Arrow Global Group PLC

Results for the three months ended
31 March 2018

10 May 2018

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Strong start to the year driven by the power of our differentiated business model; strategic partnership announced

Arrow Global Group PLC (the "Company" or the "Group") , a leading European credit management services provider, focusing on loan purchases and specialist asset management, announces its results for the three months ended 31 March 2018.

Financial Highlights	**31 March 2018**	**31 March 2017**	**Change**
Core collections	£86.0m	£77.1m	11.6%
Revenue	£77.1m	£64.5m	19.6%
Underlying profit after tax	£11.4m	£10.3m	10.3%
Underlying earnings per share	6.5p	5.9p	10.2%
Underlying return on equity	33.3%	30.8%	+2.5ppts
120-month ERC	£1,852.4m	£1,618.3	£234.1m

Highlights

High growth

- Continued progress expanding our specialist asset management product offering for third party capital seeking exposure to the attractive European NPL space
- New strategic partnership with M7, the leading pan-European specialist commercial property investor, providing additional depth to our real estate investment capabilities across our European operations
- Strong organic portfolio purchases, of £79.9 million surpassing Q1 2017's record Q1 volumes (Q1 2017: £77.4 million) with broad diversification by geography and asset class
- Revenue growth of 19.6% supported by a 11.6% increase in core collections and a 19.9% increase in capital-light Asset Management income
- The structural backdrop for future growth remains attractive, with both primary NPL sales and an increasingly important secondary market continuing to grow strongly

Operational excellence

- Overall collections performance remains strong at 103% of original underwriting forecasts, demonstrating our track record of prudent investment and portfolio servicing expertise
- A record 80.8% from off-market purchases – continuing trend and highlights strength of origination capabilities and key relationships across geographies
- Integration of Parr Credit, our recent Italian acquisition, progressing well, with the business performing in line with expectations and adding significant depth to our Italian operations Acquisition of Europa Investimenti expected to close in H2
- One Arrow programme on track, with cost to income benefits predicted from late 2019 onwards

Financial excellence

- 84-month ERC increased to £1,562.2 million (Q1 2017: £1,403.5 million)
- 19.9% increase in capital-light Asset Management revenues to £18.9 million
- 10.7% reduction in financing costs to £10.9 million (Q1 2017: £12.2 million) as benefits from 2017's refinancing continue to flow through
- Successful 2018 refinancing has significantly strengthened the balance sheet, providing additional funding headroom,extending debt duration and underpinning our ability to invest in growth
- Long debt duration with average facility maturity of 6.6 years as at 31 March 2018 (31 March 2017: 6.8 years)
- Secured net debt to adjusted EBITDA of 4.0x, within guided range

Strong returns

- 10.3% increase in underlying profit after tax to £11.4 million (Q1 2017: £10.3 million)
- 10.2% increase in underlying basic earnings per share (EPS) to 6.5p (Q1 2017: 5.9p)
- Underlying LTM Return on Equity (ROE) of 33.3% (Q1 2017: 30.8%)

Outlook

- Continue to see attractive opportunities across core markets
- Confident in meeting portfolio purchase target of £230.0-£240.0 million
- On track to meet asset management revenue target of towards 30.0% of Group revenue
- Remain on track to deliver a medium-term underlying ROE percentage at least in the mid-twenties, high-teens EPS growth and a progressive dividend

Lee Rochford, Group Chief Executive Officer, commented:

"The power of our differentiated model has meant that we have had another strong start to the year. Our sophisticated approach to capital investment and asset management, underpinned by our strong institutional client relationships and unique servicing capabilities, has meant that we have continued to purchase high volumes of portfolios at our required returns, while maintaining the growth of our capital-light asset management revenues.

The market dynamics of financial institutions increasingly looking to remove NPL portfolios from their balance sheets, and the trading of those assets in both the primary and secondary markets, continues to provide us with a clear runway for growth.

I remain confident that we are favourably positioned to capitalise on future opportunities and we remain on track to deliver our financial targets for the year."

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Unaudited consolidated statement of profit or loss and other comprehensive income
For the three months ended 31 March 2018

	Notes	**Unaudited Three months ended 31 Mar 2018 £000**	**Unaudited Three months ended 31 Mar 2017 £000**
Income	2	**77,144**	**64,528**
Operating expenses			
Collection activity costs		(27,808)	(21,360)
Other operating expenses		(27,397)	(19,020)
Total operating expenses		**(55,205)**	**(40,380)**
Operating profit		**21,939**	**24,148**
Finance costs excluding refinancing		(10,923)	(12,234)
Refinancing costs		(18,610)	(27,226)
Total Finance costs		(29,533)	(39,460)
Share of profit in associate		-	840
Loss profit before tax		**(7,594)**	**(14,472)**
Taxation charge on ordinary activities		1,561	2,818
Loss after tax		**(6,033)**	**(11,654)**
Other comprehensive income:			
FX translation difference arising on revaluation of foreign operations		(1,033)	402
Hedging movement		(298)	613
Total comprehensive income for the period attributable		**(7,364)**	**(10,639)**
Loss after tax attributable to:			
Owners of the Company		(6,051)	(11,654)
Non-controlling interest		18	-
		(6,033)	**(11,654)**

UNDERLYING PROFIT

	Unaudited 3 months ended 31 March 2018 £000	Unaudited 3 months ended 31 March 2017 £000
Continuing operations		
Income	**77,144**	**64,528**
Operating expenses		
Collection activity costs	(27,251)	(21,360)
Other operating expenses	(24,741)	(19,020)
Total operating expenses	**(51,992)**	**(40,380)**
Operating profit	**25,152**	**24,148**
Net finance costs	(10,923)	(12,234)
Share of profit in associates	-	840
Underlying profit before tax	**14,229**	**12,754**
Taxation charge on underlying activities	(2,814)	(2,423)
Underlying profit after tax	**11,415**	**10,331**
Non-controlling interest	**(18)**	**-**
Underlying profit attributable to owners of the company	**11,397**	**10,331**
Underlying basic EPS (p)	**6.5**	**5.9**

Reconciliation between Reported profit and Underlying profit

	31 March 2018 Profit before tax £000	31 March 2018 Tax £000	31 March 2018 Profit after tax £000	31 March 2017 Profit before tax £000	31 March 2017 Tax £000	31 March 2017 Profit after tax £000
Reported Profit	**(7,594)**	**1,561**	**(6,033)**	**(14,472)**	**2,818**	**(11,654)**
Adjustments:						
Collection activity costs	557	(139)	418	-	-	-
Other operating expenses	2,656	(607)	2,049	-	-	-
Bond refinancing costs	18,610	(3,629)	14,981	27,226	(5,241)	21,985
	21,823	**(4,375)**	**17,448**	**27,226**	**(5,241)**	**21,985**
Underlying profit	**14,229**	**(2,814)**	**11,415**	**12,754**	**(2,423)**	**10,331**

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the group) are not considered to be representative of the ongoing performance of the Group and these items are excluded from underlying profit. Underlying profit after tax is considered to be a key measure in understanding the Group's ongoing financial performance.

The collection activity adjustment in the period to 31 March 2018 relates to the One Arrow programme. The other operating expenses adjustment in the period ended 31 March 2018 includes the One Arrow programme and costs incurred on acquisitions. See note 4 for details of the bond refinancing costs.

Unaudited consolidated statement of financial position

As at 31 March 2018

Assets	*Notes*	31 March 2018 £000	31 December 2017 £000	31 March 2017 £000
Intangible assets		214,743	196,272	166,963
Property, plant & equipment		9,885	10,168	3,911
Investments in associates		-	-	11,264
Cash and cash equivalents		42,400	35,943	57,458
Other receivables		61,877	56,885	39,336
Portfolio investments	3	984,620	951,467	855,429
Total assets		**1,313,525**	**1,250,735**	**1,134,361**
Equity				
Share capital		1,753	1,753	1,753
Other equity reserves		171,056	193,395	154,427
Total equity attributable to shareholders		**172,809**	**195,148**	**156,180**
Non-controlling interest		191	173	-
Total equity		**173,000**	**195,321**	**156,180**
Liabilities				
Trade and other payables		149,863	98,359	85,196
Taxation		9,392	18,688	11,483
Defined benefit liability		-	-	1,838
Derivative liability		3,210	2,865	1,792
Borrowings	4	978,060	935,502	877,872
Total liabilities		**1,140,525**	**1,055,414**	**978,181**
Total equity and liabilities		**1,313,525**	**1,250,735**	**1,134,361**

Unaudited consolidated statement of changes in equity
For the three months ended 31 March 2018

	Ordinary shares £000	Other equity reserves £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2017	**1,744**	**165,647**	**167,391**	**-**	**167,391**
Profit for the period	-	(11,654)	(11,654)	-	(11,654)
Exchange differences	-	402	402	-	402
Net fair value gains - cash flow	-	739	739	-	739
Tax on hedged items	-	(126)	(126)	-	(126)
Total comprehensive income for the period	**-**	**(10,639)**	**(10,639)**	**-**	**(10,639)**
Shares issued in the period	9	-	9	-	9
Repurchase of own shares	-	(1,356)	(1,356)	-	(1,356)
Share-based payments	-	775	775	-	775
Balance at 31 March 2017	**1,753**	**154,427**	**156,180**	**-**	**156,180**
Profit for the period	-	51,525	51,525	44	51,569
Exchange differences	-	3,899	3,899	-	3,899
Recycled to profit after tax	-	(1,870)	(1,870)	-	(1,870)
Net fair value gains - cash flow	-	(391)	(391)	-	(391)
Tax on hedged items	-	67	67	-	67
Remeasurement of defined benefit liability	-	(25)	(25)	-	(25)
Total comprehensive income for the period	**-**	**53,205**	**53,205**	**44**	**53,249**
Repurchase of own shares	-	1	1	-	1
Share-based payments	-	2,559	2,559	-	2,559
Dividends paid	-	(16,797)	(16,797)	-	(16,797)
Dividends paid by NCI	-	-	-	(58)	(58)
Non-controlling interest on acquisition	-	-	-	187	187
Balance at 31 December 2017	**1,753**	**193,395**	**195,148**	**173**	**195,321**
Impact of adopting IFRS 9	-	(14,000)	(14,000)	-	(14,000)
Balance post IFRS 9 adjustment at 1 January 2018	**1,753**	**179,395**	**181,148**	**173**	**181,321**
Profit for the period	-	(6,051)	(6,051)	18	(6,033)
Exchange differences	-	(1,033)	(1,033)	-	(1,033)
Net fair value gains - cash flow	-	(378)	(378)	-	(378)
Tax on hedged items	-	80	80	-	80
Total comprehensive income for the period	**-**	**(7,382)**	**(7,382)**	**18**	**(7,364)**
Shares issued in period	-	-	-	-	-
Repurchase of own shares	-	(1,750)	(1,750)	-	(1,750)
Share-based payments	-	793	793	-	793
Balance at 31 March 2018	**1,753**	**171,056**	**172,809**	**191**	**173,000**

Unaudited Consolidated Statement of Cash Flows
For the three months ended 31 March 2018

	Three months ended 31 March 2018 £000	Three months ended 31 March 2017 £000
Net cash flows from operating activities before purchases of loan portfolios and loan notes	84,450	66,108
Purchase of portfolio investments	(80,971)	(78,488)
Net cash generated/(used in) by operating activities	**3,479**	**(12,380)**
Net cash used in investing activities	**(15,466)**	**(10,782)**
Net cash flows generated by financing activities	**18,739**	**57,411**
Net increase in cash and cash equivalents	**6,752**	**34,249**
Cash and cash equivalents at beginning of period	35,943	23,203
Effect of exchange rates on cash and cash equivalents	(295)	6
Cash and cash equivalents at end of period	**42,400**	**57,458**

Notes

1. Significant accounting policy updates

These financial statements do not include all of the information required for 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 2017.

The annual financial statements of the Group are prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. As required by the Disclosure Guidance 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 2017 with the exception of the significant accounting policy changes detailed below.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 are available upon request from the Company’s registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online at www.arrowglobalir.net.

On the 1 January 2018 the Group adopted IFRS 9. This resulted in some changes to key accounting policies that are summarised below.

IFRS 9 is effective from 1 January 2018 and the Group has adopted it from that date.

The standard is the new standard for recognising and measuring financial assets and liabilities. It replaces the existing standard IAS 39 'Financial Instruments: Recognition and Measurement', and covers three main areas:

- Classification and measurement;
- Hedging; and
- Impairment.

The Group is not obliged to restate comparatives on the initial adoption of IFRS 9. This assessment is preliminary because not all transition work has been finalised, therefore the actual impact may change because: assumptions and judgements are subject to change until finalisation of the financial statements for the year ending 31 December 2018 and the Group is still refining its models and methodology for expected credit loss calculation ('ECL') calculation.

For full details of the more significant items that are likely to be important in understanding the impact of the implementation of IFRS 9 on the Group, refer to the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

Based on 31 December 2017 data and current implementation status, we estimate the adoption of IFRS 9 will lead to a reduction in opening 2018 shareholders‘ equity of approximately £17 million before tax (£14 million after tax) relating to an increase in provisions for impairment losses of £17 million before tax, resulting in a reduction in purchased loan portfolio of this amount shown in the statement of financial position and an increase in deferred tax assets of £3 million. This impact is driven by the impairment requirements of IFRS 9 that introduce the requirement to incorporate forecasts of future economic forecasts into estimated ECL’s. We continue to refine and monitor certain aspects of our impairment process which may change the actual impact.

2. Income

	Three months ended 31 Mar 2018 £000	Three months ended 31 Mar 2017 £000
Income from portfolio investments	58,289	48,796
Income from asset management	18,855	15,732
Total income	**77,144**	**64,528**

3. Financial assets – Portfolio investments

The Group recognises income from portfolio investments purchased in accordance with IFRS 9 from 1 January 2018. The movements in portfolio investments were as follows:

	Three months ended 31 March 2018 £000	Year Ended 31 December 2017 £000	Three months ended 31 March 2017 £000
As at the period brought forward	951,467	804,107	804,107
Impact of adopting IFRS 9 at 1 January 2018 (See note 1)	(17,000)	-	-
Brought forward after impact of IFRS 9 opening adjustment	934,467	804,107	804,107
Portfolios acquired during the period	80,971	225,734	78,488
Collections in the period	(85,993)	(342,210)	(77,058)
Income from purchased loan portfolios	58,289	247,917	48,796
Exchange (loss)/gain on purchased loan portfolios	(3,114)	16,393	1,096
Other movements	-	(474)	-
As at the period end	**984,620**	**951,467**	**855,429**

4. Borrowings

	31 March 2018 £000	31 December 2017 £000	31 March 2017 £000
Senior secured notes	906,043	763,740	741,937
Senior secured notes interest	1,085	6,670	1,267
Revolving credit facility	50,446	153,036	118,038
Bank overdrafts	1,319	1,332	1,283
Finance lease	1,771	1,816	-
Other borrowings – non-recourse debt	17,396	8,908	15,347
Total borrowings	**978,060**	**935,502**	**877,872**

4. Borrowings *(continued)*

On 7 March 2018, Arrow Global Finance Plc issued €285 million 3.75% over three-month EURIBOR floating rate senior secured notes due 2026 and issued a tap of £100 million of its existing £220 million 5.125% fixed rate notes due 2024. As part of the transaction Arrow Global Finance Plc also redeemed its €230 million 4.75% over three-month EURIBOR floating rate senior secured notes.

The proceeds were used to fund transaction costs and the redemption costs of the 2023 Notes and to fund the purchase price for the acquisition of Parr Credit S.r.l and partially repay drawings under the revolving credit facility.

In 2018, Bond refinancing costs comprised £18,610,000 incurred on the early redemption of the €230 million notes due 2023, of which £13,575,000 was a cash cost related to the call premium. The remaining £5,035,000 was due to a non-cash write-off of related transactions fees, in connection with the 2023 Notes.

5. Acquisition of subsidiary undertaking

On 1 March 2018, the Group acquired 100% of the share capital of Parr Credit S.r.l ("Parr"). Parr manages unsecured performing and non-performing loans and customer relationships for banks and Tier-1 telecommunications companies. The acquisition builds on the successful 2017 acquisition of Zenith and gives the Group valuable Italian primary and special servicing capabilities that support the Group's growth ambitions. The total consideration for the acquisition is €24,796,000 (£21,164,000) including deferred contingent consideration. The provisional net assets totalled €3,063,000 (£2,693,000).

The initial accounting for the acquisition has been determined provisionally because of the limited time available between the acquisition date and the preparation of these quarterly statements.

Additional Information

'Adjusted EBITDA' means profit for the year attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The Adjusted EBITDA reconciliations for the periods ended 31 March 2018 and 31 March 2017 are shown below:

Reconciliation of Net Cash Flow to EBITDA	**Three months ended 31 March 2018 £000**	**Three months ended 31 March 2017 £000**
Net cash (used in)/generated by operating activities	3,479	(12,380)
Purchase of portfolio investments	80,971	78,488
Income taxes paid	4,550	2,177
Working capital adjustments	(35,369)	(12,746)
Amortisation of acquisition and bank facility fees	69	81
Effect of exchange rates on cash and cash equivalents	-	6
Share of profit in associates	-	840
Non-recurring operating costs	3,213	-
Adjusted EBITDA	**56,913**	**56,466**
Reconciliation of Core Collections to EBITDA	**£000**	**£000**
Income from portfolio investments	58,289	48,796
Portfolio amortisation	27,704	28,262
Core collections (includes proceeds from disposal of purchased loan portfolios)	**85,993**	**77,058**
Other income	18,855	15,732
Operating expenses	(55,205)	(40,380)
Depreciation and amortisation	3,163	2,630
Foreign exchange gains	31	(270)
Amortisation of acquisition and bank facility fees	69	81
Share-based payments	794	775
Share of profit in associate	-	840
Non-recurring operating costs	3,213	-
Adjusted EBITDA	**56,913**	**56,466**
Reconciliation of Operating Profit to EBITDA	**£000**	**£000**
Loss for the period	(6,033)	(11,654)
Recurring finance income and costs	10,923	12,234
Taxation charge on ordinary activities	(1,561)	(2,818)
Share of profit on associate	-	(840)
Non-recurring finance costs	18,610	27,226
Operating profit	**21,939**	**24,148**
Portfolio amortisation	27,704	28,262
Depreciation and amortisation	3,163	2,630
Foreign exchange gains	31	(270)
Amortisation of acquisition and bank facility fees	69	81
Share-based payments	794	775
Share of profit in associate	-	840
Non-recurring operating costs	3,213	-
Adjusted EBITDA	**56,913**	**56,466**

Glossary

‘Adjusted EBITDA ratio’ means the ratio of Adjusted EBITDA to core collections.

‘Adjusting items’ are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and are therefore excluded from underlying profit after tax.

‘Average net assets’ is calculated as the average quarterly net assets from Q1 2017 to Q1 2018 as shown in the quarterly, half yearly and annual statements.

‘Cash interest cover’ represents interest on senior secured notes, utilisation and non-utilisation RCF fees to Adjusted EBITDA.

‘Cash result’ represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment, purchase of intangible assets and average replacement rate.

‘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 cash collections on the Group’s existing portfolios and loan notes including ordinary course portfolio sales and put backs.

‘Cost-to-collect ratio’ is the ratio of collection activity costs to core collections.

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

‘EBITDA’ means earnings before interest, taxation, depreciation and amortisation.

‘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 and loan notes over an 84-month or 120-month period, respectively, representing the expected future core collections on purchased loan portfolios and loan notes 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).

Glossary *(Continued)*

‘FCA’ means Financial Conduct Authority.

‘FVTPL’ – Financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

‘**Gross money multiple**’ Gross money multiple means core collections to date plus the 84-month gross ERC or 120-month gross ERC, as applicable, all divided by the purchase price for each portfolio, excluding REO purchases and purchase price adjustments relating to asset management fees.

‘IFRS’ means EU endorsed international financial reporting standards.

‘Income from asset management’ includes commission income, debt collection, due diligence, real estate management and advisory fees.

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

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

‘LTIP’ means the Arrow Global long-term incentive plan.

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

‘Last Twelve Months (LTM)’ is calculated by the addition of the consolidated financial data for the year ended 31 December 2017 and the consolidated financial data for the three months to March 2018, and the subtraction of the consolidated financial data for the three months to March 2017.

‘LTM Pro Forma Adjusted EBITDA’ means **‘LTM Adjusted EBITDA’** inclusive of full twelve months impacts of acquisitions that occurred within the last twelve months and exclusive of any items deemed non-recurring within the last twelve months to give a twelve months pro forma Adjusted EBITDA operating level at the reported date.

‘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 including transaction fees. 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 31 March 2018 is as follows:

Glossary *(Continued)*

	31 March 2018	31 December 2017
	£000	**£000**
Cash and cash equivalents	(42,400)	(35,943)
Senior secured notes (pre transaction fees net off)	922,355	779,347
Revolving credit facility (pre transaction fees net off)	54,087	155,757
Secured net debt	934,042	899,161
Bank overdrafts	1,319	1,332
Senior secured notes interest	1,085	6,670
Deferred consideration	62,589	30,509
Other borrowings	19,167	10,724
Net debt	**1,018,202**	**948,396**

'Off market' means those loan portfolios that were not acquired through a process involving a competitive bid or an auction like process.

'Paying Account' means an account that has shown at least one payment over the last three months.

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

'Purchased loan portfolios to be resold' relates to a portfolio of assets, which has been acquired at the year end, and will shortly be re sold to an investment partner. These are separately disclosed from other loan portfolios, as an investment partner is intending to complete their acquisition from us.

'RCF' means revolving credit facility.

'Replacement rate' means the level of purchases of portfolio and loan notes needed during the subsequent year to maintain the current level of ERC.

'ROE' means the return on equity as calculated by taking profit after tax divided by the average equity attributable to shareholders. Average equity attributable is calculated as the average quarterly equity from Q1 2017 to Q1 2018 as shown in the quarterly, half year and full year statements.

'Secured loan to value' or **'secured LTV ratio'** represents the ratio of 84-month ERC to Secured Net Debt.

'Secured Net Debt' means the sum of the outstanding principal amount of the senior secured notes, amounts outstanding under the revolving credit facility, less cash and cash equivalents. Secured Net Debt is presented because it indicates the level of secured debt after taking out the Group's assets that can be used to pay down outstanding secured borrowings, and because it is a component of the incurrence tests in the senior secured notes. The breakdown of secured net debt for the period ended 31 March 2018 is shown in Net Debt above.

'Underlying basic EPS' represents earnings per share based on underlying profit after tax, excluding any dilution of shares.

Glossary *(Continued)*

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

'Underlying return on equity (ROE)' means the return on equity as calculated by taking underlying profit after tax divided by the average equity attributable to shareholders.