27 August 2015

Arrow Global Group PLC
Interim results for the six months to 30 June 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 its interim results for the six months to 30 June 2015 (“H1 2015”).

Highlights

- Total revenue up 48.6% to £76.7 million (H1 2014: £51.6 million), driven by core collections[1] up 41.9% to £100.6 million (H1 2014: £70.9 million)
- Adjusted EBITDA[2] up 33.9% to £65.7 million (H1 2014: £49.0 million); adjusted EBITDA ratio 65.3% (H1 2014: 69.2%)
- Profit before tax up 21.1% to £16.4 million (H1 2014: £13.6 million) leading to a profit attributable to shareholders up 23.7% to £12.9 million (H1 2014: £10.5 million)
- Underlying basic and diluted earning per share (“EPS”) of 8.7p representing growth of 13% (H1 2014: 7.7p) and delivering an LTM[3] underlying return on equity (“ROE”)[4] of 25.5% (31 December 2014: 26.1%)
- Strong performance on purchasing - acquired debt portfolios for an aggregate purchase price of £75.4 million in line with target returns
- Acquisition of Whitestar for €47.8 million and Gesphone for €8.1 million, strengthening our position in Portugal, diversifying our revenue streams and enhancing our servicing platform
- Increased total purchased loan portfolios to £515.8 million (31 December 2014: £477.5 million) with 120-month ERC[5] up 4.5% to £1,134.2 million at 30 June 2015 (31 December 2014: £1,085.4 million) and 84-month ERC[5] up 5.0% to £942.0 million at 30 June 2015 (31 December 2014: £897.3 million)
- Net debt £507.7 million and Net Debt to pro forma Adjusted EBITDA ratio of 3.8x (31 December 2014 pro forma: 3.4x), reflecting the impact of the Portuguese acquisitions. Balance sheet liquidity further strengthened with our Revolving Credit Facility (“RCF”) increased to £165 million
- Interim dividend will be 1.7p per share (H1 2014: 1.7p)

Notes:

1. Core collections are cash collections on the Group’s existing portfolios including ordinary course portfolio sales and putbacks
2. Includes ordinary course portfolio disposal proceeds and putbacks
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 interim financial data for H1 2015, and the subtraction of the consolidated interim financial data for H1 2014
4. Due to transformation changes to the Group brought about by the strategic acquisitions, in order to understand the performance of the Group, underlying measures are disclosed
5. Estimated remaining collections

A glossary of terms can be found on pages 32 to 35 which includes a reconciliation of adjusted EBITDA.

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

"The first half of 2015 has been another period of significant activity and growth for Arrow Global. We continue to make good progress in executing our strategy of delivering strong returns, built around European expansion and differentiated origination.

"We have continued to make acquisitions, including Whitestar and Gesphone in Portugal, diversifying our revenue streams and strengthening our mainland European servicing capabilities. In this geography, we also entered into a five-year strategic origination and servicing agreement with CarVal Investors and have already secured our first master servicing contract.

"We made significant progress in the integration of Capquest into our UK business and remain on track to deliver full synergy benefits in 2016.

"Organic performance has been strong, driven by the predictable collections from our existing portfolios, alongside success in first half portfolio purchases. In the period we acquired £75.4 million of portfolios, which is already in excess of our estimated annual replacement rate of circa £68 million. These investments were split 58% UK and 42% mainland Europe, and importantly, circa 88% of the investments were made off market. Importantly, purchases were inline with at target return, achieving a 120-month gross cash-on-cash multiple for this vintage of 2.1 times.

"Collectively, our initiatives drove excellent financial performance. Total revenue increased to £76.7 million, up 48.6% compared to the same period last year, adjusted EBITDA increased 33.9% to £65.7 million and adjusted EPS increased 13% to 8.7p. We achieved an LTM RoE of 25.5%.

"Whilst we operate in increasingly competitive markets, our platform remains strong, with material diversification, real success in origination and high-quality servicing and asset management capabilities. We expect overall full-year earnings to be in line with our expectations and remain confident in our future growth prospects."

For further information:

Arrow Global

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Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and its subsidiaries (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 period to 30 June 2015

Arrow Global remains focused on achieving its vision of becoming Europe's leading purchaser and manager of debt and we continue to review and refine the strategy we employ to help us achieve this:

- To be a top 3 player in each of our chosen markets, building on our market leading platforms
- To focus on delivering strong returns through deep understanding of our customers and clients
- To be industry leaders in data and analytics
- To transform the customer journey within our industry and deliver great customer outcomes
- To diversify the business

Arrow Global continues to diversify and target profitable growth both in the UK and mainland Europe, reflected by the balance of overall portfolio purchases in H1. We also strengthened our mainland Europe servicing capabilities with the acquisition of Whitestar and Gesphone in Portugal. See note 14 for further information.

The interim dividend will be 1.7 pence per share, being 50% of the 2014 final dividend, as in accordance with our dividend policy.

In the UK, we continue to rationalise our servicer panel and as at 30 June 2015, 52% of paying and 72% of non-paying accounts had been migrated to our core panel or in-house.

Key results

As of and period to	6 months ended 30-June-15 £m	6 months ended 30-June-14 £m	12 months ended 31-Dec-14 £m
Purchases of loan portfolios	75.4	99.3	241.7*
Total purchased loan portfolios	515.8	352.8	477.5
Core collections	100.6	70.9	148.5
84-month ERC	942.0	701.7	897.3
120-month ERC	1,134.2	827.3	1,085.4
Collection cost ratio (%)	23.9%	22.1%	23.0%
Total revenue	76.7	51.6	110.7
Adjusted EBITDA	65.7	49.0	101.0
Adjusted EBITDA ratio	65.3%	69.2%	68.0%
Profit attributable to shareholders	12.9	10.5	18.3
Profit before tax	16.4	13.6	24.1
Underlying net income	15.2	13.4	29.6
Net debt	507.7	247.9	439.7
Net assets	129.5	116.6	121.9
Underlying basic and diluted EPS (£)	0.09	0.08	0.17
LTM Underlying ROE (%)	25.5%	23.9%	26.1%

* inclusive of the Capquest backbook of £104.0 million

A glossary of terms can be found on pages 32 to 35.

Portfolio acquisitions

For the period ended 30 June 2015, we acquired debt portfolios with a face value of £800.8 million for a purchase price of £75.4 million.

We are building a balanced vintage, which includes:

- 58% of portfolio investments* in the UK and 42% in mainland Europe;
- 88% of investments* in off market trades;
- 22% of investments* underpinned by secured assets;

whilst maintaining the 120-month gross cash-on-cash multiple for this vintage at 2.1x (84-month: 1.8x) from the date of purchase.

* By investment value

These portfolio purchases, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £515.8 million at 30 June 2015 (2014: £477.5 million). As at 30 June 2015, the total face value of acquired purchased loan portfolios was £13.5 billion (31 December 2014: £12.7 billion) across 8.4 million customer accounts.

Core collections & ERC overview

Core collections increased to £100.6 million (H1 2014: £70.9 million), reflecting the increase in our portfolio asset base. This increase is predominantly due to collections in Capquest which continue to outperform our underwriting expectations.

During the period collections in Portugal returned to their run rate pre court closures, albeit more slowly than expected. In addition, Portuguese collections were affected by exchange rate movements.

During the period there was a higher than anticipated portfolio putback claim, which we are progressing with the creditor and have reflected in the ERC. Putbacks are a normal contractual buyer protection against accounts that do not meet the criteria in the purchase contract and therefore mitigate downside risk.

As at 30 June 2015 we have cumulatively collected 102% of our original underwriting forecast on a constant exchange rate basis, reflecting strong performance and the success of our data driven approach to origination and underwriting.

Our 84-month ERC – the expected collections from our back book – after taking into account movement in foreign exchange rates, has increased by 5.0% from £897.3 million as at 31 December 2014 to £942.0 million, (120-month ERC 4.5% increase to £1,134.2 million) (31 December 2014: £1,085.4 million).

The ERC is underpinned by paying accounts that have a face value of £1.5 billion, which represents 1.6x 84-month ERC cover (1.4x 120-month ERC cover). As at 30 June 2015, we estimate the amount we would need to invest over the next 12 months to maintain our current 120-month ERC level is circa £68 million.

Collection costs

During the period ended 30 June 2015 there was an increase in the collection cost ratio, to 23.9% (H1 2014: 22.1%) reflecting additional collection related costs associated with Portuguese litigation. Significant progress has been made driving efficiency in collection costs through the UK servicer migration plan with 52% of paying and 72% of non-paying accounts migrated at the end of H1 2015.

Adjusted EBITDA

Adjusted EBITDA is our proxy for operating cash flow. For the period ended 30 June 2015, adjusted EBITDA increased by £16.7 million (33.9%) to £65.7 million (H1 2014: £49.0 million). The adjusted EBITDA ratio was 65.3% (H1 2014: 69.2%) reflecting the combination of Arrow and Capquest. The ratio has improved from 64.2% at Q1 2015 as we have continued to deliver the synergies.

Profit attributable to shareholders

Profit attributable to shareholders increased 23.7% from £10.5 million at 30 June 2014 to £12.9 million for the period ended 30 June 2015. This was largely driven by increased operational profit and a share in profits from associates of £9.4 million and £0.5 million accordingly, offset by increased net finance costs of £7.0 million. The latter was largely due to the introduction of the Euro Bond following the acquisition of Capquest in November 2014. There was also an increase in the tax charge of £0.4 million, as a function of increased profitability, against a lower effective tax rate of 21.3% (30 June 2014: 22.9%).

During the period, non-recurring items of £2.8 million were incurred, with an associated tax impact of £0.6 million. The main non-recurring items were £1.4 million arising on the Portuguese strategic corporate acquisitions, £0.9 million due to IPO related staff costs and £0.5 million due to Capquest integration.

After taking account of the non-recurring items discussed above, underlying net income increased 13.4% from £13.4 million at H1 2014 to £15.2 million for the period ended 30 June 2015.

Funding, net debt and net assets

We successfully increased our RCF to £165 million, provided by five banks, to support business growth and balance sheet liquidity. The RCF was drawn by £115.0 million as at 30 June 2015 and we had cash and RCF resources of £64.6 million available.

Net debt at 30 June 2015 was £507.7 million (30 June 2014: £247.9 million); being 3.8x pro forma adjusted EBITDA and a net debt/84-month ERC loan to value ratio of 53.9%, which is significantly below our financial covenants of 75%. Cash cover for the period to 30 June 2015 is 4.4x. The driver of the increase in net debt of £68.0 million from 31 December 2014 was the acquisitions of Whitestar and Gesphone.

We continue to maintain a prudent balance sheet and strong funding position. We aim to maintain our strong position by continually assessing funding options in order to secure new or replacement financing, subject to market conditions.

Net assets increased £7.6 million during the period, mostly reflecting the retained profit for the period of £12.9 million offset by the final 2014 approved dividend of £5.9 million.

Shareholder returns

Underlying basic and diluted EPS for the period ended 30 June 2015 was 8.7 pence representing an increase of 13% (30 June 2014: 7.7 pence), and an underlying LTM ROE of 25.5% (31 December 2014: 26.1%).

The interim dividend will be 1.7 pence per share, being 50% of the 2014 final dividend, in accordance with our dividend policy (H1 2014: 1.7 pence).

Recent Developments

In July, we secured our first servicing contract in Portugal following the announcement of our strategic origination and servicing partnership with CarVal Investors. We will support Carval Investors as a master servicer for 10 years and provide certain outsourced services associated with managing the debt and real estate platform, majority owned by Carval Investors, that manages a significant number of Portuguese assets, including consumer, secured and SME. We expect revenue from this contract to further underpin the expected 2016 Whitestar EBITDA.

Outlook

We continue to make good progress in embedding a customer-centric culture and we will complete and submit our FCA application in late September.

Against the backdrop of this new enhanced regulatory environment, we expect to see continued consolidation within the purchase and collections market, especially in the UK.

Across Europe we continue to assess a number of servicing and portfolio investment opportunities and expect our purchases in H2 2015 to reflect our increased presence in mainland Europe and our asset management income to increase to circa 10% of group revenue.

Integration of the Arrow Global and Capquest businesses continues as expected and we remain confident in our ability to deliver full synergy benefits of £6.5 million (pre tax) in 2016. The synergy benefits run rate at the end of June 2015 was circa £400,000 per month. We have also begun to assess the potential for further benefits to make our model more efficient to maintain our UK competitiveness.

The Arrow Global platform is stronger than ever, with increased servicing and origination capabilities, both in the UK and in mainland Europe. As such, we remain well positioned for continued growth and are on track to deliver overall earnings in line with our expectations for the full year.

Principal risks and uncertainties

We have an enterprise-wide risk 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 risk, conduct risk, operational risk and financial risk.

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, that result in reduced asset purchased opportunities or collections, could impact future earnings	Management ensure portfolios are purchased at an appropriate price. We maintain strong relationships with our creditor client base in order to remain on seller panels and develop new relationships to diversify purchasing opportunities
		The Group is exposed to Eurozone economic uncertainty through its European investments in mainland Europe and Portuguese subsidiaries.	Appropriate currency liquidity management and scenario planning is in place
		Reputational risk - Negative attention and news regarding the debt collection industry or the Group itself 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	We manage this risk through oversight of our in-house and third party servicer network to ensure industry best practice collection approaches and adherence to regulation. In addition, we are active members of trade bodies such as Credit Services Association, to gain awareness of and shape the regulatory agenda
Regulatory risk	Risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection regulation	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	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 regulatory requirements
	Conduct risk - Risk of inappropriate strategy, systems, behaviors, 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 understand their responsibilities through training in respect of TCF. The monitoring and assurance framework has particular focus on conduct risk and customer outcomes
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	We are reliant on our in-house operations and a select panel of third party partners to manage customer accounts and collect outstanding balances through affordable repayment arrangements. Should our operations or that of third party servicers experience sustained business interruption through, for example, IT outage our customers could be impacted and we could potentially suffer financial loss	We have a 'three lines of defence' model that provides assurance over our in-house and third party partners in respect of compliance, performance, resilience and customer outcomes. Our third party panel is diversified to ensure that we do not become reliant on one third party debt servicer
		We are reliant on IT systems for data management and analysis; inability to access such data could result in customer impact and potential financial loss	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 practices ITIL – based procedures
	Legal risk - risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through legal contract and /or warranties	Exposure to remediation cost and further cases pursued by claims management companies	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

Financial risk	**Market risk -** the risk of losses in portfolios and foreign subsidiaries 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 **Investment risk -** the risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing	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 rate risk), and fluctuations in interest rate risks (interest rate risk). 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 may fail to achieve its anticipated recoveries	Foreign exchange risk is managed on a Group level through the use of forward contracts and daily monitoring of currency fluctuations Management mitigate interest rate risk using swap contracts Liquidity risk is managed matching the maturity of our funding facilities with the maturity of 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 The risk of counter-party default is managed through due diligence and ongoing monitoring of financial standing The Group engages tax specialists to advise the Group regarding its tax compliance obligations and the application of tax legislation and practice to the transactions and activities undertaken by the Group The Group's risk management policies on foreign exchange, interest rates, credit risk and market risk are explained in more detail within note 24 of the Annual Report and Accounts 2014 Rigorous change controls are in place prior to any new data influencing our decision making model, and due diligence and executive review is carried out prior to investment. Portfolio performance is monitored by senior management

Directors' responsibilities statement in respect of the interim results

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 interim 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 six 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 six 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 six 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
Iain Cornish	Non-executive director and senior independent director
Robin Phipps	Non-executive director
Lan Tu	Non-executive director

The interim results were approved on 27 August 2015 by the board of directors and are signed on its behalf by:

Robert Memmott
Chief Financial Officer

Independent review report to Arrow Global Group PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Richard Gabbertas
for and on behalf of KPMG LLP

1 St Peter's Square
Manchester
M2 3AE

27 August 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2015

	Note	Unaudited six months ended 30 June 2015 underlying items £000	Unaudited non-recurring items 2015 £000	Unaudited six months ended 30 June 2015 including non-recurring items £000	Unaudited six months ended 30 June 2014 underlying items £000	Unaudited non-recurring items 2014 £000	Unaudited six months ended 30 June 2014 including non-recurring items £000
Continuing operations	Note						
Revenue							
Income from purchased loan portfolios	10	72,165	-	72,165	49,925	-	49,925
Profit on portfolio sales	10	134	-	134	504	-	504
Total revenue from portfolios		**72,299**	**-**	**72,299**	**50,429**	**-**	**50,429**
Income from asset management		4,386	-	4,386	1,179	-	1,179
Total revenue		**76,685**	**-**	**76,685**	**51,608**	**-**	**51,608**
Operating expenses							
Collection activity costs		(24,098)	-	(24,098)	(15,630)	-	(15,630)
Professional fees and services		(1,688)	-	(1,688)	(797)	-	(797)
Recurring other operating expenses		(15,134)	-	(15,134)	(8,117)	-	(8,117)
Non-recurring other operating expenses	8						
Costs arising from business acquisitions		-	*(1,405)*	*(1,405)*	-	-	-
Servicer migration		-	*(506)*	*(506)*	-	-	-
IPO related costs		-	*(869)*	*(869)*	-	*(870)*	*(870)*
Settlement provisions		-	-	-	-	*(2,560)*	*(2,560)*
Total other operating expenses		**(15,134)**	**(2,780)**	**(17,914)**	**(8,117)**	**(3,430)**	**(11,547)**
Total operating expenses		**(40,920)**	**(2,780)**	**(43,700)**	**(24,544)**	**(3,430)**	**(27,974)**
Operating profit		**35,765**	**(2,780)**	**32,985**	**27,064**	**(3,430)**	**23,634**
Finance income		84	-	84	302	-	302
Recurring finance costs		(17,100)	-	(17,100)	(10,220)	-	(10,220)
Non-recurring finance costs	8						
Settlement provisions		-	-	-	-	*(143)*	*(143)*
Total finance costs		**(17,100)**	**-**	**(17,100)**	**(10,220)**	**(143)**	**(10,363)**
Share of profit in associates		467	-	467	-	-	-
Profit before tax		**19,216**	**(2,780)**	**16,436**	**17,146**	**(3,573)**	**13,573**
Taxation charge on ordinary activities	7	(4,063)	563	(3,500)	(3,785)	672	(3,113)
Profit for the period attributable to equity shareholders		**15,153**	**(2,217)**	**12,936**	**13,361**	**(2,901)**	**10,460**
Other comprehensive income:							
Foreign exchange translation difference arising on revaluation of foreign operations		(307)	-	(307)	(112)	-	(112)
Hedging movement		284	-	284	-	-	-
Total comprehensive income for the period attributable to equity shareholders		**15,130**	**(2,217)**	**12,913**	**13,249**	**(2,901)**	**10,348**
Basic and diluted EPS (£)	5	**0.09**		**0.07**	**0.08**		**0.06**

CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Notes	Unaudited 30 June 2015 £000	31 December 2014 £000	Unaudited 30 June 2014 £000
Assets				
Non-current assets				
Goodwill	9	79,343	47,623	1,968
Other intangible assets		17,244	11,043	1,160
Property, plant and equipment		3,128	2,881	271
Purchased loan portfolios	10	408,598	377,900	279,704
Investment in associates		11,380	11,419	-
Loan notes	10	1,040	1,378	1,781
Deferred tax asset		478	300	16
Total non-current assets		**521,211**	**452,544**	**284,900**
Current assets				
Cash and cash equivalents		14,581	14,542	17,147
Other receivables		20,045	16,569	14,460
Purchased loan portfolios	10	107,221	99,613	73,062
Total current assets		**141,847**	**130,724**	**104,669**
Total purchased loan portfolios		*515,819*	*477,513*	*352,766*
Total assets		**663,058**	**583,268**	**389,569**
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		59,759	51,479	45,421
Hedging reserve		(403)	(687)	-
Other reserves		(279,074)	(278,098)	(277,960)
Total equity attributable to shareholders		**129,462**	**121,874**	**116,641**
Liabilities				
Non-current liabilities				
Senior secured notes	13	361,186	378,564	212,587
Trade and other payables	11	7,138	-	-
Deferred tax liability		3,837	2,852	2,435
Total non-current liabilities		**372,161**	**381,416**	**215,022**
Current liabilities				
Trade and other payables	11	38,190	33,058	21,685
Derivative liability		835	1,872	-
Current tax liability		4,199	2,355	3,571
Revolving credit facility	13	111,814	35,404	26,946
Senior secured notes	13	6,397	7,289	5,704
Total current liabilities		**161,435**	**79,978**	**57,906**
Total liabilities		**533,596**	**461,394**	**272,928**
Total equity and liabilities		**663,058**	**583,268**	**389,569**

The interim results were approved on 27 August 2015 by the board of directors and are signed on its behalf by:

Robert Memmott
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2015

	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve* £000	Translation reserve* £000	Merger reserve* £000	Total £000
Balance at 1 January 2014	**1,744**	**347,436**	**33,841**	**-**	**(562)**	**(325)**	**(276,961)**	**105,173**
Profit for the period	-	-	10,460	-	-	-	-	10,460
Exchange differences	-	-	-	-	-	(112)	-	(112)
Total comprehensive income for the period	-	-	10,460	-	-	(112)	-	10,348
Share-based payments	-	-	1,120	-	-	-	-	1,120
Balance at 30 June 2014 (unaudited)	**1,744**	**347,436**	**45,421**	**-**	**(562)**	**(437)**	**(276,961)**	**116,641**
Profit for the period	-	-	7,811	-	-	-	-	7,811
Exchange differences	-	-	-	-	-	(138)	-	(138)
Net fair value losses - cash flow hedges	-	-	-	(859)	-	-	-	(859)
Tax on hedged items	-	-	-	172	-	-	-	172
Total comprehensive income for the period	**-**	**-**	**7,811**	**(687)**	**-**	**(138)**	**-**	**6,986**
Share-based payments	-	-	1,208	-	-	-	-	1,208
Dividend paid	-	-	(2,961)	-	-	-	-	(2,961)
Balance at 31 December 2014	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**
Profit for the period	-	-	12,936	-	-	-	-	12,936
Exchange differences	-	-	-	-	-	(307)	-	(307)
Net fair value gains cash flow hedges	-	-	-	357	-	-	-	357
Tax on hedged items	-	-	-	(73)	-	-	-	(73)
Total comprehensive income for the period	**-**	**-**	**12,936**	**284**	**-**	**(307)**	**-**	**12,913**
Share-based payments	-	-	1,270	-	-	-	-	1,270
Repurchase of own shares	-	-	-	-	(669)	-	-	(669)
Dividend paid	-	-	(5,926)	-	-	-	-	(5,926)
Balance at 30 June 2015 (unaudited)	**1,744**	**347,436**	**59,759**	**(403)**	**(1,231)**	**(882)**	**(276,961)**	**129,462**

Any exchange differences are recycled to the statement of comprehensive income.

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 30 June 2015 the Group held 142,559 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.1% of the Company share capital at 30 June 2015.

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 Group reconstruction as part of the IPO where Arrow Global Group PLC became the parent Company.

* Other reserves total £279,074,000 deficit (31 December 2014: £278,098,000 deficit, 30 June 2014: £277,960,000 deficit)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2015

Consolidated statement of cash flows	Note	Unaudited period ended 30 June 2015 £000	Unaudited period ended 30 June 2014 £000
Net cash used in operating activities	16	**(14,556)**	**(48,032)**
Investing activities			
Purchase of property, plant and equipment		(327)	(83)
Purchase of intangible assets		(2,730)	(24)
Dividends from associates		658	-
Acquisition of subsidiary, net of cash acquired		(36,838)	-
Net cash used in investing activities		**(39,237)**	**(107)**
Financing activities			
Proceeds from additional loans		76,000	26,946
Repayment of interest on senior notes		(13,684)	(8,663)
Repayment of bank loan		(250)	-
Bank fees paid		(1,997)	(584)
Bank interest received		4	-
Repurchase of own shares		(669)	-
Payment of dividends		(5,926)	-
Net cash flow generated by financing activities		**53,478**	**17,699**
Net decrease in cash and cash equivalents		**(315)**	**(30,440)**
Cash and cash equivalents at beginning of period		14,542	47,520
Effect of exchange rates on cash and cash equivalents		354	67
Cash and cash equivalents at end of period		**14,581**	**17,147**

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 six months ended 30 June 2015 comprise the Company and its subsidiaries (the "Group"). Through its subsidiary companies, the Group acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. In addition, the Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables.

This condensed set of consolidated interim 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, the interim financial statements has 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, except for:

- The Group has reconsidered its presentation of income from purchased portfolios and has made the decision to combine "Income from purchased portfolios" and "Portfolio write ups" into a single line on the face of the statement of comprehensive income, as this better represents the substance of the revenue streams".

- The Group has reconsidered its presentation of intangibles disclosure, due to the acquisitions during the year that have created additional goodwill, and has separated "Intangibles assets" into two separate captions "Goodwill" and "Other intangible assets" on the face of the consolidated balance sheet

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 interim 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.

The statements were approved by the board of directors on 27 August 2015.

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 interim results.

2. Adoption of new standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2015:

- Annual improvements cycles 2011-2013
- IFRIC Interpretation 21 Levies

These standards and interpretations are not deemed to have a material impact on the results of the Group.

3. Critical accounting judgements and estimates

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Fair value of acquisition balance sheet and carrying value of goodwill

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgment, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

The fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. Calculation of the value in use requires an estimate and timing of future cash flows expected to arise from the reduced CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgments in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

Key sources of assumption and estimation uncertainty in applying accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

b) Carrying value and EIR of purchased loan portfolios

A 12-month cash flow forecast is prepared for each account, based on predictions of probability to pay and value of total payments within the 12 month period. These predictions are generated using a bespoke statistical model (the PV model), which utilises customer and account level data, credit agency data and our historic experience with accounts which have similar key attributes. Management also review the model on a portfolio basis to take into account unforeseen external factors, which have impacted historical performance. Where necessary portfolios are calibrated to take into account these known factors. A separate model, using the 'stock and flow' method then takes the 12-month estimate and uses this to form an 84-month forecast of ERCs at a portfolio level. Key factors in this model are the assumptions made on the conversion of accounts from non-paying to paying, and vice-versa either through breakdown of the account or settlement/pay down of the balances due. Campaign overlays are also built into the model which allows the effect of performance improvements resulting from new initiatives to be factored into future cash flows. The ERCs created from the stock and flow model are regularly benchmarked at a portfolio level against actuals, which forms the impairment review.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as these applied to the Company's published consolidated annual report for the year ended 31 December 2014.

4. Segmental reporting

An operating segment is part of the Group from which on a separate basis it can generate income and incur cost and which presents its own isolated financial reports. The segment reporting serves as a governance tool and is reviewed on a regular basis by the chief operating decision makers in order to assess their performance and allocate resources to the segment. No seasonality affects the operations and segments of the business for the interim results.

Following the recent acquisition of Whitestar, asset management and servicing is now considered a significant segment of the business, therefore two segments of owned assets and asset management are reportable. Discrete financial information is available for these segments. Both represent two distinct and separate arms to the Group overall and have therefore been segmented in line with IFRS 8.

This is the only information analysed on a regular basis by the chief operating decision maker (CODM) and consequently two segments were identified. The CODM is considered to be the board of directors collectively.

The acquisitions that create the second operating segment were only acquired shortly before half year, with limited results included, therefore one segment will be disclosed for the half year. The information will be split fully into the annual report and accounts 2015.

Please see the consolidated statement of comprehensive income and the consolidated balance sheet on pages 13 and 14 as these mirror the segment information.

5. Earnings per share

	Period Ended 30 June 2015 £000	**Period Ended 30 June 2014 £000**
Basic/diluted earnings per share		
Underlying profit for the period attributable to equity shareholders	15,153	13,361
Profit for the period attributable to equity shareholders including non-recurring items	12,936	10,460
Number of ordinary shares	**174,439**	**174,439**
Underlying basic and diluted earnings per share (£)	**0.09**	**0.08**
Basic and diluted earnings per share including non-recurring (£)	**0.07**	**0.06**

6. Dividend

The interim dividend will be 1.7 pence per share (30 June 2014: 1.7p), in accordance with our policy, being 50% of the 2014 final dividend. The dividend is payable on 8 October 2015 to shareholders who are on the register as at 11 September 2015. The ex-dividend date is 10 September 2015. The interim dividend, which amounts to £2,965,000 (30 June 2014: £2,965,000), has not been recognised as a liability in these interim financial statements.

7. Tax

The applicable corporation tax rate for the period to 30 June 2015 was 20.25% (30 June 2014: 21.5%). The Group's effective consolidated tax rate for the six months ended 30 June 2015 was 21.29% (30 June 2014: 22.94%).

Non-recurring tax

We have identified non-recurring items in the period to 30 June 2015 amounting to £2,780,000 (30 June 2014: £3,573,000) with a £563,000 (30 June 2014: £672,000) associated tax impact.

8. Non-recurring items

	Period Ended 30 June 2015 £000	Period Ended 30 June 2014 £000
Other operating expenses	2,780	3,430
Finance costs	-	143
Total non-recurring items	**2,780**	**3,573**

Non-recurring items include items that, by virtue of their size and nature (i.e. outside of the normal operating activities of the Group), are not considered to be representative of the on-going performance of the Group. Due to transformation changes to the Group brought about by the IPO and strategic acquisitions, such as the sterling senior secured notes leading onto the IPO in 2013 and the euro senior secured notes to acquire the Capquest Group in 2014, significant costs have been incurred in the current and comparative period, which are not reflective of expected principal Group activity. The Capquest acquisition took place on 28 November 2014 and therefore there is still an element of acquisition costs being incurred in 2015.

Other operating expenses

In the period to 30 June 2015, £1.4 million of costs were incurred relating to the completion of two strategic Portuguese entity acquisitions, Gesphone and Whitestar, £0.9 million due to share option charges in relation to the IPO and £0.5 million due to Capquest integration, moving from an outsourced model to a partially insourced model.

In the period to 30 June 2014, £2.4 million was due to a provision for the resolution of a historical tax issue, with £0.9 million share option charges in relation to the IPO.

Finance costs

Non-recurring items in the period to 30 June 2014 related to a provision for the resolution of a historical tax issue.

9. Goodwill

Cost	£000
At 30 June 2014	4,277
Goodwill on acquisition of subsidiary	45,655
At 31 December 2014	49,932
Goodwill on acquisition of subsidiary	32,257
Exchange rate differences	(537)
At 30 June 2015	**81,652**
Impairment:	
At 30 June 2014, 31 December 2014 and 30 June 2015	**2,309**
At 30 June 2015	**79,343**
At 31 December 2014	**47,623**
At 30 June 2014	**1,968**

The goodwill on acquisition of subsidiary arose from the acquisitions of Whitestar for £27,402,000, Gesphone for £2,929,000 and an adjustment to the Capquest acquisition of £1,925,000.

10. Financial assets

	30 June 2015 £000	31 December 2014 £000	30 June 2014 £000
Non Current:			
Purchased loan portfolios	408,598	377,900	279,704
Loan notes	1,040	1,378	1,781
	409,638	**379,278**	**281,485**
Current:			
Purchased loan portfolios	107,221	99,613	73,062
Total	**516,859**	**478,891**	**354,547**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 June 2015, the carrying amount of the purchased loan portfolio assets was £515,819,000 (31 December 2014: £477,513,000).

The movements in purchased loan portfolio assets were as follows:

	Period Ended 30 June 2015 £000	Year Ended 31 December 2014 £000	Period Ended 30 June 2014 £000
As at the period brought forward	477,513	273,932	273,932
Portfolios acquired during the period *	72,589	143,220	101,139
Portfolios acquired through acquisition of a subsidiary	3,970	104,038	-
Collections in the period	(100,635)	(148,547)	(70,850)
Income from purchased loan portfolios	72,165	107,984	49,925
Exchange loss on purchased loan portfolios	(9,917)	(3,939)	(1,884)
Disposal of purchased loan portfolios	134	825	504
As at the period end	**515,819**	**477,513**	**352,766**

* inclusive of capitalised portfolio expenditure of £1,163,000 (31 December 2014: £4,882,000, 30 June 2014: £1,802,000)

11. Trade and other payables

Current	30 June 2015 £000	31 December 2014 £000	30 June 2014 £000
Trade payables	6,214	6,873	5,594
Deferred consideration	14,950	11,928	12,413
Taxation and social security	226	324	136
Other liabilities and accruals	16,800	13,933	3,542
	38,190	**33,058**	**21,685**

Non-current	30 June 2015 £000	31 December 2014 £000	30 June 2014 £000
Deferred consideration	7,138	-	-
	7,138	**-**	**-**

The directors consider that the carrying amounts of the current trade and other payables are approximate to their fair value on the basis that the balances are short term in nature. The non-current deferred tax consideration has also been calculated to fair value.

12. Related party transactions

The Company is the ultimate parent entity of the Group. There have been no significant related party transactions during the period to 30 June 2015.

On 6 September 2013, Shawbrook Bank Limited committed as a lender under the revolving credit facility. Post period end from 6 July 2015 Iain Cornish, a non-executive director of the Company, has been appointed as a non-executive Chairman of Shawbrook Group plc.

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

13. Borrowings and Facilities

Secured borrowing at amortised cost	30 June 2015 £000	31 December 2014 £000	30 June 2014 £000
Senior secured notes (net of transaction fees of £17,622,000, 31 December 2014: £17,506,000, 30 June 2014: £7,143,000)	361,186	378,564	212,587
Revolving credit facility (net of transaction fees of £4,111,000, 31 December 2014: £3,595,000, 30 June 2014: £nil))	111,814	35,404	26,946
Senior secured notes interest	6,397	7,289	5,704
	479,397	**421,257**	**245,237**
Total borrowings			
Amount due for settlement within 12 months	**118,211**	**42,693**	**32,650**
Amount due for settlement after 12 months	**361,186**	**378,564**	**212,587**

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 23 June 2015, the Group increased its revolving credit facility, provided by a syndicate of five participating financial institutions to £165 million, with the facility running to January 2019.

The Group is required to pay a commitment fee at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment. The revolving credit facility is secured by the same assets as the euro and sterling senior notes and sterling senior notes and ranks supersenior to these. The assets that are secured are those of the consolidated Arrow Global Guernsey Holdings Limited group of companies.

14. Acquisitions of subsidiary undertakings

Gesphone

On 1 April 2015, the Group acquired 100% of the ordinary share capital of Gesphone Serviços De Tratamento E Acquisção De Dívidas S.A. and subsidiary Gesphone STC ("Gesphone"), satisfied with cash of €6,300,000 and contingent consideration of €2,000,000 for a total consideration of €8,300,000. The contingent consideration has been calculated at fair value based on a discount rate of 5.3%, being the Group's current external cost of finance, leading to an overall consideration at fair value of €8,085,000 (£5,797,000). The contingent consideration is based on Gesphone remaining party to a service agreement, which has been considered highly probable, therefore a 100% probability has been applied. Gesphone has a similar principal activity as the Group being the acquisition and management of underperforming portfolio of unsecured loans and servicing of debt in relation to third party contracts in Portugal.

Goodwill of €4,085,000 (£2,929,000) was created as a result of this acquisition. The primary reasons for the acquisition, which makes up the goodwill, were to create scale and servicing capability across multiple asset classes, and to strengthen the Group's position as market leader in Portugal. Included in goodwill are certain intangible assets including the anticipated impact of the primary reasons for the acquisition above that cannot be individually separated and reliably measured due to their nature and therefore have not been included separately as intangible assets.

In the period from acquisition to 30 June 2015, Gesphone contributed revenue of £656,000 and operating profit of £252,000 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2015, Group total revenue would have been an estimated £78,261,000 and operating profit would have been an estimated £33,590,000.

Effect of the acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £000	Fair value adjustment £000	Total £000
Purchased loan portfolios	3,970	-	3,970
Property, plant and equipment	75	-	75
Other assets	7	-	7
Investments	14	-	14
Deferred tax asset	2	-	2
Trade and other receivables	115	-	115
Cash and cash equivalents	1,916	-	1,916
Trade and other payables	(1,150)	-	(1,150)
Bank loans	(1,560)	-	(1,560)
Deferred tax liability	(521)	-	(521)
	2,868	**-**	**2,868**
Goodwill on acquisition			2,929
			5,797
Consideration:			
Cash			4,517
Contingent consideration			1,280
			5,797

Whitestar

On 22 April 2015, the Group acquired 33% of the share capital of Silver Parallel S.A (the holding company of Whitestar Asset Management S.A. ("Whitestar")). Voting control and economic interest passed to the Group on payment of the initial consideration on 22 April 2015. The Group will increase its holding to 100% in two stages over two years and the total consideration will be satisfied with cash and deferred consideration for €47,833,333. The deferred consideration has been calculated at fair value based on a discount rate of 5.3%, being the Group's current external cost of finance, leading to an overall consideration of €47,783,000 (£34,263,000). Whitestar has a similar principal activity as the Group being the servicing of debt in relation to third party contracts.

Goodwill of €38,214,000 (£27,402,000) was created as a result of this acquisition. The primary reasons for the acquisition, which makes up the goodwill, were to create scale and servicing capability across multiple asset classes, and to strengthen the Group's position as market leader in Portugal. Included in goodwill are certain intangible assets including the anticipated impact of the primary reasons for the acquisition above that cannot be individually separated and reliably measured due to their nature.

In the period from acquisition to 30 June 2015, Whitestar contributed revenue of £2,153,000 and operating profit of £156,000 to the consolidated results for the period. If the acquisition had occurred on the 1 January 2015, Group total revenue would have been an estimated £82,705,000 and operating profit would have been an estimated £33,318,000.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015.

Effect of the acquisition
The acquisition had the following effect on the Group's assets and liabilities:

	Book value £000	Fair value adjustment £000	Total £000
Property, plant and equipment	778	-	778
Intangible assets	484	3,721	4,205
Other assets	1	-	1
Deferred tax asset	8	-	8
Trade and other receivables	1,907	-	1,907
Cash and cash equivalents	1,307	-	1,307
Trade and other payables	(601)	-	(601)
Deferred tax liability	-	(744)	(744)
	3,884	**2,977**	**6,861**
Goodwill on acquisition			27,402
			34,263
Consideration:			
Cash			14,287
Deferred consideration			19,976
			34,263

The fair value adjustment on the intangible assets arises from the fair value of existing customer relationships. An associated deferred tax liability is created being 20% of the fair value adjustment.

Acquisition expenses
The Group incurred acquisition expenses of £1,405,000 in relation to the acquisitions of Gesphone and Whitestar, which has been charged to the statement of comprehensive income and included within other operating expenses.

Measurement period
Whilst the Group believes the acquisition accounting fair value adjustments to be complete, IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were not in existence at the acquisition date. If any additional material changes are required within this measurement period, these will be reflected in the 2015 Annual Report and Accounts.

15. Financial instruments

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted market prices within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, using prices from observable current market transactions and dealer quotes for similar instruments and unobservable inputs such as historic performance data and the Proprietary Collections Bureau output. The purchased loan portfolios fair value is calculated using our 84-month ERC through our own in-house models. Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings are reported at amortised cost which, at this point in time, approximates fair value due to unchanged market conditions.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the balance sheet. All of the Group's financial instruments measured at fair value fall into hierarchy level 2.

Level 2	**30 June 2015**	**31 December 2014**
	£000	**£000**
Foreign currency contracts	236	1,301
Interest rate swaps	599	571
Total liabilities	**835**	**1,872**

New hedging strategies were applied at the end of 2014, resulting in a change in the hedging impact.

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the period end. The group does not believe that the impact of credit valuations is material based on the balance sheet amount and the counterparty it is held with.

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the balance sheet. All of the Group's financial instruments not measured at fair value fall into hierarchy level 3.

Level 3	**30 June 2015**	**31 December 2014**
	£000	**£000**
Purchased loan portfolios	515,819	477,513
Total assets	**515,819**	**477,513**

There have been no transfers in or out of Level 3.

The balance sheet value of the Group's purchased loan portfolios is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

Estimates of cash flows that determine the EIR are based on the Group's 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.

Management consider that the valuing of the purchased loan portfolios at amortised cost is comparable to the fair value, due to any material movements being posted to the consolidated statement of comprehensive income.

The Group has an established control framework with respect to the measurement of purchased loan portfolio values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a quarterly basis, reviews actual against forecast gross cash on cash money multiples, signs off the latest ERC forecast and assesses the carrying value of the portfolio assets.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios can be seen in note 10.

Treasury related risk management

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury committee. The treasury committee, which is chaired by the chief financial officer, is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risk is managed within set limits. Policies also set out the specific instruments that can be used for risk management.

16. Notes to the cash flow statement

	Period Ended 30 June 2015	Period Ended 30 June 2014
Cash flows from operating activities	**£000**	**£000**
Profit before tax	16,436	13,573
Adjusted for:		
Collections in the period*	100,635	70,850
Income from purchased loan portfolios*	(72,165)	(49,925)
Profit on disposal of purchased loan portfolios	(134)	(504)
Share of profit from associates	(467)	-
Amortisation of legal acquisition fees on portfolios and finance costs	1,994	667
Depreciation and amortisation	1,633	391
Interest payable	15,022	9,270
Foreign exchange (gains)/ losses	(1,411)	700
Loss on fair values on derivatives	-	139
Equity settled share-based payment expenses	1,270	1,120
Cash from secured loan notes from third party	-	118
Operating cash flows before movement in working capital	**62,813**	**46,399**
Increase in other receivables	(3,354)	(3,406)
Increase in trade and other payables	1,755	2,828
Cash generated by operations	**61,214**	**45,821**
Income taxes and overseas taxation paid	(3,181)	(2,656)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**58,033**	**43,165**
Purchases of purchased loan portfolios	(72,589)	(91,197)
Net cash used in operating activities	**(14,556)**	**(48,032)**

*Amortisation is the net of collections in the period and income from purchased loan portfolios

17. Share based payments

Share incentive plan scheme (SIP)

In April 2015, the Group offered to all UK employees the opportunity to participate in the above SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment to receive the shares.

Long-term incentive plan (LTIP)

On 15 June 2015, nil cost share options were granted to eligible employees based on a maximum of 150% of base salary. The LTIP awards vest at the end of three years, subject to the achievement of performance conditions. On the same date, tax qualifying options were granted as part of the LTIP awards ("CSOP options"). Each CSOP option is subject to the same performance targets as apply to the nil cost option part of the awards.

Each CSOP Option is subject to the same performance targets as apply to the nil-cost option part of the awards. If a CSOP Option is exercised at a gain, the number of shares that may be delivered under the above associated nil-cost option under the LTIP will be reduced at exercise by the same value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP Option.

For each eligible employee, 50% of the LTIP awards are subject to EPS growth criteria, and vests as follows:

Performance condition	Percentage vesting
Less than 10% EPS growth per annum	0%
10% EPS growth per annum over the vesting period (“threshold performance”)	25%
20% EPS growth per annum over the vesting period (“maximum performance”)	100%
Between 10% and 20% EPS growth per annum over the vesting period	Between the threshold performance and maximum performance on a straight line basis

For each eligible employee, 25% of the LTIP awards are subject to total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index, with the LTIP awards vesting as follows:

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) (‘threshold performance’)	25%
Upper quartile ranking (top 25%) (‘maximum performance’)	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight line basis

For each eligible employee, 25% of the LTIP awards are subject ROE growth criteria, and vest as follows:

Performance condition	Percentage vesting
Less than 20% average ROE over the three performance years	0%
20% average ROE growth over the three performance years (“threshold performance”)	25%
26% average ROE growth over the three performance years (“maximum performance”)	100%
Between 20% and 26% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight line basis

On 30 June 2015, further awards of nil cost share options were granted to eligible employees which vest on 15 June 2018, subject to the achievement of the same performance conditions as for the 15 June 2015 awards.

Restricted share award

A restricted share award was made on 15 June 2015. This award vests on 1 May 2017 subject to continuity of employment.

Share incentive plan scheme (SIP)

The SIP scheme is the same as that available at 31 December 2014.

Grant information for the period

The terms and conditions of the grants during the period are as follows:

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – restricted	Equity	266,008	2 years	1 May 2017
Equity settled award – SIP	Equity	13,107	3 years rolling	May – June 2018

There were no shares exercised during the period.

The weighted average fair value of options granted during the period was £2.31. The majority of options granted to date are nil cost options.

The fair value of equity settled share based payments has been estimated as at date of grant using the Black Scholes model.

The inputs to the models used to determine the valuations fell within the following ranges.

	30 June 2015
SIP	
Expected life of options (years)	3
Share prices at date of grant	£2.58
LTIP	
Expected life of options (years)	2-3
Share prices at date of grant	£2.58
Expected share price volatility (%)	22.90%
Risk free interest rate (%)	0.87%

The total expenses recognized for the period arising from the above share-based payments are as follows:

	30 June 2015
	£000
Equity settled share based payment expense spread across vesting period	58
Total equity settled share based payment expense recognised in the statement of comprehensive income	**58**

The Company holds the obligation to settle the share options; however, the benefit arises in the subsidiaries Arrow Global Limited (AGL) and Capquest Debt Recovery Limited (CDRL) with the charge in the statement of comprehensive income recharged to AGL and CDRL.

Glossary

"Adjusted EBITDA" means profit for the period attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The adjusted EBITDA reconciliations for the period ended 30 June 2014 and 30 June 2015 are shown below:

Reconciliation of net cash flow to EBITDA	**Period ended 30 June 2015 £000**	**Period ended 30 June 2014 £000**
Net cash flow used in operating activities	(14,556)	(48,032)
Purchases of loan portfolios	72,589	91,197
Income taxes paid	3,181	2,656
Working capital adjustments	1,599	460
Share of profits in associates	467	-
Amortisation of acquisition and bank facility fee	139	139
Effect of exchange rates on cash and cash equivalents	354	66
Non-recurring items	1,911	2,560
Adjusted EBITDA	**65,684**	**49,046**
Reconciliation of core collections to EBITDA	**£000**	**£000**
Income from loan portfolios	72,165	49,925
Portfolio amortisation	28,470	20,925
Core collections (includes proceeds from disposal of purchased loan portfolios)	**100,635**	**70,850**
Other income	4,386	1,179
Operating expenses	(43,700)	(27,974)
Depreciation and amortisation	1,633	391
Foreign exchange (gains)/losses	(1,057)	781
Amortisation of acquisition and bank facility fees	139	139
Share based payments	401	250
Share of profit in associates	467	-
Non-recurring items	2,780	3,430
Adjusted EBITDA	**65,684**	**49,046**
Reconciliation of operating profit to EBITDA	**£000**	**£000**
Profit for the period attributable to equity shareholders	12,936	10,460
Underlying finance income and costs	17,016	9,918
Taxation charge on ordinary activities	3,500	3,113
Share of profit in associates	(467)	-
Non-recurring items	-	143
Operating profit	**32,985**	**23,634**
Portfolio amortisation	28,470	20,925
Depreciation and amortisation	1,633	391
Foreign exchange (gains)/losses	(1,057)	781
Profit on disposal of purchased loan portfolios	(134)	(504)
Amortisation of acquisition and bank facility fees	139	139
Share based payments	401	250
Share of profit in associates	467	-
Non-recurring items	2,780	3,430
Adjusted EBITDA	**65,684**	**49,046**

Glossary *(continued)*

'Adjusted EBITDA ratio' represents the ratio of Adjusted EBITDA to core collections.

'Collection activity costs' represents 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.

'Core collections' or 'core cash collections' mean collections on the Group's existing portfolios including ordinary course portfolios and putbacks.

'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).

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

'Defaulted debt' means a debt where a customer has seriously breached the repayment terms governing that debt such that it is unlikely to be paid. Under the Consumer Credit Act 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 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.

'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.

'EPS' means earning per share

'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).

'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.

Glossary *(continued)*

'FCA' means Financial Conduct Authority.

'FOS' means the UK Financial Ombudsman Service.

'Free cash flow' means adjusted EBITDA after the effect of capital expenditure and working capital movements.

'**Gross cash-on-cash multiple**' means 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.

'IFRS' means international financial reporting standards.

'IPO' means initial public offering.

'ISOP' means the initial share option plan.

'Loan to Value ratio' or 'LTV ratio' represents the ratio of 84-month ERC to net debt.

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

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of loan portfolios, 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 period ended 30 June 2015 and 30 June 2014 is as follows:

	30 June 2015 £000	**30 June 2014 £000**
Cash and cash equivalents	(14,581)	(17,147)
Senior secured notes (pre transaction fees net off)	378,809	220,000
Senior secured notes interest	6,397	5,704
Revolving credit facility (pre transaction fees net off)	115,000	26,946
Deferred consideration	22,087	12,413
Net debt	**507,712**	**247,916**

'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 Gross ERC.

'Organic purchases of loan portfolios' means those purchased through the ordinary course of business, not through acquisition.

'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.

Glossary *(continued)*

'Purchased loan portfolios' see **'existing portfolios'**.

'Putback' means an account that is to be sold back or replaced with the original creditor.

'RCF' means revolving credit facility.

'ROE' means the return on equity.

'SIP' means the Arrow Global all-employee share incentive plan.

'SME' means small and medium sized enterprises.

'TCF' means the treating customers fairly FCA initiative.

'TSR' means total shareholder return.

'Underlying net income' means profit for the period 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 period and forms the basis of its dividend policy.

'Underlying return on equity' represents the ratio of underlying profit for the period attributable to equity shareholders to average shareholder equity post restructure.