

Arrow Global Group PLC

Results for the nine months ended
30 September 2015

Arrow Global Group PLC

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

Results for the nine months ended 30 September 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 nine months to 30 September 2015.

Highlights

- Total revenue up 53.2% to £120.0 million (Q3 2014: £78.3 million), driven by a 42.2% increase in core collections to £155.5 million (Q3 2014: £109.3 million), and asset management revenues growing to £9.2 million (Q3 2014: £1.4 million)
- Adjusted EBITDA up 37.7% to £103.9 million (Q3 2014: £75.4 million); Adjusted EBITDA ratio 66.8% (Q3 2014: 69.0%)
- Profit before tax up 18.3% to £25.9 million (Q3 2014: £21.9 million) leading to a profit attributable to shareholders up 20.3% to £20.4 million (Q3 2014: £17.0 million). Underlying net income up 16.1% to £23.5 million (Q3 2014: £20.2 million)
- Underlying basic and diluted earnings per share ("EPS") of 13.6p representing growth of 16.1% (Q3 2014: 11.6p) and delivering a LTM underlying return on equity ("ROE") of 25.7%
- Acquired debt portfolios with a face value of £1,077.0 million for £97.1 million, with 88% purchased off-market and 17% underpinned by secured assets
- Total purchased loan portfolios £526.7 million (31 December 2014: £477.5 million) with 120-month ERC up 6.0% to £1,150.8 million (31 December 2014: £1,085.4 million) and 84-month ERC⁵ up 6.4% to £954.9 million (31 December 2014: £897.3 million)
- Net debt £524.2 million and Net Debt to LTM Adjusted EBITDA ratio of 3.8x (31 December 2014 pro forma: 3.4x), reflecting portfolio and company acquisitions
- Successfully issued €110 million Euro bond, providing cash and RCF headroom of £149.5 million
- Interim dividend for 2015 declared of 1.7p per share (Q3 2014: 1.7p per share)

Notes:

A glossary of terms can be found on pages 23 to 26 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

Tom Drury, chief executive officer of Arrow Global commented:

“Arrow Global achieved another set of strong results in Q3, delivering on our strategy of diversifying by geography, asset class and revenue stream, while driving strong returns on investment.

“We have continued to grow our capital-light servicing revenues across the business. Following the acquisition of Whitestar and subsequent contract awards, we now service circa €6 billion of assets by face value in Portugal.

“In December 2015, we will start to migrate the servicing of the Erudio Student Loans portfolio in-house and onto our new integrated customer service platform – student loans is a strategic asset class from which we expect further servicing and purchasing opportunities.

“Capquest continues to outperform our expectations. Collections are at 103% of our original underwriting forecast and our strong cost control and delivery of synergies has helped increase our Adjusted EBITDA to £103.9 million. Based on this on-going strong performance, we now expect an additional £2 million of synergy benefits in 2016, which we will use to strengthen our UK market proposition.

“Our funding position remains strong and the successful placing of our €110 million bond in September supplements the Group’s high levels of cash generation, strengthening our ability to grow. Since 30 September, our expansion in mainland Europe has continued with a significant portfolio acquisition in Holland, and in Portugal we secured our first portfolio investment from the strategic origination partnership with CarVal Investors. At 25 November 2015 we had acquired £133.7 million of portfolios in line with our target returns.

“Going into the final quarter, we have good visibility on a strong pipeline of deals and we remain firmly on track to deliver overall full-year earnings in line with our expectations. As we look to 2016, with the full-year benefits from the successful implementation of the Capquest and Whitestar acquisitions overlaying continued growth from attractive organic investments, we are confident in achieving another year of significant growth.”

26 November 2015

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There will be a conference call for investors today at 2pm (UK time). To register for the call please visit <http://www.arrowglobalir.net/files/file/download/id/269>

**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 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 nine months to 30 September 2015

Arrow Global remains focused on achieving its vision of becoming Europe's leading purchaser and manager of debt. Our strategy is:

- 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

Aligned to these, we continue to pursue a strategy for differentiated origination; wherever possible looking for off market bilateral trades outside auctions as well as looking to partner with credit funds to create a walled garden of future purchase opportunities.

This strategy has helped us to achieve off-market trades in the first nine months of 2015 of 88% of our acquired portfolios by investment value.

In Portugal, we are starting to see real momentum from our purchase of the Whitestar and Gesphone businesses and the accompanying strategic origination and servicing partnership with CarVal Investors announced earlier in the year.

The balance of portfolio purchases to 30 September 2015 (49% outside of the UK) reflects our on going growth within mainland Europe.

Key results

As of and period to	9 months ended 30-Sep-15 £m	9 months ended 30-Sep-14 £m	12 months ended 31-Dec-14 £m
Purchases of loan portfolios	97.1	122.9	137.7
Total purchased loan portfolios	526.7	362.8	477.5
Core collections	155.5	109.3	148.5
Collection cost ratio (%)	24.8% ¹	22.1%	23.0%
Total revenue	120.0	78.3	110.7
Adjusted EBITDA	103.9	71.9	101.0
Adjusted EBITDA ratio	66.8%	69.0%	68.0%
Profit before tax	25.9	21.9	24.1
Profit attributable to shareholders	20.4	17.0	18.3
Underlying net income	23.5	20.2	29.6
84-month ERC	954.9	708.8	897.3
120-month ERC	1,150.8	836.3	1,085.4
Net debt	524.2	255.7	439.7
Net assets	134.6	120.8	121.9

¹ 22.8% collection cost ratio for purchased loan portfolios

Portfolio acquisitions and overview

For the period ended 30 September 2015, we acquired debt portfolios with a face value of £1,077.0 million for a purchase price of £97.1 million.

We are building a balanced vintage, and our acquisitions in the 9 months to 30 September 2015 include, by investment value:

- 51% of portfolio investments in the UK and 49% in mainland Europe;
- 88% of investments in off market trades;
- 17% of investments underpinned by secured assets.

These portfolio purchases, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £526.7 million at 30 September 2015 (31 December 2014: £477.5 million). As at 30 September 2015, the total face value of acquired purchased loan portfolios was £13.8 billion (31 December 2014: £12.7 billion) across 8.5 million customer accounts.

Core collections & ERC overview

Core collections increased to £155.5 million (Q3 2014: £109.3 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.

As at 30 September 2015 we have cumulatively collected 102% of our original underwriting forecast on a constant exchange rate basis, reflecting 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 6.4% from £897.3 million as at 31 December 2014 to £954.9 million, (120-month ERC 6.0% increase to £1,150.8 million) (31 December 2014: £1,085.4 million).

The ERC is underpinned by paying accounts that have a face value of £1.6 billion, which represents 1.6x 84-month ERC cover (1.3x 120-month ERC cover). As at 30 September 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 £70 million.

Collection costs

During the period ended 30 September 2015 there was an increase in the collection cost ratio, to 24.8%, 22.8% relating to purchased loan portfolios (Q3 2014: 22.1%). Significant progress has been made driving efficiency in collection costs through the UK servicer migration plan with 70% of paying and 93% of non-paying accounts migrated at the end of Q3 2015. On a purchased loan portfolio basis, cost to collect ratio was 22.1% for the 3 months to September, down from 23.4% for the 3 months to June 2015.

Adjusted EBITDA

Adjusted EBITDA is our proxy for operating cash flow. For the period ended 30 September 2015, Adjusted EBITDA increased by £28.4 million (38%) to £103.9 million (Q3 2014: £75.4 million). The Adjusted EBITDA ratio was 66.8% (Q3 2014: 69.0%) with the reduction reflecting the combined results of Arrow and Capquest. The ratio has improved from 65.3% at H1 2015 as we have continued to deliver the synergies from the merger of the two companies and the growth of the asset management business.

Profit attributable to shareholders

Profit attributable to shareholders increased 20% from £17.0 million at 30 September 2014 to £20.4 million for the period ended 30 September 2015. This was largely driven by increased operational profit and a share in profits from associates of £14.4 million and £0.7 million accordingly, offset by increased net finance costs of £11.0 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 £0.6 million, as a function of increased profitability, against a lower effective tax rate of 21.2% (30 September 2014: 22.5%).

During the period, non-recurring items of £3.8 million were incurred, with an associated tax impact of £0.8 million. The main non-recurring items were £1.4 million arising on the Portuguese strategic corporate acquisitions, £1.3 million due to IPO related staff costs and £1.1 million due to Capquest integration.

After taking account of the non-recurring items discussed above, underlying net income increased 16.1% from £20.2 million at Q3 2014 to £23.5 million for the period ended 30 September 2015.

Funding, net debt and net assets

We have a RCF facility of £165 million, provided by five banks, to support business growth and balance sheet liquidity. Following the successful issuance of the €110 million bond in Q3, as at 30 September 2015, we had cash and RCF resources of £149.5 million available.

Net debt at 30 September 2015 was £524.2 million (30 September 2014: £255.7 million); being 3.8x LTM Adjusted EBITDA and a net debt/84-month ERC loan to value ratio of 54.9%, which is significantly below our financial covenants of 75%. Cash cover for the period to 30 September 2015 is 4.6x.

Net assets increased £12.7 million during the period, mostly reflecting the retained profit for the period of £20.4 million offset by the final 2014 approved dividend of £5.9 million and interim dividend of £3.0 million.

Shareholder returns

Underlying basic and diluted EPS for the period ended 30 September 2015 was 13.5 pence representing an increase of 16.1% (30 September 2014: 11.6 pence), and an underlying LTM ROE of 25.7% (31 December 2014: 26.1%).

Recent Developments

As at the close of business 25 November 2015 we had acquired debt portfolios for an aggregate purchase price of £133.7 million in line with target returns. This included the Dutch portfolio acquisition with a face value of circa €173 million. The Netherlands is an established market with regular portfolio sales by second tier banks and credit institutions in particular. The portfolio is expected to provide significant levels of data that will help to inform future purchase decisions.

In November, we also completed a number of portfolio investments in Portugal as part of our on going strategic partnership with CarVal Investors. These investments give further support to our expectation of a strong performance in 2016.

Outlook

We submitted our FCA application in September as planned and anticipate receiving full authorisation in H2 2016.

Having completed much of the Arrow Global and Capquest integration work, we have now revised our forecasts for annual synergy savings to circa £8.5 million pre tax (previously £6.5 million) for 2016. The incremental savings will be invested into our UK market proposition.

In December 2015, we will start to migrate the servicing of the Erudio Student Loans portfolio in-house and onto our new integrated customer service platform – student loans is a strategic asset class from which we expect further servicing and purchasing opportunities.

With the acquisitions we have made in the last 12 months (Capquest in the UK, Whitestar and Gesphone in Portugal) we continue to enhance our servicing capabilities, delivering £9.2 million revenue year-to-date and we expect circa 15% of Group revenue in 2016 to come from our servicing business.

Going into the final quarter, we have good visibility on a strong pipeline of deals and we remain firmly on track to deliver overall full-year earnings in line with our expectations. As we look to 2016, with the full-year benefits from the successful implementation of the Capquest and Whitestar acquisitions overlaying continued growth from attractive organic investments, we are confident in achieving another year of significant growth.

Directors' responsibilities statement in respect of the results for the nine months ended 30 September 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 nine 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 nine 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
Lan Tu	Non-executive director
Robin Phipps	Non-executive director

The interim results were approved on 26 November 2015 by the board of directors and are signed on its behalf by:

Robert Memmott
Chief Financial Officer

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	<p>Economic risk: the Group's growth strategy is based on the future purchase of, and collection from, distressed loan portfolios</p> <p>Changes in economic conditions could impact the ability to collect from portfolios, or the amount of debt portfolios that are sold</p> <p>The Group is exposed to Eurozone economic uncertainty through its investment in mainland Europe.</p> <p>In Portugal, there is also a degree of political uncertainty given a new government is not yet in place</p> <p>Reputational risk: negative attention and news 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</p>	<p>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</p> <p>Appropriate currency liquidity management and scenario planning is in place including consideration of the changing political environment particularly in Portugal</p> <p>Reputational risk is managed through adherence to relevant regulation and industry best practice collection approaches</p>
Conduct risk	Risk of inappropriate strategy, systems, behaviour, 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/brand damage	<p>Conduct risk and treating customers fairly (TCF) are at the heart of our business. All employees and third parties acting on our behalf receive appropriate training.</p> <p>We have an oversight framework focused on compliance, performance, and customer outcomes across our in-house operations and third party panel members. All new third party panel members are rigorously checked to ensure they conform to our compliance and quality standards, and are then monitored on a regular basis</p>
Operational risk	<p>Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events</p> <p>Regulatory risk: risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection regulation</p> <p>Legal risk: risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through contract and/or warranties</p>	<p>In the UK 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</p> <p>We are also reliant on IT systems for data management and analysis</p> <p>Failure to comply with relevant regulation could result in the suspension</p>	<p>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</p> <p>IT systems are regularly tested, backed up and are managed through a tight set of quality and security policies, supported by a robust disaster recovery plan. In the UK we adhere to ISO27001 standards and</p>

	<p>Integration risk: risk of failing to successfully integrate Capquest, Whitestar and Gesphone into the wider Arrow Global Group and operating model</p>	<p>or termination of our ability to conduct business and could lead to regulatory censure and financial loss</p> <p>Exposure to remediation cost and cases pursued by claims management companies</p> <p>Failure to realise forecast synergies and potential poor customer outcomes</p>	<p>we practise ITIL based procedures</p> <p>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</p> <p>Due diligence is undertaken on prospective investment purchases to identify potential documentation weaknesses. Legal team involvement in all purchases and external legal advice is taken where required</p> <p>To ensure the successful integration of newly acquired companies specialist integration project teams are overseen by executive management and the board</p>
<p>Financial risk</p>	<p>Market risk: the risk of losses in portfolios due to changes in foreign exchange rates and the level of interest rates</p> <p>Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due</p> <p>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</p> <p>Tax risk: tax compliance risks arise from the complex nature of tax legislation and practice</p> <p>Investment risk: the risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing</p>	<p>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)</p> <p>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</p>	<p>Liquidity risk is managed through 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</p> <p>Foreign exchange risk is managed on a Group level principally through the use of forward contracts</p> <p>Management reduce interest rate risk by principally using interest rate swaps</p> <p>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</p> <p>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</p>

Unaudited Consolidated Statement Of Comprehensive Income

For the nine months ended 30 September 2015

	Note	Nine months ended 30 September 2015 Underlying £000	Non- recurring items 2015 £000	Nine months ended 30 September 2015 including non- recurring £000	Nine months ended 30 September 2014 Underlying £000	Non- recurring items 2014 £000	Nine months ended 30 September 2014 including non- recurring £000
Continuing operations							
Revenue							
Income from purchased loan portfolios		110,277	-	110,277	76,132	-	76,132
Profit on portfolio and loan note sales		503	-	503	825	-	825
Total revenue from portfolios		110,780	-	110,780	76,957	-	76,957
Income from asset management		9,201	-	9,201	1,360	-	1,360
Total revenue		119,981	-	119,981	78,317	-	78,317
Operating expenses							
Collection activity costs		(38,554)	-	(38,554)	(24,201)	-	(24,201)
Professional fees and services		(2,178)	-	(2,178)	(1,024)	-	(1,024)
Recurring other operating expenses		(24,075)	-	(24,075)	(12,241)	-	(12,241)
Non-recurring other operating expenses:							
<i>Costs arising from business acquisitions</i>		-	(1,434)	(1,434)	-	-	-
<i>Servicer migration</i>		-	(1,069)	(1,069)	-	-	-
<i>IPO related costs</i>		-	(1,304)	(1,304)	-	(1,304)	(1,304)
<i>Settlement provisions</i>		-	-	-	-	(2,560)	(2,560)
Total other operating expenses	6	(24,075)	(3,807)	(27,882)	(12,241)	(3,864)	(16,105)
Total operating expenses		(64,807)	(3,807)	(68,614)	(37,466)	(3,864)	(41,330)
Operating profit		55,174	(3,807)	51,367	40,851	(3,864)	36,987
Finance income		122	-	122	326	-	326
Recurring finance costs		(26,219)	-	(26,219)	(15,238)	-	(15,238)
Non recurring finance costs:							
<i>Settlement provision</i>		-	-	-	-	(143)	(143)
Total finance costs	6	(26,219)	-	(26,219)	(15,238)	(143)	(15,381)
Share of profit in associates		667	-	667	-	-	-
Profit before tax		29,744	(3,807)	25,937	25,939	(4,007)	21,932
Taxation charge on ordinary activities	5	(6,268)	771	(5,497)	(5,712)	767	(4,945)
Profit for the period attributable to equity shareholders		23,476	(3,036)	20,440	20,227	(3,240)	16,987
Other comprehensive income:							
Foreign exchange translation difference arising on revaluation of foreign operations		(83)	-	(83)	(188)	-	(188)
Hedging movement		(272)	-	(272)	-	-	-
Total comprehensive income for the period attributable to equity shareholders		23,121	(3,036)	20,085	20,039	(3,240)	16,799
Basic and diluted earnings per share (£)	3	0.13		0.12	0.12		0.10

Unaudited Consolidated Statement Of Comprehensive Income

For the three months ended 30 September 2015

	Note	Three months ended 30 September 2015 Underlying £000	Non- recurring items 2015 £000	Three months ended 30 September 2015 including non- recurring £000	Three months ended 30 September 2014 Underlying £000	Non- recurring items 2014 £000	Three months ended 30 September 2014 including non- recurring £000
Continuing operations							
Revenue							
Income from purchased loan portfolios		38,112	-	38,112	26,207	-	26,207
Profit on portfolio and loan note sales		369	-	369	321	-	321
Total revenue from portfolios		38,481	-	38,481	26,528	-	26,528
Income from asset management		4,815	-	4,815	181	-	181
Total revenue		43,296	-	43,296	26,709	-	26,709
Operating expenses							
Collection activity costs		(14,906)	-	(14,906)	(8,571)	-	(8,571)
Professional fees and services		(514)	-	(514)	(227)	-	(227)
Recurring other operating expenses		(8,481)	-	(8,481)	(4,124)	-	(4,124)
Non recurring other operating expenses:							
<i>Costs arising from business acquisitions</i>		-	(29)	(29)	-	-	-
<i>Server migration</i>		-	(563)	(563)	-	-	-
<i>IPO related costs</i>		-	(435)	(435)	-	(434)	(434)
Total other operating expenses	6	(8,841)	(1,027)	(9,508)	(4,124)	(434)	(4,558)
Total operating expenses		(23,901)	(1,027)	(24,928)	(12,922)	(434)	(13,356)
Operating profit		19,395	(1,027)	18,368	13,787	(434)	13,353
Finance income		38	-	38	24	-	24
Finance costs		(9,105)	-	(9,105)	(5,018)	-	(5,018)
Share of profit in associates		200	-	200	-	-	-
Profit before tax		10,528	(1,027)	9,501	8,793	(434)	8,359
Taxation charge on ordinary activities	5	(2,205)	208	(1,997)	(1,927)	95	(1,832)
Profit for the period attributable to equity shareholders		8,323	(819)	7,504	6,866	(339)	6,527
Other comprehensive income:							
Foreign exchange translation difference arising on revaluation of foreign operations		224	-	224	(76)	-	(76)
Hedging movement		(556)	-	(556)	-	-	-
Total comprehensive income for the period attributable to equity shareholders		7,991	(819)	7,172	6,790	(339)	6,451
Basic and diluted earnings per share (£)	3	0.05		0.04	0.04		0.04

Unaudited Consolidated Balance Sheet As At 30 September 2015

Assets	Notes	30 September	31 December	30 September
		2015	2014	2014
		£000	£000	£000
Non-current assets				
Goodwill	7	79,141	47,623	1,968
Other intangible assets		20,432	11,043	1,028
Property, plant & equipment		2,777	2,881	363
Purchased loan portfolios	8	415,633	377,900	287,554
Investment in associates		11,582	11,419	-
Loan notes	8	1,131	1,378	1,748
Deferred tax asset		472	300	22
Total non-current assets		531,168	452,544	292,683
Current assets				
Cash and cash equivalents		28,476	14,542	26,170
Other receivables		22,536	16,569	18,399
Purchased loan portfolios	8	111,082	99,613	75,225
Derivative asset		1,281	-	-
Total current assets		163,375	130,724	119,794
<i>Total purchased loan portfolios</i>		<i>526,715</i>	<i>477,513</i>	<i>362,779</i>
Total assets		694,543	583,268	412,477
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		65,239	51,479	49,609
Hedging reserve		(959)	(687)	-
Other reserves		(278,850)	(278,098)	(278,036)
Total equity attributable to shareholders		134,610	121,874	120,753
Liabilities				
Non-current liabilities				
Senior secured notes	11	448,744	378,564	212,379
Trade and other payables	9	7,802	-	-
Deferred tax liability		4,019	2,852	2,244
Total non-current liabilities		460,565	381,416	214,623
Current liabilities				
Trade and other payables	9	52,247	33,058	43,731
Derivative liability		858	1,872	-
Current tax liability		3,650	2,355	3,402
Revolving credit facility	11	40,160	35,404	28,560
Senior secured notes	11	2,453	7,289	1,408
Total current liabilities		99,368	79,978	77,101
Total liabilities		559,933	461,394	291,724
Total equity and liabilities		694,543	583,268	412,477

Unaudited Consolidated Statement Of Changes In Equity

For the nine months ended 30 September 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	-	-	16,987	-	-	-	-	16,987
Exchange differences	-	-	-	-	-	(188)	-	(188)
Total comprehensive income for the period	-	-	16,987	-	-	(188)	-	16,799
Share based payments	-	-	1,742	-	-	-	-	1,742
Dividend paid`	-	-	(2,961)	-	-	-	-	(2,961)
Balance at 30 September 2014	1,744	347,436	49,609	-	(562)	(513)	(276,961)	120,753
Profit for the period	-	-	1,284	-	-	-	-	1,284
Exchange differences	-	-	-	-	-	(62)	-	(62)
Net fair value losses – cash flow hedges	-	-	-	(859)	-	-	-	(859)
Tax on hedged items	-	-	-	172	-	-	-	172
Total comprehensive income for the period	-	-	1,284	(687)	-	(62)	-	535
Share based payments	-	-	586	-	-	-	-	586
Balance at 31 December 2014	1,744	347,436	51,479	(687)	(562)	(575)	(276,961)	121,874
Profit for the period	-	-	20,440	-	-	-	-	20,440
Exchange differences	-	-	-	-	-	(83)	-	(83)
Net fair value gains cash flow hedges	-	-	-	(326)	-	-	-	(326)
Tax on hedged items	-	-	-	54	-	-	-	54
Total comprehensive income for the period	-	-	20,440	(272)	-	(83)	-	20,085
Share based payments	-	-	2,210	-	-	-	-	2,210
Repurchase of own shares	-	-	-	-	(669)	-	-	(669)
Dividend paid	-	-	(8,890)	-	-	-	-	(8,890)
Balance at 30 September 2015	1,744	347,436	65,239	(959)	(1,231)	(658)	(276,961)	134,610

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 September 2015 the Group held 123,284 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.1% of the Company share capital at 30 September 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 £278,850,000 deficit (31 December 2014: £278,098,000 deficit, 30 September 2014: £278,036,000 deficit)

Unaudited Consolidated Statement Of Cash Flows
For the nine months ended 30 September 2015

	Nine months ended 30 September 2015 £000	Nine months ended 30 September 2014 £000
Net cash flows from operating activities before purchases of loan portfolios and loan notes	101,849	95,250
Purchases of purchased loan portfolios	(94,395)	(125,281)
Net cash generated by/(used in) operating activities	7,454	(30,031)
Net cash used in investing activities	(43,367)	(270)
Net cash flows (used in)/generated by financing activities	49,493	8,885
Net increase/(decrease) in cash and cash equivalents	13,580	(21,416)
Cash and cash equivalents at beginning of period	14,542	47,520
Effect of exchange rates on cash and cash equivalents	354	66
Cash and cash equivalents at end of period	28,476	26,170

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 nine months ended 30 September 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 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 set of 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, 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 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 26 November 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 quarterly results.

2. 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 maker (CODM) 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 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 and at Q3 do not exceed the quantitative thresholds set by IFRS 8 in determining reportable operating segments. One segment will therefore be disclosed for Q3 in line with half year. The information will be split fully into the annual report and accounts 2015 where it is expected that the segmental results will exceed the aforementioned quantitative thresholds.

Please see the consolidated statement of comprehensive income and the consolidated balance sheet on pages 11 and 13 as these mirror the segment information.

3. Earnings per share

	Nine months ended 30 September 2015 £000	Nine months ended 30 September 2014 £000	Three months ended 30 September 2015 £000	Three months ended 30 September 2014 £000
Basic/diluted earnings per share				
Underlying profit for the period attributable to equity shareholders	23,476	20,227	8,323	6,866
Profit for the period attributable to equity shareholders including non-recurring items	20,440	16,987	7,504	6,527
Number of ordinary shares	174,439	174,439	174,439	174,439
Underlying basic and diluted earnings per share (£)	0.13	0.12	0.05	0.04
Basic and diluted earnings per share including non-recurring (£)	0.12	0.10	0.04	0.04

4. Dividend

A final dividend in relation to the year ended 31 December 2014 of 3.4 pence per share (£5,926,000) was paid during the period, in line with the dividend policy.

An interim dividend in relation to the year ending 31 December 2015 period of 1.7 pence per share (£2,963,000) was declared during the nine months to 30 September 2015 (30 September 2014: 1.7p), in accordance with our policy, being 50% of the 2014 final dividend. The dividend was paid to shareholders on 8 October 2015 who were on the register as at 11 September 2015. The ex-dividend date was 10 September 2015.

5. Tax

The applicable corporation tax rate for the nine months to 30 September 2015 was 20.25% (30 September 2014: 21.5%). The Group's effective consolidated tax rate for the nine months ended 30 September 2015 was 21.2% (30 September 2014: 22.5%). 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 nine months to 30 September 2015 amounting to £3,807,000 (30 September 2014: £4,007,000) with a £564,000 (30 September 2014: £767,500) associated tax impact.

6. Non-recurring items

	Nine months ended 30 September 2015 £000	Nine months ended 30 September 2014 £000	Three months ended 30 September 2015 £000	Three months ended 30 September 2014 £000
Other operating expenses	3,807	3,864	1,027	434
Finance costs	-	143	-	-
Total non-recurring items	3,807	4,007	1,027	434

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. 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 September 2015, £1.4 million of costs were incurred relating to the completion of two strategic Portuguese entity acquisitions, Gesphone and Whitestar, £1.3 million due to share option charges in relation to the IPO and £1.1 million due to Capquest integration, moving from an outsourced model to a partially insourced model.

In the period to 30 September 2014, £2.4 million was due to a provision for the resolution of a historical tax issue, with £1.3 million share option charges in relation to the IPO.

Finance costs

In the period to 30 September 2014, £0.1 million related to a provision for interest on the resolution of a historical tax issue.

7. Goodwill

Cost	£000
At 30 September 2014	4,277
Goodwill on acquisition of subsidiary	45,655
At 31 December 2014	<u>49,932</u>
Goodwill on acquisition of subsidiary	30,355
Exchange rate differences	1,163
At 30 September 2015	<u>81,450</u>
Impairment:	
At 30 September 2014, 31 December 2014 and 30 September 2015	<u>2,309</u>
At 30 September 2015	<u>79,141</u>
At 31 December 2014	<u>47,623</u>
At 30 September 2014	<u>1,968</u>

The goodwill on acquisition of subsidiary arose from the acquisitions of Whitestar for £27,402,000, Gesphone for £2,929,000, offset by an adjustment to the Capquest acquisition of £45,000.

8. Financial assets

	30 September 2015 £000	31 December 2014 £000	30 September 2014 £000
Non Current:			
Purchased loan portfolios	415,633	377,900	287,554
Loan notes	1,131	1,378	1,748
	<u>416,764</u>	<u>379,278</u>	<u>289,302</u>
Current:			
Purchased loan portfolios	111,082	99,613	75,225
Total	<u>527,846</u>	<u>478,891</u>	<u>364,527</u>

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 September 2015, the carrying amount of the purchased loan portfolio asset was £526,715,000 (31 December 2014: £477,513,000; 30 September 2014: £362,779,000).

The movements in purchased loan portfolio assets were as follows:

	Nine months ended 30 September	Year Ended 31 December	Nine months ended 30 September
	2015	2014	2014
	£000	£000	£000
As at the period brought forward	477,513	273,932	273,932
Portfolios acquired during the period *	94,395	143,220	125,281
Portfolios acquired through acquisition of a subsidiary	3,970	104,038	-
Collections in the period	(155,490)	(148,547)	(104,999)
Income from purchased loan portfolios	110,277	107,984	76,132
Exchange loss on purchased loan portfolios	(4,453)	(3,939)	(4,061)
Disposal of purchased loan portfolios	503	825	(3,506)
As at the period end	<u>526,715</u>	<u>477,513</u>	<u>362,779</u>

* inclusive of capitalised portfolio expenditure of £1,228,000 (31 December 2014: £4,882,000)

9. Trade and other payables

Current	30 September	31 December	30 September
	2015	2014	2014
	£000	£000	£000
Trade payables	9,958	6,873	3,841
Deferred consideration	30,080	11,928	31,894
Taxation and social security	83	324	122
Other liabilities and accruals	12,126	13,933	7,874
	<u>52,247</u>	<u>33,058</u>	<u>43,731</u>
Non-current	30 September	31 December	30 September
	2015	2014	2014
	£000	£000	£000
Deferred consideration	7,802	-	-
	<u>7,802</u>	<u>-</u>	<u>-</u>

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. There have been no significant related party transactions during the period to 30 September 2015. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24.

11. Borrowings and Facilities

	30 September 2015 £000	31 December 2014 £000	30 September 2014 £000
Secured borrowing at amortised cost			
Senior secured notes (net of transaction fees of £19,643,000, December 2014: £17,506,000; 30 September 2014: £7,621,000)	448,744	378,564	212,379
Revolving credit facility (net of transaction fees of £3,840,000, December 2014: £3,595,000, September 2014: nil)	40,160	35,404	28,560
Senior secured notes interest	2,453	7,289	1,408
	<u>491,357</u>	<u>421,257</u>	<u>242,347</u>
Total borrowings			
Amount due for settlement within 12 months	42,613	42,693	29,968
Amount due for settlement after 12 months	<u>448,744</u>	<u>378,564</u>	<u>212,379</u>

Senior secured notes

On 23 September 2015, the Group issued €110 million floating rate senior secured notes in a further placing to the euro senior notes issued on 4 November 2014 and discussed below.

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.

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 September 2015 and 30 September 2014 are shown below:

	Nine months ended 30 September 2015 £000	Nine months ended 30 September 2014 £000
Reconciliation of Net Cash Flow to EBITDA		
Net cash flow generated by/(used in) operating activities	7,454	(30,031)
Purchases of loan portfolios	94,395	125,281
Income taxes paid	5,550	4,847
Working capital adjustments	(7,258)	(27,482)
Share of profits in associates	667	-
Amortisation of acquisition and bank facility fees	208	208
Effect of exchange rates on cash and cash equivalents	354	66
Non-recurring items	2,503	2,560
Adjusted EBITDA	103,873	75,449
Reconciliation of Core Collections to EBITDA		
	£000	£000
Income from loan portfolios	110,277	76,132
Portfolio amortisation	45,213	33,197
Core collections	155,490	109,329
Other income	9,201	1,360
Operating expenses	(68,628)	(41,330)
Depreciation and amortisation	2,930	594
Foreign exchange (gains) / losses	(707)	987
Amortisation of acquisition and bank facility fees	208	208
Share-based payments	905	437
Share of profit in associate	667	-
Non-recurring items	3,807	3,864
Adjusted EBITDA	103,873	75,449
Reconciliation of Operating Profit to EBITDA		
Profit for the period attributable to equity shareholders	20,440	16,987
Underlying finance income and costs	26,083	14,912
Taxation charge on ordinary activities	5,497	4,945
Non-recurring items	-	143
Share of profit in associate	(667)	-
Operating profit	51,353	36,987
Portfolio amortisation	45,213	33,197
Profit on disposal of purchased loan portfolios	(503)	(825)
Depreciation and amortisation	2,930	594
Foreign exchange (gains) / losses	(707)	987
Amortisation of acquisition and bank facility fees	208	208
Share-based payments	905	437
Share of profit in associate	667	-
Non-recurring items	3,807	3,864
Adjusted EBITDA	103,873	75,449

“Adjusted EBITDA ratio” represents the ratio of Adjusted EBITDA to core collections.

“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.

“Core collections” or “core cash collections” mean cash collections on the Group’s existing portfolios including ordinary course portfolio sales and putbacks.

Glossary (Continued)

“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 the 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 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.

“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 earnings 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.

“FCA” means the 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.

Glossary (Continued)

“IFRS” means international financial reporting standards.

“IPO” means initial public offering.

“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 ERC or 120-month 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 amounts of the senior secured notes, interest thereon, and 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 nine months ended 30 September 2015 is as follows:

	30 September 2015 £000	30 September 2014 £000
Cash and cash equivalents	(28,476)	(26,170)
Senior secured notes (pre transaction fees net off)	468,387	220,000
Senior secured notes interest	2,453	1,408
Revolving credit facility (pre transaction fees net off)	44,000	28,560
Deferred consideration	37,813	31,894
Net debt	524,177	255,692

“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.

“Organic purchases of 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.

“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.

“TCF” means the treating customers fairly FCA initiative.

“TSR” means total shareholder return.

Glossary (Continued)

“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.