first three months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Name	**Function**
Jonathan Bloomer	Non-executive chairman
Tom Drury	Chief executive officer
Rob Memmott	Chief financial officer
Sir George Mathewson	Non-executive director and senior independent director
Lan Tu	Non-executive director
Iain Cornish	Non-executive director
Robin Phipps	Non-executive director

27 May 2015

Principal risks and uncertainties

We have an enterprise-wide risk management framework in place, which sits alongside the strategic business plan, and is designed to support the identification, assessment, management and control of material risks that threaten the achievement of our business objectives. Risks are categorised as strategic, conduct, operational, financial and investment.

Risk	Definition	Effect on the Group	Approach
Strategic risk	Risk to earnings arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment	Economic risk: the Group's growth strategy is based on the future purchase of, and collection from, distressed loan portfolios Changes in economic conditions could impact the ability to collect from portfolios, or the amount of debt portfolios that are sold The Group is exposed to Eurozone economic uncertainty through its investment in mainland Europe Reputational risk: negative news and attention regarding the debt collection industry and individual debt collectors may have a negative impact on ability to acquire portfolios and a customer's willingness to pay the debt that the Group acquires	Management ensure that all portfolios are purchased at an appropriate price, and we also build strong relationships with our creditor client base in order to mitigate such risks Appropriate currency liquidity management and scenario planning is in place We manage this risk through compliance and industry best practice collection approaches
Conduct risk	Risk of inappropriate strategy, systems, behaviours, or processes leads to poor and/or unfair customer outcomes or customer detriment	Any action which leads to poor and/or unfair customer outcomes or customer detriment goes against our core values and could also lead to regulatory censure, financial loss and reputational damage to our brand	Conduct risk and treating customers fairly (TCF) are at the heart of our business. All employees and third parties acting on our behalf receive TCF training. We have an oversight framework focused on compliance, performance, and customer outcomes across our in-house operations and third party panel members
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events Regulatory risk: risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection, regulation Legal risk: risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through contract and/or warranties Integration risk: risk of failing to successfully integrate Capquest into the wider Arrow Global Group and operating model, for example, IT system integration not executed correctly	We are partly reliant on a panel of third party partners to manage customer accounts and collect outstanding debts where accounts are outsourced. Should third party debt servicers experience sustained business interruption or are subject to takeover by an unfriendly competitor firm, we could suffer financial loss We are also reliant on IT systems for data management and analysis Failure to comply with relevant regulation could result in the suspension or termination of our ability to conduct business and could lead to regulatory censure and financial loss Exposure to remediation cost and cases pursued by claims management companies Failure to realise forecast synergies and potential poor customer outcomes	We have on-going oversight of our third party panel and in-house collections teams to ensure standards are met and that businesses have plans in place to manage business interruption. Our third party panel is diversified to ensure that we do not become reliant on any one particular third party debt servicer IT systems are regularly backed up and are managed through a tight set of quality and security policies, supported by a robust disaster recovery plan. We adhere to ISO27001 standards and practise ITIL-based procedures We employ industry specialists to monitor the latest regulations and update our internal policies accordingly. Where required, we take external specialist advice. We also engage in regular training and assurance activity to ensure compliance with internal policies

			Due diligence is undertaken on prospective investment purchases to identify potential documentation weaknesses. Our legal team are involved in all purchases and external legal advice is taken where required To ensure the successful integration of Capquest, a specialist project team and board are overseeing all integration activities. Work streams are headed by senior business leads and all activities tracked against key deliverables
Financial risk	Market risk: the risk of losses in portfolios due to changes in foreign exchange rates and the level of interest rates Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due Credit risk: risk to earnings or capital arising when a counter party defaults on its contractual obligations, including failure to perform obligations in a timely manner Tax risk: tax compliance risks arise from the complex nature of tax legislation and practice	The Group's financial risk management strategy is governed by a policy framework based upon sound economic objectives and corporate practices. The main financial risks concern the availability of funds to meet obligations as they fall due (liquidity risk), movements in foreign exchange rates (foreign exchange risk), and fluctuations in interest rates (interest rate risk)	Liquidity risk is managed through matching the maturity of our funding facilities with the maturity our assets, forecasting funding requirements and applying appropriate stress testing and ensuring we maintain a balanced maturity profile of debt facilities. We are highly cash generative and aim to maintain a flexible cost base. Portfolio investment is largely discretionary which provides a large degree of control over working capital Foreign exchange risk is managed on a Group level principally through the use of forward contracts Management reduce interest rate risk by principally using interest rate swaps The Group engages tax specialists to advise about its tax compliance obligations, and the application of tax legislation and practice to the transactions and activities it undertakes
Investment risk	The risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing	The statistical models and analytics used, including the calculation of ERC, may prove to be inaccurate, which could lead to poor decision making and the Group failing to achieve its anticipated recoveries	Rigorous change controls are in place prior to any new data influencing our decision making model, and due diligence and executive review through an investment 'gate' process is carried out prior to investment. Portfolio performance is monitored by senior management

Unaudited Consolidated Statement Of Comprehensive Income

For the three months ended 31 March 2015

	Note	Three months ended 31 March 2015 Underlying £000	Non-recurring items 2015 £000	Three months ended 31 March 2015 including non-recurring £000	Three months ended 31 March 2014 Underlying £000	Non-recurring items 2014 £000	Three months ended 31 March 2014 including non-recurring £000
Continuing operations							
Revenue							
Income from purchased loan portfolios		34,107	-	34,107	21,787	-	21,787
Profit on portfolio and loan note sales		134	-	134	504	-	504
		34,241	-	34,241	22,291	-	22,291
Income from asset management		1,218	-	1,218	798	-	798
Total revenue		**35,459**	**-**	**35,459**	**23,089**	**-**	**23,089**
Operating expenses							
Collection activity costs		(12,361)	-	(12,361)	(6,896)	-	(6,896)
Professional fees and services		(586)	-	(586)	(312)	-	(312)
Recurring other operating expenses		(7,519)	-	(7,519)	(4,017)	-	(4,017)
Non- recurring other operating expenses							
Servicer migration		-	*(200)*	*(200)*	-	-	-
IPO related costs		-	*(435)*	*(435)*	-	*(435)*	*(435)*
Settlement provisions		-	-	-	-	*(2,559)*	*(2,559)*
Total other operating expenses	7	**(7,519)**	**(635)**	**(8,154)**	**(4,017)**	**(2,994)**	**(7,011)**
Total operating expenses		**(20,466)**	**(635)**	**(21,101)**	**(11,225)**	**(2,994)**	**(14,219)**
Operating profit		**14,993**	**(635)**	**14,358**	**11,864**	**(2,994)**	**8,870**
Finance income	2	45	-	45	39	-	39
Recurring finance costs		(8,018)	-	(8,018)	(5,245)	-	(5,245)
Non-recurring finance costs							
Settlement provision		-	-	-	-	*(144)*	*(144)*
Total finance costs	3,7	**(8,018)**	**-**	**(8,018)**	**(5,245)**	**(144)**	**(5,389)**
Share of profit in associate		93	-	93	-	-	-
Profit before tax		**7,113**	**(635)**	**6,478**	**6,658**	**(3,138)**	**3,520**
Taxation charge on ordinary activities	6	(1,452)	129	(1,323)	(1,403)	93	(1,310)
Profit for the year attributable to equity shareholders		**5,661**	**(506)**	**5,155**	**5,255**	**(3,045)**	**2,210**
Other comprehensive income: Reclassified in the statement of comprehensive income: Foreign exchange translation difference arising on revaluation of foreign operations		(49)	-	(49)	(2)	-	(2)
Hedging movement		(453)	-	(453)	-	-	-
Total comprehensive income for the period attributable to equity shareholders		**5,159**	**(506)**	**4,653**	**5,253**	**(3,045)**	**2,208**
Basic and diluted earnings per share (£)	4	**0.03**		**0.03**	**0.03**		**0.01**

Unaudited Consolidated Balance Sheet
As at 31 March 2015

Assets	***Notes***	**31 March 2015 £000**	**31 December 2014 £000**	**31 March 2014 £000**
Non-current assets				
Intangible assets		58,780	58,666	3,281
Property, plant & equipment		2,499	2,881	235
Purchased loan portfolios	8	401,516	377,900	229,179
Loan notes	8	1,331	1,378	1,573
Investments in associates		12,248	11,419	-
Deferred tax asset		28	300	-
Total non-current assets		**476,402**	**452,544**	**234,268**
Current assets				
Cash and cash equivalents		37,439	14,542	32,625
Other receivables		20,040	16,569	10,762
Purchased loan portfolios	8	106,732	99,613	66,794
Total current assets		**164,211**	**130,724**	**110,181**
Total purchased loan portfolios		*508,248*	*477,513*	*295,973*
Total assets		**640,613**	**583,268**	**344,449**
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		57,279	51,479	36,486
Hedging reserve		(1,140)	(687)	-
Other reserves		(278,147)	(278,098)	(277,850)
Total equity attributable to shareholders		**127,172**	**121,874**	**107,816**
Liabilities				
Non-current liabilities				
Senior secured notes	11	367,730	378,564	210,335
Deferred tax liability		1,976	2,852	2,485
Total non-current liabilities		**369,706**	**381,416**	**212,820**
Current liabilities				
Trade and other payables	9	23,107	33,058	19,502
Current tax liability		2,469	2,355	2,927
Derivative liability		3,449	1,872	-
Revolving credit facility	11	112,527	35,404	-
Senior secured notes	11	2,183	7,289	1,384
Total current liabilities		**143,735**	**79,978**	**23,813**
Total liabilities		**513,441**	**461,394**	**236,633**
Total equity and liabilities		**640,613**	**583,268**	**344,449**

Unaudited Consolidated Statement Of Changes In Equity
For the three months ended 31 March 2015

	Ordinary shares	Share premium	Retained earnings	Hedging reserve	Own Share reserve*	Translation reserve *	Merger reserve *	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2014	**1,744**	**347,436**	**33,841**	-	**(562)**	**(325)**	**(276,961)**	**105,173**
Profit for the period	-	-	2,210	-	-	-	-	2,210
Exchange differences	-	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	**-**	**-**	**2,210**	**-**	**-**	**(2)**	**-**	**2,208**
Share-based payments	-	-	435	-	-	-	-	435
Balance at 31 March 2014	**1,744**	**347,436**	**36,486**	**-**	**(562)**	**(327)**	**(276,961)**	**107,816**
Profit for the period	-	-	16,061	-	-	-	-	16,061
Exchange differences	-	-	-	-	-	(248)	-	(248)
Total comprehensive income for the period	**-**	**-**	**16,061**	**-**	**-**	**(248)**	**-**	**15,813**
Net fair value gains/losses cash flow hedges	-	-	-	(859)	**-**	-	-	(859)
Tax on hedged items	-	-	-	172	**-**	-	-	172
Dividend paid	-	-	(2,961)	-	-	-	-	(2,961)
Share-based payments	-	-	1,893	-	-	-	-	1,893
Balance at 31 December 2014	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**
Profit for the period	-	-	5,155	-	-	-	-	5,155
Exchange differences	-	-	-	-	-	(49)	-	(49)
Net fair value gains/losses cash flow hedges	-	-	-	(543)	-	-	-	(543)
Tax on hedged items	-	-	-	91	-	-	-	91
Total comprehensive income for the period	**-**	**-**	**5,155**	**(453)**	**-**	**(49)**	**-**	**4,653**
Share based payments	-	-	645	-	-	-	-	645
Dividend paid	-	-	-	-	-	-	-	-
Balance at 31 March 2015	**1,744**	**347,436**	**57,279**	**(1,140)**	**(562)**	**(624)**	**(276,961)**	**127,173**

*Other reserves total £278,147,000 deficit (December 2014: £278,098,000; March 2014: £277,850,000)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Merger reserve

The merger reserve represents the reserve generated upon consolidation of the Group following the acquisition of Arrow Global One Limited.

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 March 2015 the Group held 152,225 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.1% of the Company share capital at 31 March 2015.

Unaudited Consolidated Statement of Cash Flows
For the three months ended 31 March 2015

	Three months ended 31 March 2015 £000	Three months ended 31 March 2014 £000
Net cash flows from operating activities before purchases of loan portfolios and loan notes	**18,329**	**17,442**
Purchases of purchased loan portfolios	(52,121)	(23,385)
Net cash used in operating activities	**(33,792)**	**(5,943)**
Net cash used in investing activities	**(7,988)**	**(30)**
Net cash flows generated by financing activities	**64,677**	**(8,991)**
Net increase/(decrease) in cash and cash equivalents	**22,897**	**(14,964)**
Cash and cash equivalents at beginning of period	**14,542**	**47,520**
Effect of exchange rates on cash and cash equivalents	**-**	**69**
Cash and cash equivalents at end of period	37,439	32,625

Notes

1. Statutory Information

Arrow Global Group PLC (the "Company") is a company domiciled in the United Kingdom. The condensed consolidated financial statements of the Company as at and for the three months ended 31 March 2015 comprise the Company and its subsidiaries (the "Group").

This condensed set of consolidated financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for a full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, these financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 December 2014.

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online at www.arrowglobalir.net

The comparative figures for the financial year ended 31 December 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was

(i) unqualified

(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and

(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and the amortised cost value of portfolio assets. The accounting policies are the same as those given in the annual report and accounts for the period ended 31 December 2014.

After making appropriate enquires, the directors have a reasonable expectation that the Company and the Group will be able to continue in operational existence for the foreseeable future, owing to the fact that forecasts show sufficient resources are available throughout the period under review. Thus, they continue to adopt the going concern basis of accounting in preparing the quarterly results.

2. Finance income

	Three months ended 31 March 2015 £000	**Three months ended 31 March 2014 £000**
Bank interest	2	39
Loan note interest	43	-
	45	**39**

3. Finance costs

	Three months ended 31 March 2015 £000	Three months ended 31 March 2014 £000
Interest and similar charges on bank loans	1,566	32
Interest on senior secured notes	6,452	5,058
Other interest	-	144
Total interest costs	**8,018**	**5,234**
Fair value gains/(losses) on interest rate swaps	-	155
Finance costs including non-recurring items	**8,018**	**5,389**
Non-recurring finance costs	-	(144)
Underlying finance costs	**8,018**	**5,245**

4. Earnings per share

	Three months ended 31 March 2015 £000	Three months ended 31 March 2014 £000
Basic/diluted earnings per share		
Underlying profit for the period attributable to equity shareholders	5,661	5,255
Profit for the period attributable to equity shareholders including non-recurring items	5,155	2,210
Number of ordinary shares	1,744,390	1,744,390
Underlying basic and diluted earnings per share (£)	**£0.03**	**£0.03**
Basic and diluted earnings per share including non-recurring (£)	**£0.03**	**£0.01**

5. Dividend

There was no dividend paid in the three months to 31 March 2015 (2014: £nil).

6. Tax

The applicable corporation tax rate for the three months to 31 March 2015 was 21.5% (31 March 2014: 23.25%). The Group's effective consolidated tax rate for the three months ended 31 March 2015 was 20.4% (31 March 2014: 37.2%). The current period effective rate tax is reflective of the applicable corporate tax rate for the year and reconciling items.

Non-recurring tax

We have identified non-recurring items in the three months to 31 March 2015 amounting to £635,000, with a tax impact of £129,000 (31 March 2014: £3,138,000, with a tax impact of £93,000).

7. Non-recurring items

	Three months ended 31 March 2015 £000	Three months ended 31 March 2014 £000
Other operating expenses	635	2,994
Finance costs	-	144
Total non-recurring items	**635**	**3,138**

Non-recurring items are items that, by virtue of their size and incidence, are not considered to be representative of the underlying performance of the Group.

Non-recurring items amounted to £635,000, mainly due to share option charges in relation to the IPO of £435,000 and servicer migration costs of £200,000.

In the three months ended 31 March 2014, the non-recurring items included in other operating expenses and finance costs represented £435,000 of share option charges in relation to the IPO and £2,703,000 relating to a historical HMRC provision, which has since been settled.

8. Financial assets

	31 March 2015 £000	31 December 2014 £000	31 March 2014 £000
Non Current:			
Purchased loan portfolios	401,516	377,397	229,179
Portfolio write up	-	503	-
	401,516	**377,900**	**229,179**
Loan notes	1,331	1,378	1,573
	402,847	**379,278**	**230,752**
Current:			
Purchased loan portfolios	106,732	99,480	66,794
Portfolio write up	-	133	-
	106,732	**99,613**	**66,794**
Total	**509,579**	**478,891**	**297,546**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 March 2015, the carrying amount of the purchased loan portfolio asset was £508,248,000 (31 December 2014: £477,513,000; 31 March 2014: £295,973,000).

The movements in purchased loan portfolio assets were as follows:

	Three months ended 31 March 2015 £000	Year Ended 31 December 2014 £000	Three months ended 31 March 2014 £000
As at the period brought forward	477,513	273,932	273,932
Portfolios acquired during the period *	52,121	143,220	33,319
Portfolios acquired through acquisition of a subsidiary	-	104,038	-
Collections in the period	(51,074)	(148,547)	(33,299)
Income from purchased loan portfolios	34,107	107,348	21,787
Exchange (loss) / gain on purchased loan portfolios	(4,553)	(3,939)	(270)
Profit on disposal of purchased loan portfolios	134	825	504
Portfolio write up	-	636	-
As at the period end	**508,248**	**477,513**	**295,973**

* inclusive of capitalised portfolio expenditure of £464,000 (31 December 2014: £4,882,000)

9. Trade and other payables

	31 March 2015 £000	31 December 2014 £000	31 March 2014 £000
Trade payables	7,262	6,873	2,889
Deferred consideration	6,248	11,928	12,620
Taxation and social security	226	324	-
Other liabilities and accruals	9,371	13,933	3,993
	23,107	**33,058**	**19,502**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

10. Related party transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24.

Related party balances as at each period end were as follows:

As at 31 March 2015:	**Key management personnel £000**	**Total £000**
Trade	-	-
	-	**-**
As at 31 December 2014:	**£000**	**£000**
Trade	3	3
	3	**3**

Summary of transactions

During the period to 31 December 2014 GKV Limited, owned by director Gillian Key-Vice charged the Group £3,401 in relation to consultancy services provided on Group projects.

11. Borrowings

Secured borrowing at amortised cost	**31 March 2015 £000**	**31 December 2014 £000**	**31 March 2014 £000**
Senior secured notes (net of transaction fees of £16,840,000, December 2014: £17,506,000; 31 March 2014: £7,745,000)	367,730	378,564	210,335
Revolving credit facility (net of transaction fees of £3,350,000, December 2014 £3,595,000; 31 March 2014: £nil)	112,527	35,404	-
Senior secured notes interest	2,183	7,289	1,384
	482,440	**421,257**	**211,719**
Total borrowings			
Amount due for settlement within 12 months	**114,710**	**42,693**	**1,384**
Amount due for settlement after 12 months	**367,730**	**378,564**	**210,335**

Senior secured notes

On 4 November 2014, the Group issued €225 million floating rate senior secured notes ("the euro senior notes") at a margin of 5.25% over three-month EURIBOR, although derivative contracts have been used to fixed the borrowing costs for the period through to November 2017. Interest is paid quarterly. The euro senior notes can be redeemed in full or in part on or after 1 November 2017 at the Group's option. Prior to 1 November 2017, the Group may redeem, at its option, some or all of the euro senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

On 29 January 2013, the Group issued £220 million senior secured notes at a fixed rate of 7.875% due 2020 (the "sterling senior notes"). Interest is paid bi-annually. The sterling senior 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 sterling senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

The euro senior notes and sterling senior notes are secured by substantially all of the assets of the Group.

Revolving credit facility

On 31 March 2015, the Group increased its revolving credit facility, provided by a syndicate of four participating financial institutions to £140 million, with the facility running to January 2019.

Glossary

"**Adjusted EBITDA"** means profit for the period attributable to equity shareholders before interest, tax, depreciation, amortisation, portfolio write up, foreign exchange gains or losses and Non-recurring items and share-based payments. The Adjusted EBITDA reconciliations for the period ended 31 March 2015 are shown below:

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Reconciliation of Net Cash Flow to EBITDA	**£000**	**£000**
Net cash flow used in operating activities	(33,792)	(5,943)
Purchases of loan portfolios	52,121	23,385
Income taxes paid	1,126	1,443
Working capital adjustments	13,058	1,713
Amortisation of acquisition and bank facility fees	69	69
Foreign exchange losses	-	69
Gain on fair value derivatives	-	-
Fair value gains on interest rate swaps	-	-
Interest payable	-	-
Non-recurring items	200	2,559
Adjusted EBITDA	**32,782**	**23,295**

Reconciliation of Core Collections to EBITDA		
	£000	**£000**
Income from loan portfolios	34,107	21,787
Portfolio amortisation	16,967	11,512
Core collections	**51,074**	**33,299**
Other income	1,218	798
Operating expenses	(21,101)	(14,219)
Depreciation and amortisation	744	196
Foreign exchange (gains) / losses	(160)	158
Amortisation of acquisition and bank facility fees	69	69
Share-based payments	210	-
Share of profit in associate	93	-
Non-recurring items	635	2,994
Adjusted EBITDA	**32,782**	**23,295**

Reconciliation of Operating Profit to EBITDA		
	£000	**£000**
Profit for the period attributable to equity shareholders	5,155	2,210
Underlying finance income and costs	7,973	5,206
Taxation charge on ordinary activities	1,323	1,310
Non-recurring items	-	144
Share of profit in associate	(93)	-
Operating profit	**14,358**	**8,870**
Portfolio amortisation	16,967	11,512
Profit on disposal of purchased loan portfolios	(134)	(504)
Depreciation and amortisation	744	196
Foreign exchange (gains) / losses	(160)	158
Amortisation of acquisition and bank facility fees	69	69
Share-based payments	210	-
Share of profit in associate	93	-
Non-recurring items	635	2,994
Adjusted EBITDA	**32,782**	**23,295**

"Adjusted EBITDA ratio" represents the ratio of Adjusted EBITDA to core collections

"CGU" means cash generating unit

"Collection activity costs" represent the direct costs of external collections related to the Group's purchased loan portfolios, such as commissions paid to third party outsourced providers, credit bureau data costs and legal costs associated with collections

Glossary *(Continued)*

"Core collections" or "core cash collections" mean cash collections on the Group's existing portfolios including ordinary course portfolio sales and put backs.

"Cost-to-collect ratio" is the ratio of collection activity costs to core collections

"Creditors" means financial institutions or other initial credit providers to consumers, certain of which entities choose to sell paying accounts or non-paying accounts receivables related thereto to debt purchasers (such as the Group)

"CSA" means Credit Services Association

"Customers" means consumers whose unsecured loan obligation is owed to the Group as a result of a portfolio purchase made by the Group

"Defaulted debt" means a debt where a customer has breached the repayment terms governing that debt such that it is unlikely to be paid. Under the Consumer Credit Act 1974 there are specific legal obligations which require a customer to be sent the relevant statutory default notice(s) after which the customer's agreement may ultimately be terminated. Other types of debts may also be defined as defaulted in the event that they remain unpaid for a period of 90 days or more, if there is not an acceptable arrangement in place to bring the account back up to date, in which case the creditor or lender may reasonably believe that the relationship has broken down. Under the Data Protection Act 1990 it is a requirement that any organisation seeking to register a default with a credit reference agency must also send a notice of intention to file a default, this notice is very similar in nature to that required under the Consumer Credit Act both of which give the debtor 28 days to bring the account back up to date before action is taken

"DSBP" means the Arrow Global deferred share bonus plan

"EBITDA" means earnings before interest, taxation, depreciation and amortisation

"EBT" means employee benefit trust

"EIR" means effective interest rate (which is based on the loan portfolio's gross internal rate of return) calculated using the loan portfolio purchase price and forecast 84-month gross ERC at the date of purchase. On acquisition, there is a short period that is required to determine the EIR, due to the complexity of the portfolios acquired

"84-month ERC" and **"120-month ERC"** (together **"gross ERC"**), mean the Group's estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, representing the expected future core collections on purchased loan portfolios over an 84-month or 120-month period (calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time)

"EPS" means earnings per share

"Existing portfolios" or **"purchased loan portfolios"** are on the Group's balance sheet and represent all debt portfolios that the Group owns at the relevant point in time

"FCA" means the Financial Conduct Authority

Glossary *(Continued)*

"FOS" means the UK Financial Ombudsman Service

"FRC" means the Financial Reporting Council

"Free cash flow" means Adjusted EBITDA after the effect of capital expenditure and working capital movements

"Gross cash-on-cash multiple" means core collections to date plus the 84-month gross ERC or 120-month gross ERC, as applicable, all divided by the purchase price for each portfolio

"ICO" means the Information Commissioner's Office

"IFRS" means international financial reporting standards

"IPO" means initial public offering

"ISOP" means the initial share option plan

"Lending Code" means the voluntary code of practice issued by the Lending Standards Board and describes minimum standards of good practice for banks, building societies, credit card providers and their agents

"Loan to value" or **"LTV ratio"** represents the ratio of 84-month ERC to net debt

"LTIP" means the Arrow Global long-term incentive plan

"MOJ" means Ministry of Justice

"Net cash-on-cash multiple" means collections to date plus the 84-month ERC or 120-month ERC, as applicable, net of collection activity costs, all divided by the purchase price for each portfolio

"Net core collections" are core collections less collection activity costs. The Group presents net core collections in order to calculate its net IRR

"Net debt" means the sum of the senior secured notes, interest thereon, and amounts outstanding under the revolving credit facility, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after taking out of the Group's assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt for the three months ended 31 March 2015 is as follows:

	£000
Cash and cash equivalents	(37,439)
Senior secured notes (pre transaction fees net off)	384,570
Senior secured notes interest	2,183
Revolving credit facility (pre transaction fees net off)	115,877
Deferred consideration	6,248
Net debt	**471,439**

Glossary *(Continued)*

"Net IRR" or **"unlevered net IRR"** means a loan portfolio's internal rate of return calculated using expected net core collections for the next 84-months or 120-months, as applicable, subsequent to the date of purchase of the loan portfolio adjusted regularly in line with ERC

"OFT" means the Office of Fair Trading

"Paying account" means an account that has shown at least one payment over the last three months or at least two payments over the last six months

"PCB" means the Proprietary Collections Bureau, a data matching tool designed by Arrow Global and Experian

"Purchased loan portfolios" see **"existing portfolios"**

"PwC" means PricewaterhouseCoopers

"RCF" means revolving credit facility

"ROE" means the return on equity

"SID" means the senior independent director of the Group

"SIP" means the Arrow Global all-employee share incentive plan

"TCF" means the treating customers fairly FCA initiative

"TSR" means total shareholder return

"Underlying net income" means profit for the year attributable to equity shareholders adjusted for the post-tax effect of non-recurring items. The Group presents underlying net income because it excludes the effect of non-recurring items (and the related tax on such items) on the Group's profit or loss for a year and forms the basis of its dividend policy

"Underlying return on equity" represents the ratio of underlying profit for the year attributable to equity shareholders to average shareholder equity post restructure