THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser.

If you have sold or otherwise transferred all your Arrow Global Shares, please forward this Circular as soon as possible to the purchaser or the transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold part only of your holding of Arrow Global Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take.

ARROW
GLOBAL

Arrow Global Group PLC
(Registered in England and Wales No. 08649661)

PROPOSED ACQUISITION OF QUEST TOPCO LIMITED

AND

NOTICE OF GENERAL MEETING

Goldman Sachs International and Jefferies International Limited, which are authorised and regulated in the United Kingdom by the Financial Conduct Authority (and, in the case of Goldman Sachs International, the Prudential Regulation Authority), are acting exclusively for Arrow Global and for no one else in connection with the Acquisition and other matters described in this document and will not be responsible to anyone other than Arrow Global for providing the protections afforded to clients of Goldman Sachs International and Jefferies International Limited, nor for providing advice to any other person in relation to the Acquisition, the contents of this document or any other matter referred to in this document.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Arrow Global, which is set out in Part I of this Circular. This letter contains the recommendation of the Board that you vote in favour of the Resolution to be proposed at the General Meeting. Your attention is also drawn to the risk factors which are set out in Part II of this Circular.

Notice of a General Meeting of Arrow Global to be held at River Court, 120 Fleet Street, London EC4A 2BE at 2.00 p.m. on 26 November 2014 is set out at the end of this Circular. Shareholders will find enclosed a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by Arrow Global's registrar, Capita Asset Services (''**Capita**'' or the ''**Registrar**''), no later than 2.00 p.m. on 24 November 2014. If you hold Arrow Global Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar, CREST participant ID number RA10, so that it is received by no later than 2.00 p.m. on 24 November 2014, electronically by visiting www.arrowglobalir.net/investor-information/share-portal. You will be asked to enter the Investor Code shown on your proxy card and agree to certain terms and conditions.

The return of the completed Form of Proxy or CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you wish to do so and are so entitled. A summary of the action to be taken by Shareholders is set out on page 10 of this Circular and in the accompanying Notice of General Meeting.

The proposals in this Circular are conditional on, among other things, the approval of Shareholders at the General Meeting.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain ''forward-looking statements'' concerning Arrow Global and Capquest. All statements other than statements of historical fact included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words ''will'', ''may'', ''targets'', ''plans'', ''continues'', ''believes'', ''expects'', ''intends'', ''anticipates'', ''aims'', ''estimates'' or words or terms of similar substance or the negative thereof identify forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Arrow Global's, Capquest's or the Enlarged Group's operations; and (iii) the effects of government regulation on Arrow Global's, Capquest's or the Enlarged Group's business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Arrow Global or of Capquest. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as at the date they were made. All subsequent oral or written forward-looking statements attributable to Arrow Global or Capquest or any of their members or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this document are based on information available to the relevant parties on the date hereof. Investors should not place undue reliance on forward-looking statements, and none of Arrow Global, Capquest nor their respective directors undertake any obligation in respect of, and do not intend to update or revise, any forward-looking statements, except as required by The City Code on Takeovers and Mergers, the Listing Rules and Disclosure and Transparency Rules (and/or any regulatory requirements) or pursuant to applicable law.

Important factors which may cause actual results to differ include, but are not limited to, those described in Part II of this Circular.

PRESENTATION OF FINANCIAL INFORMATION

References to ''£'', ''pounds'', ''pounds sterling'', ''sterling'', ''p'', ''penny'' and ''pence'' are to the lawful currency of the UK.

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data.

DEFINITIONS

Certain terms used in this Circular, including capitalised terms and certain technical terms, are defined and explained in the ''Definitions'' section, starting on page 116.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this Circular	3 November 2014
Latest time and date for receipt of Forms of Proxy, or transmission of an electronic proxy or CREST Proxy Instruction	2.00 p.m. on 24 November 2014
General Meeting	2.00 p.m. on 26 November 2014
Expected completion of the Acquisition	28 November 2014

All references in this Circular are to London times unless otherwise stated. This timing is indicative only and is subject to change. If any of the above times change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service.

PART I
LETTER FROM THE CHAIRMAN OF ARROW GLOBAL

Arrow Global Group PLC

(Registered in England and Wales No. 08649661)

Directors	*Registered Office*
Jonathan Bloomer (*Non-executive Chairman*)	Belvedere 12 Booth Street Manchester England M2 4AW
Tom Drury (*Chief Executive Officer*)	
Rob Memmott (*Chief Financial Officer*)	
Zachary Lewy (*Founder and Executive Director*)	
Sir George Mathewson (*Non-executive Director and Senior Independent Director*)	
Iain Cornish (*Non-executive Director*)	
Gillian Key-Vice (*Non-executive Director*)	
Robin Phipps (*Non-executive Director*)	

3 November 2014

Dear Shareholder

PROPOSED ACQUISITION OF CAPQUEST

1. Introduction

On 24 September 2014, Arrow Global announced that it had entered into a conditional agreement to acquire Capquest from Quest Holdings B.V., an entity controlled by funds managed by TowerBrook, and current and former management shareholders for a total consideration of £158 million on an enterprise value basis. Capquest is a UK debt purchaser and outsourced collections provider with over 25 years of experience in the debt collection industry which focuses primarily on non-performing and semi-performing unsecured consumer loans.

Subject to the satisfaction of certain conditions, it is currently expected that completion of the Acquisition will occur on 28 November 2014. The terms and conditions of the Acquisition are contained in the Acquisition Agreement, which is summarised in Part VII of this Circular.

The Acquisition, because of its size in relation to Arrow Global, is a Class 1 transaction under the Listing Rules and is therefore conditional upon, among other things, the approval of Shareholders. A General Meeting is to be held at River Court, 120 Fleet Street, London EC4A 2BE at 2.00 p.m. on 26 November 2014 to seek such approval and a notice convening the General Meeting, at which the Resolution will be proposed, is set out at the end of this Circular.

The purpose of this Circular is to provide details of the Acquisition, to explain why the Board considers it to be in the best interests of Arrow Global and Shareholders as a whole and to recommend that Shareholders vote in favour of the Resolution.

2. Information on Capquest and Arrow Global

Capquest

Capquest is a UK debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors.

Founded as a DCA, Capquest has over 25 years of experience in the debt collection industry, and operates in the UK with a primary focus on non-performing and semi-performing unsecured consumer loans. Over the past decade, Capquest has developed extensive debt purchasing capabilities and has grown to become one of the largest privately owned purchasers of non-performing consumer debt in the UK (based on 120-Month Gross ERC). As an established participant in the UK market, Capquest partners with a diverse client base and holds positions on both debt purchase and DCA panels.

As well as servicing its owned purchased portfolios, Capquest collects and services debt on behalf of four strategic clients in the financial services sector on a commission basis. This contingency collections business complements Capquest's debt purchase activities, providing it with enhanced client relationships in the banking sector, increased proprietary deal flow and continuous operational improvement from collections experience.

In 2011, Capquest was acquired by funds managed by TowerBrook, a private equity firm, and subsequently underwent significant restructuring. Since 2012, Capquest's senior management team has been strengthened by a number of new appointments, including Chief Executive Officer Helen Ashton, a former managing director of Barclaycard International. The senior management team has driven a number of initiatives that have supported Capquest's operational development and continued growth.

Since 2012, Capquest has invested in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry. As part of its organisational change programme, Capquest has also focused on developing an integrated data, analytics and technology platform to underpin its flexible operating model, which is currently in the final phases of a staged implementation. This highly advanced technology platform is expected to further enhance Capquest's account servicing capabilities with a strong focus on compliance and the customer journey.

As at 30 June 2014, Capquest had 385 full-time equivalent employees across two offices in Farnborough and Glasgow.

As at 30 June 2014, Capquest owned and managed defaulted debt portfolios with an aggregate face value of £4.8 billion, including £4.1 billion of purchased loan portfolios and approximately 2.8 million owned customer accounts, based on portfolio purchases made between 1 September 2004 and 30 June 2014. Capquest's Adjusted EBITDA, which it believes is representative of its operating cash generation, has grown from £29.8 million for the year ended 31 March 2012 to £34.1 million for the 12 months ended 30 June 2014. As at 30 June 2014, 80.0% of Capquest's defaulted debt portfolios (by purchase price) were financial services loan portfolios (with the remainder consisting of retail, telecommunications and motor finance portfolios).

Further details on Capquest's business can be found in Part III of this Circular.

Arrow Global

Arrow Global is one of the UK's largest providers of debt purchase and receivables management solutions measured by 120-Month Gross ERC, which stood at £827.3 million as at 30 June 2014.

Established in 2005, Arrow Global uses its proprietary data and analytical capabilities to acquire and manage defaulted debt portfolios. A critical component of the management function is to locate defaulted customers by improving inaccurate or incomplete data relating to those underlying customers with Arrow Global's data assets. Arrow Global seeks to build a consolidated profile of each defaulted customer's circumstances so that an affordable and sustainable repayment solution can be formulated. Arrow Global's strategy has enabled it to convert previously defaulted assets into reliable long-term cash flow streams.

As at 30 June 2014, Arrow Global owned and managed defaulted debt portfolios with an aggregate face value of £10.6 billion, including £8.3 billion of purchased loan portfolios (£352.8 million based on balance sheet carrying value) and approximately 5.4 million owned customer accounts. Arrow Global's Adjusted EBITDA, which it believes is representative of its operating cash generation, has grown from £44.3 million for the year ended 31 December 2011 to £94.1 million for the 12 months ended 30 June 2014. As at 30 June 2014, 79.7% (by purchase price) of the defaulted debt portfolios that it had purchased were originated in the UK with the remaining 20.3% having been originated in Portugal. As at 30 June 2014, 83.6% of Arrow Global's defaulted debt portfolios across the UK and Portugal (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and student loan portfolios). Arrow Global believes that its focus on financial services loan portfolios provides it with stable long-term cash flows, as the higher average balances of these portfolios (relative to other types of debt) typically result in a high proportion of accounts being restructured into long-term repayment plans consisting of small, regular, annuity-like payments.

3. Background to and reasons for the Acquisition

The Board believes that the Acquisition is an important step in Arrow Global's growth strategy and helps it to advance its vision of becoming Europe's leading purchaser and manager of debt. Combining Arrow Global's data-driven master servicing model with Capquest's customer-focused, in-house collections platform will support and enhance Arrow Global's business model reflecting both the scale that it has now achieved and changing industry dynamics, as debt originators reduce their panel sizes and focus on panel members' compliance and accountability in response to the FCA regulatory regime that came into effect in April 2014. The Board believes that the UK debt purchase sector is entering a period of increasing consolidation around a core group of leading debt purchasers, with an associated reduction in the size of debt sellers' panels as they increase their focus on stronger, longer-term relationships with a smaller number of large-scale participants. The Board believes that the Acquisition has compelling strategic and financial benefits for Arrow Global, as follows:

Strengthened market position and increased scale

The Acquisition enhances Arrow Global's position as a leading debt purchase and receivables management business, adding Capquest's 2.8 million customer accounts with a face value of £4.1 billion (based on face value of portfolios acquired between 1 September 2004 and 30 June 2014) and 120-Month Gross ERC of £224.5 million as at 30 June 2014. The Board believes that this will make the Enlarged Group one of only two UK purchasers of non-performing unsecured consumer debt with over £1 billion of 120-Month Gross ERC, Arrow Global and Capquest's 120-Month ERC as at 30 June 2014 being £827.3 million and £224.5 million respectively. As at 30 June 2014, Arrow Global and Capquest had, respectively, £10.6 billion and £4.8 billion of receivables under management by face value (£8.3 billion and £4.1 billion of which were owned). This represents a total of 8.9 million accounts under management as at 30 June 2014 (8.2 million of which were owned) with 82% of those combined accounts under management (by purchase cost) being financial services accounts. The Acquisition reinforces Arrow Global's established focus on the financial services sector and is expected to provide increased customer insight from collections operations, which is expected to further improve pricing models and underwriting accuracy. The Board believes that Arrow Global's increased scale following the Acquisition will provide it with economies of scale and cost savings, enhanced data assets that will help further improve underwriting and collection processes, and will enhance customers' experiences.

Reinforced business model

The combination of Capquest's customer-focused in-house collection capabilities with Arrow Global's master servicing model (where collections are outsourced to third party DCAs) is expected to provide the Enlarged Group with an enhanced collection model from a cost, operational and regulatory perspective.

Following the Acquisition and the integration of Capquest's customer-focused in-house collection platform, Arrow Global expects to manage approximately 40% of the UK collections of the combined business in-house. For the remaining approximately 60% of collections, Arrow Global expects to continue to work with specialist outsourced DCAs, but also expects to accelerate its current DCA panel rationalisation process to result in a core group of strategic DCA partners. The Board believes that this flexible model will enable the Enlarged Group to utilise fully what it believes to be a high-quality customer-focused servicing platform and improve further Arrow Global's ability to oversee a smaller outsourced DCA panel, thereby improving the overall experience of its customers. The Board also believes that this model will enable the Enlarged Group to continue to enjoy an efficient and flexible cost structure, with approximately 60% of the cost base (based on combined figures for the 12 months ended 30 June 2014 and taking into account anticipated synergies and costs savings as a result of the Acquisition) still being variable.

Diversification of origination source and assets

The Acquisition will enable Arrow Global to provide both purchase and contingency collections capabilities to its clients, which the Board believes will increase debt purchasing opportunities and has the potential to enable Arrow Global to access a more diverse range of origination sources, extending Arrow Global's reach into new asset classes and providing the opportunity to work with creditors on a ''place-to-sell'' basis.

Capquest's existing presence in the motor finance sector and established capability to collect high volume low balance accounts also furthers Arrow Global's aim to diversify into new asset classes. In addition, Capquest's presence on a number of bank debt purchase panels, its existing forward flow agreements with debt sellers and its established capability as a contingency collections provider for a number of strategic clients in the financial services sector will enhance Arrow Global's offering.

Opportunity for further data and analytics enhancements

The Acquisition is expected to provide Arrow Global with a platform for further data and analytics enhancements and to increase both account match rates and collections. It will combine Arrow Global's 5.4 million owned customer accounts with Capquest's 2.8 million owned customer accounts (in each case as at 30 June 2014) to further increase the depth of Arrow Global's data assets, alongside contributions from the PCB. As a result, Arrow Global estimates (based on applying combined Arrow Global and Capquest data to three financial services portfolios) that match rates for UK portfolios will increase from 40% (Arrow Global's average UK match rate for the six months ended 30 June 2014) to approximately 50% following the Acquisition.

The combination of these data assets and Capquest's advanced technology and servicing platform, once fully implemented, is also expected to enhance collections performance and provide greater insight into payment trends across debt types and demographics, enabling Arrow Global to further improve its pricing models and underwriting accuracy.

Financially attractive with strong synergies expected

The Board believes that the Acquisition is financially attractive, with an implied enterprise value multiple of 0.7 times Capquest's 120-Month Gross ERC as at 31 March 2014, based on account-level ERC forecasting performed by Arrow Global. Overall, the Acquisition is expected to deliver strong EPS accretion and Return on Equity enhancement with full synergies and cost savings from 2016, and to be moderately ROE and EPS accretive in 2015 (excluding one-off restructuring costs of £2.5 million, expected to be incurred between 2014 and 2016, and Arrow Global's other 2014 one-off costs). The Acquisition utilises Arrow Global's balance sheet to acquire UK portfolio assets at a purchase cost of approximately £110 million at returns which it believes will be in line with Arrow Global's usual targets. Following the Acquisition, the Enlarged Group will retain what the Board believes to be a strong and prudent balance sheet.

4. Strategy for the Enlarged Group

Arrow Global's vision is to become Europe's leading purchaser and manager of debt. Its strategy is to grow by leveraging its data-driven business model and leading position in growing markets by pursuing its strategic objectives:

1. To protect and enhance Arrow Global's position as a leading debt purchase and receivables management business and build on the platform created by its public listing and track record to date.
2. To deliver attractive risk adjusted investment returns alongside balance sheet optimisation.
3. To maintain and develop Arrow Global's innovative data assets and analytics capabilities and supply chain excellence.
4. To deliver a best-in-class customer experience and to minimise regulatory risk through a cautious approach to product extension.
5. To pursue diversification through a disciplined approach to geographic expansion and new asset classes.

The Board believes that Capquest and Arrow Global are complementary businesses, the combination of which is expected to build on both parties' skills and capabilities to provide an even higher-quality offering to customers and clients.

Although Capquest's Integrated Technology Platform (see page 19 below) will provide highly advanced servicing capabilities when fully implemented, Capquest's operations are currently sub-scale. By acquiring Capquest, Arrow Global has the opportunity to place increased volume through the platform by migrating the servicing of a number of its existing paying and non-paying accounts into Capquest, which is expected to improve margins. Following the Acquisition, Arrow Global expects to centralise all automated transactional processing on Capquest's Integrated Technology Platform, which is intended to become the master book of record for the Enlarged Group. Both Arrow Global and Capquest's IT platforms will also be developed to support interfaces that allow data to be shared between them. However, it will not be possible to begin any integration before the full implementation of the Integrated Technology Platform, which is scheduled to be completed in March 2015. As a result, there will be a period during which both platforms will run in parallel.

5. Financial effects of the Acquisition

Arrow Global will acquire Capquest for a total consideration of £158 million on an enterprise value basis. The valuation is underpinned by portfolios re-underwritten using Arrow Global's proprietary models, with additional value allocated to Capquest's platform and other assets.

As at 30 June 2014, Arrow Global and Capquest had, respectively, £10.6 billion and £4.8 billion of receivables under management by face value (£8.3 billion and £4.1 billion of which were owned). With Arrow Global and Capquest's 120-Month Gross ERC as at 30 June 2014 of £827.3 million and £224.5 million respectively, the Acquisition will create an enlarged group with greater scale, including a total of 8.9 million accounts under management as at 30 June 2014 (8.2 million of which would have been owned) with 82% being financial services accounts. Overall, the Acquisition is expected to deliver annual pre-tax cost savings of £6.5 million, which are expected to be delivered in full from 2016.

Financial information for Capquest

The table below sets out certain of Capquest's unaudited consolidated financial information, derived from (i) the historical consolidated financial information of Capquest as at and for the year ended 31 March 2014 included in Part IV of this Circular and (ii) the unaudited interim consolidated financial information of Quest Topco Limited for the three months ended 30 June 2014, including the comparative data as at and for the three months ended 30 June 2013, included in Part IV of this Circular.

The unaudited consolidated financial information for the 12 months ended 30 June 2014 is calculated by taking the results of operations for the three months ended 30 June 2014 and adding to it the difference between the results of operations for the full year ended 31 March 2014 and the three months ended 30 June 2013. The unaudited consolidated financial information for the 12 months ended 30 June 2014 has been prepared for illustrative purposes only and is not necessarily representative of Capquest's results of operations for any future period or its financial condition at any future date, including the results that may be expected for the year ended 31 March 2015, and should not be used as the basis for or prediction of an annualised calculation.

	12 months ended 30 June 2014
	(£m)
Total gross assets	159.0
Loss before interest and tax (including non-recurring items)	(2.2)
Loss before tax (including non-recurring items)	(20.9)
Loss before interest and tax (excluding non-recurring items)	(1.0)
Loss before tax (excluding non-recurring items)	(19.7)

Interest expense includes non-cash interest expense on shareholder loan notes which will be repaid as part of the Acquisition.

Synergies and operational efficiencies

The Board believes that the Enlarged Group will benefit from synergies and cost savings as a result of:

(A) overhead cost savings through the removal of duplicated or overlapping activities between Arrow Global and Capquest as well as reduced data costs;

(B) operating cost savings from better management of collection resources and capabilities;

(C) potential ERC uplift from overlap in customer data, through enhancing back book collections on non-paying accounts and increasing match rates for UK portfolios; and

(D) further potential collection benefits achieved through sharing of best practices between the two businesses.

The Board estimates that, as a result of these factors, following the Acquisition the Enlarged Group has the potential to achieve annual pre-tax cost savings of £6.5 million. The synergies identified reflect both beneficial elements and relevant costs, are contingent on Completion and could not be achieved independently. The Board expects that the Enlarged Group will benefit fully from these synergies during 2016. The Board expects that the realisation of these synergies and cost savings will involve the incurrence of one-off cash costs of approximately £2.5 million between 2014 and 2016. In addition to these cost savings, the Board expects that the Acquisition will create the opportunity for further collection benefits from the sharing of best practice between the two businesses.

However, it may not be possible to realise any of these synergies and cost savings and the costs Arrow Global incurs in trying to do so may be substantially higher than the Board's current estimates and may outweigh the benefits.

6. People

Following the Acquisition, Capquest's Chief Executive Officer Helen Ashton will join Arrow Global's senior management team. Helen has previously held senior banking positions, including as Finance Director of Community Banks within Lloyds Banking Group and as Managing Director of Barclaycard International within Barclays. The Board believes that Arrow Global's combined management team following the Acquisition will be essential to its future growth strategy and to leading the integration of the businesses of Arrow Global and Capquest.

7. Current trading and prospects

Arrow Global

Arrow Global's Core Collections for the three months ended 30 September 2014 increased compared to the corresponding period in 2013, reflecting an increase in purchased loan portfolios.

Between 1 July 2014 and 30 September 2014, Arrow Global acquired loan portfolios with an aggregate face value of £120.0 million for £23.6 million which, net of portfolio amortisation, has increased the balance sheet value of purchased loan portfolios. Arrow Global expects full year purchases to be in line with its previous expectations which, it believes, will lay a strong foundation for earnings growth in future years.

As at 28 October 2014, Arrow Global's cash and cash equivalents had decreased by £7.3 million compared to the position as at 30 June 2014 of £17.1 million due to portfolio purchases and the payment of accrued interest on the 2020 Notes.

Arrow Global maintains its focus on targeted European expansion and, in June 2014, completed a €1 million pilot portfolio investment in the Netherlands. Arrow Global continues to assess a number of opportunities in European geographies with favourable market dynamics and also believes that it has good visibility of a strong pipeline in the UK. Arrow Global also continues to pursue a strategy to diversify its investments by both asset class and geography, as well as considering other investment structures. Arrow Global remains on track to deliver overall results in line with its own expectations for 2014.

Capquest

Core Collections for Capquest for the three months ended 30 September 2014 decreased compared to the corresponding period in 2013, reflecting lower volumes of purchases made during the twelve months ending September 2014 compared to the corresponding period in 2013.

Between 1 July 2014 and 30 September 2014, the Capquest Group acquired loan portfolios with an aggregate face value of £20.5 million for £4.5 million which, net of portfolio amortisation, decreased the balance sheet value of its purchased loan portfolios as a result of the lower volumes of purchases. Capquest continues to assess opportunities in secure segments as part of its strategy to diversify into new asset classes and leverage investment being made in the new operating platform.

As at 28 October 2014, the amounts outstanding under ''Other loans'' of Capquest were approximately £8.9 million (compared to £1.6 million as at 30 June 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest

Holdings B.V. As at 28 October 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as of June 30, 2014) as a result of the conversion of accrued interest under the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and preference shares into ordinary equity shares of Quest Topco Limited.

8. Dividends and dividend policy

Following the Acquisition, the Board intends to continue with its current policy of paying dividends on a progressive basis, targeting a payout ratio of between 25% and 35% of annual underlying net income. In accordance with this dividend policy, Arrow Global's maiden interim dividend of 1.7p per share was declared on 28 August 2014 and was paid on 9 October 2014. It is intended that the interim dividend (from H1 2015 onwards) will be declared at 50% of the prior year's final dividend, with the subsequent final dividend being proposed based on the underlying net income for the year and in accordance with the targeted payout ratio.

9. Principal terms of the Acquisition

This section summarises the principal terms and conditions of the Acquisition, further details of which are set out in Part VII of this Circular.

Key terms

Arrow Global and its wholly-owned subsidiary, Arrow Global Investments Holdings Limited (''**AGIHL**''), have entered into the Acquisition Agreement with the Sellers pursuant to which, upon Completion, Arrow Global will acquire Capquest. A separate Warranty Deed has also been entered into with the Warrantors.

The consideration payable by AGIHL is £158 million on an enterprise value basis. The parties have agreed that £1.6 million of the consideration will be paid into an escrow account at Completion pending (and subject to) the satisfactory resolution of ongoing discussions with HMRC in relation to a potential tax liability of Capquest related to deductions for interest on Capquest's existing shareholder debt. Additional adjustments to the consideration are described in Part VII of this Circular.

The Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon the approval of Shareholders at the General Meeting. If shareholder approval is not obtained by 26 January 2015, save in certain limited circumstances, AGIHL must pay £1 million, inclusive of any amounts in respect of VAT, to the Institutional Seller and the Acquisition will not proceed. The Acquisition is subject to certain other conditions relating to the conduct of the Capquest business between signing and Completion as described in Part VII of this Circular. Completion is expected to occur on 28 November 2014.

10. Financing of the Acquisition

The consideration for the Acquisition will be allocated as between the repayment of external debt, the repayment of loan notes issued by Capquest and held by the Institutional Seller and Management Sellers and the consideration for the shares in Capquest.

The cash consideration, together with the fees and expenses associated with the Acquisition, will be funded from a portion of the gross proceeds of the issue by Arrow Global Finance plc of €225 million in aggregate principal amount of senior secured floating rate notes due 2021 (the ''**Notes**''), which is expected to be completed on 4 November 2014. The Notes were offered at an issue price of 97.5% and will bear interest at a rate equal to three-month EURIBOR plus 525 basis points per annum, reset quarterly. The proceeds from the issuance of the Notes are also expected to be used to repay the existing third party indebtedness of Capquest (including Capquest's existing revolving credit facility and term loan) on or shortly following Completion, with the remaining portion to be used for general corporate purposes, which may include portfolio acquisitions. Goldman Sachs International, Lloyds Bank plc and The Royal Bank of Scotland plc have agreed to purchase the entire principal amount of the Notes pursuant to a Purchase Agreement dated 30 October 2014, subject to the satisfaction of certain conditions. The Purchase Agreement is described in further detail in Part VII.

Pending Completion, part of the gross proceeds of the issue of the Notes will be deposited in a segregated escrow account controlled by The Bank of New York Mellon Corporation. The escrow agreement will provide that the proceeds of the Notes will be released in connection with Completion to fund the Acquisition. If the Acquisition does not proceed, then all the Notes will be subject to a special mandatory redemption at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the issue date of the Notes to the date of the special mandatory redemption.

Upon Completion, the total commitments under Arrow Global's revolving credit facility will be increased to £100 million from £82.5 million (having recently been increased from £55 million on improved terms). The increase in the size of the revolving credit facility will also provide additional capacity for further portfolio purchases.

The Board believes that the Enlarged Group will have sufficient liquidity and capacity to realise Arrow Global's growth ambitions, as a result of the combination of Arrow Global and Capquest's Adjusted EBITDA and a £100 million revolving credit facility.

11. General Meeting

As described above, the Acquisition is conditional upon, among other things, the approval of Shareholders at the General Meeting. Set out at the end of this Circular is a Notice convening the General Meeting. The General Meeting will be held at River Court, 120 Fleet Street, London EC4A 2BE at 2.00 p.m. on 26 November 2014. The Resolution for Shareholders to approve the Acquisition will be proposed as an ordinary resolution requiring a simple majority of votes in favour to be passed. The Acquisition will not proceed if the Resolution is not passed. If shareholder approval is not obtained by 26 January 2015, save in certain limited circumstances, AGIHL must pay £1 million, inclusive of any amounts in respect of VAT, to the Institutional Seller and the Acquisition will not proceed. The full text of the Resolution is set out in the Notice of General Meeting.

The Directors have undertaken to the Institutional Seller to vote in favour of the Resolution at the General Meeting in respect of their beneficial holdings of 21,814,629 Arrow Global Shares in aggregate, representing approximately 12.51% of the total issued share capital of Arrow Global, provided that the Board has not withdrawn its recommendation of the Acquisition.

12. Further information

Shareholders should read the whole of this Circular in respect of the Acquisition and the information incorporated by reference into it and should not just rely on the summarised information, including the summarised financial information, contained in this Part I of this Circular. In particular, Shareholders' attention is drawn to the risk factors set out in Part II of this Circular, the information set out in Part VIII of this Circular and the information incorporated by reference into this document as listed in Part IX.

13. Action to be taken

You will find enclosed with this Circular a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and return it to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, so as to arrive as soon as possible, but in any event so as to be received by no later than 2.00 p.m. on 24 November 2014 or electronically by visiting www.arrowglobalir.net/investor-information/share-portal. You will be asked to enter the Investor Code shown on your Form of Proxy and agree to certain terms and conditions.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita, (CREST participant ID RA10) so that it is received no later than 2.00 p.m. on 24 November 2014. Completing and returning a Form of Proxy or CREST Proxy Instruction will not preclude you from attending and voting at the General Meeting in person if you wish to do so (and are so entitled).

14. Recommendation

The Board, which has received financial advice from Goldman Sachs International, considers the Acquisition to be in the best interests of Arrow Global and Shareholders as a whole. In providing financial advice to the Board, Goldman Sachs International has relied upon the commercial assessments of the Board.

The Board recommends that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings, which as at 31 October 2014 (being the latest practicable date prior to publication of this Circular) amount to 21,814,629 Arrow Global Shares in aggregate, representing approximately 12.51% of the total issued share capital of Arrow Global.

Yours faithfully

Jonathan Bloomer
Chairman

PART II
RISK FACTORS

Shareholders should be aware that a shareholding in the Company involves a degree of risk. In addition to the other information contained in, or incorporated by reference into, this Circular, the following risk factors should be considered carefully in evaluating whether to vote on the Resolution.

The risks and uncertainties described below represent those known to the Board as at the date of this Circular which the Board consider to be material risks relating to the Acquisition, in addition to material risks relating to the Enlarged Group which result from or are impacted by the Acquisition. However, these risks and uncertainties are not the only ones facing Arrow Global, Capquest or, following Completion, the Enlarged Group. Additional risks and uncertainties that do not currently exist or that are not currently known to the Board, or that the Board currently consider to be immaterial, could also have a material adverse effect on the business, results of operations, financial condition or prospects of Arrow Global, Capquest or, following Completion, the Enlarged Group.

If any or a combination of the events described below actually occurs, the business, results of operations, financial condition or prospects of Arrow Global, Capquest or, following Completion, the Enlarged Group could be materially and adversely affected. In such case, the market price of the Arrow Global Shares could decline and investors may lose all or part of their investment.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

1. RISKS RELATING TO THE ACQUISITION

Completion of the Acquisition is subject to the satisfaction of certain conditions which, if not satisfied, may result in the Acquisition not proceeding

Completion of the Acquisition is subject to satisfaction of the following conditions on or before 26 January 2015 (the "**Long Stop Date**"):

(A) the approval of the Acquisition by Shareholders at the General Meeting (the "**Shareholder Approval Condition**"); and

(B) the Sellers having complied with certain obligations relating to the conduct of Capquest's business prior to Completion (the "**Conduct Condition**").

The satisfaction of these conditions is beyond Arrow Global's control and dependent on the actions of third parties. The Shareholder Approval Condition cannot be waived by the parties to the Acquisition Agreement and, therefore, if the Shareholder Approval Condition is not fulfilled, the Acquisition will not complete.

Failure to complete the Acquisition may have a material adverse effect on the price at which the Arrow Global Shares are traded and may affect Arrow Global's ability to deliver shareholder value.

A compensation payment may be payable if the Acquisition does not proceed

AGIHL has agreed to pay £1 million, inclusive of any amounts in respect of VAT, to the Institutional Seller, by way of compensation, if the Shareholder Approval Condition is not fulfilled by the Long Stop Date, unless such failure was caused by a breach by the Institutional Seller of its obligations in the Acquisition Agreement.

AGIHL has limited recourse under the warranties in the Acquisition Agreement and Warranty Deed

Under the terms of the Acquisition Agreement, each of the Sellers has provided warranties as to: (i) title to the shares it is selling pursuant to the Acquisition; and (ii) that Seller's capacity and authority to enter into the Acquisition Agreement. AGIHL's ability to recover amounts in respect of losses that it may suffer as a result of breach of those warranties will depend on the sufficiency of each Seller's resources and these may not provide full protection for AGIHL.

Warranties in relation to the Capquest business have been provided by the Warrantors only under the Warranty Deed. In addition, there are significant limitations on the maximum value of claims that may be made by AGIHL under the Warranty Deed and, therefore, AGIHL may not have recourse against the Warrantors, or may not recover in full from the Warrantors, for losses which it may suffer in respect of a breach of those warranties.

AGIHL may not have any contractual protection in relation to liabilities, or operating or other problems of Capquest, which it may discover after completion of the Acquisition. In addition, as described above, there are significant limitations on AGIHL's ability to recover in respect of any potential claims under the Warranty Deed. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets. Shareholders should expect that, if the affairs of Capquest subsequently reveal themselves to be less favourable than appeared during AGIHL's due diligence enquiries, AGIHL may not have recourse against the Sellers, which could materially and adversely affect the Enlarged Group's results of operations and financial condition.

Events may occur which have an adverse effect on Capquest but do not entitle AGIHL to terminate the Acquisition

AGIHL will be entitled to terminate the Acquisition Agreement only if there is a breach during the period between signing and Completion of certain of the pre-completion covenants in respect of the Capquest business. If other events occur which have an adverse effect on the Capquest business during the period between signing and Completion, AGIHL would be required to proceed with Completion, and this could have a material and adverse effect on the business of the Enlarged Group.

Arrow Global's acquisition-related costs may be greater than expected

Arrow Global expects to incur a number of costs in relation to the Acquisition, including integration and post-completion costs in connection with combining the operations of Arrow Global and Capquest. The actual costs of integration may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, Arrow Global will incur legal, accounting, transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition completes.

Although the Board believes that the integration and Acquisition costs will be more than offset by the realisation of the synergies resulting from the Acquisition, this net benefit may not be achieved in the short term or at all. In such case, the results of operations and financial condition of the Enlarged Group may be materially adversely affected.

A significant proportion of the consideration to be paid for Capquest has been allocated to its portfolios based on Arrow Global's own ERC forecasts, which may prove to be inaccurate

A significant proportion of the consideration paid for Capquest has been allocated to its portfolios based on Arrow Global's own ERC forecasts. The value attributed to these portfolios, which have been re-underwritten at returns in line with Arrow Global's usual targets, may prove to be greater than the actual level of collections achieved, which may result in the Enlarged Group having to recognise valuation impairments and increase amortisation and may result in lower revenue and returns on portfolio purchases than had been forecast, which may have a material adverse effect on the Enlarged Group's financial condition and results of operations.

The Enlarged Group may not realise, or it might take the Enlarged Group longer than expected to realise, the expected benefits, synergies and cost efficiencies of the Acquisition

Arrow Global may not realise the anticipated benefits of the Acquisition set out in Part I of this Circular, or it may take longer than expected to realise those benefits. To the extent that Arrow Global incurs higher integration costs, achieves lower margin benefits or fewer cost savings than expected, the financial condition of the Enlarged Group may suffer, which may have a material adverse effect on the price at which the Arrow Global Shares are traded.

The expected cost synergies are based upon assumptions about the Enlarged Group's ability to implement these measures in a timely fashion and within certain cost parameters. The Enlarged Group's ability to achieve the planned cost synergies is dependent upon a significant number of factors, some of which may be beyond its control. If one or more of the underlying assumptions regarding the integration of the two businesses prove to be incorrect, it may not be possible to achieve the expected cost synergies.

Any inability of the Enlarged Group to realise the anticipated cost savings, synergies and revenue enhancements from the Acquisition could have a material adverse effect on its business, results of operations, financial condition and cash flows. This could have a material adverse effect on relationships with clients, regulators, employees, suppliers and other market participants. In addition, cost and operational efficiencies realised as the result of integrating the two businesses may not be sustainable in the long term, and may be negatively affected by unforeseen legal, regulatory, contractual or other issues or other costs, which could have a material adverse effect on the Enlarged Group.

The Enlarged Group may experience difficulties in integrating the businesses of Arrow Global and the Capquest

In the period between signing and Completion, Arrow Global and Capquest will continue to operate as independent businesses. Following Completion, Capquest's business will be integrated with that of Arrow Global, which is likely to present significant administrative, managerial and financial challenges, some of which may be impossible to foresee before the integration process begins. Unforeseen difficulties, costs, liabilities or losses could adversely affect the business of the Enlarged Group, the success of which will depend, in part, on the effectiveness of integration and the realisation of the expected synergies, cost savings and other benefits.

In deciding to acquire Capquest, the Board relied on certain business assumptions and determinations based on an investigation of Capquest's business, as well as other information made available to it. Furthermore, although there are many similarities between the businesses of Capquest and Arrow Global, there are also significant differences (for example, while Arrow Global currently outsources all collection operations, Capquest has its own, in-house collection operations). The Board's assumptions and determinations therefore involve risks and uncertainties and may turn out to be inaccurate. In such case, the financial performance of the Enlarged Group may be materially adversely affected.

Management distraction in connection with the Acquisition could have an adverse effect on the businesses of Arrow Global and Capquest

The Acquisition has required, and will continue to require, substantial amounts of both time and focus from the Arrow Global and Capquest management teams, which could adversely affect their ability to operate the businesses. The Enlarged Group's management team will also be required to devote significant attention and resources to integrating the businesses. There is a risk that the challenges associated with managing the Acquisition will result in management distraction and that consequently the underlying businesses will not perform in line with expectations.

2. RISKS RELATING TO THE ENLARGED GROUP

Failure to maintain key relationships with DCAs could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations

The Enlarged Group's new business initiatives could result in unintended consequences, such as the loss of key relationships. At present, Arrow Global outsources all of its collections and relies on its relationships with DCAs to conduct its business. Gaining in-house collection capabilities for the first time as a result of the Acquisition may place Arrow Global in direct competition with some of its DCA partners, which may adversely affect, or result in the loss of, key DCA relationships.

Arrow Global's top 10 DCAs achieved approximately 60% of its Core Collections in the six months ended 30 June 2014. The loss of a key DCA relationship could reduce Arrow Global's revenue. Arrow Global may not be able to replace a strategic DCA partner or in-source the related collections in a timely manner or on favourable terms. Arrow Global may be required under its debt purchase agreements to allocate accounts to a particular DCA, and the loss of a relationship with such DCA could jeopardise Arrow Global's ability to purchase debt portfolios from, and undermine its relationship with, certain debt sellers. In addition, Arrow Global would lose any potential data contributions from that DCA to the PCB.

The Enlarged Group may be exposed to higher volatility in its reported financial results as a result of the Acquisition

Arrow Global's purchased loan portfolios are, and, in connection with the Acquisition, Capquest's purchased loan portfolios will be, accounted for and recorded on the Enlarged Group's balance sheet under IFRS initially at fair value and subsequently at amortised cost using the effective interest rate (''**EIR**'') method. The EIR is determined at the time of purchase of the loan portfolio based upon estimated cash collections over the next 84 months (i.e. it is equivalent to the gross internal rate of return of the portfolio over 84 months) and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to Arrow Global's estimates of future cash flows based on enhanced data and analysis considered during that time period. Accordingly, the value of Arrow Global's purchased loan portfolios recorded on its balance sheet may fluctuate each time management reassesses forecast cash flows.

Capquest conducts its contingency collections business on the basis of contracts with third parties that are subject to regular renewal (usually every two years). If such contracts are not renewed as expected, the Enlarged Group could face a reduction in revenue attributable to contingency collections following the Acquisition, which could have a material adverse effect on the Enlarged Group's financial performance and results of operations.

Costs relating to in-house collection operations will represent a new fixed cost for Arrow Global after completion of the Acquisition. Expenditure on establishing new in-house collections capabilities to service new account types or asset classes is often required before, and without certainty of, collections being made. If it is not possible to collect on such accounts effectively, such costs may not be offset, immediately or at all, by subsequent collections revenue. This could have a material adverse effect on the Enlarged Group's financial performance and results of operations.

The Enlarged Group faces increased reputational and litigation-related risk as a result of the Acquisition

The potential for negative publicity with respect to the Enlarged Group may be exacerbated as a result of its in-house collections and increased litigation operations following the Acquisition.

Negative online, print and broadcast media, internet sites (including consumer blog sites) providing a forum for consumers to complain about and seek guidance in relation to the activities of debt collectors and claims management companies, among others, may cause consumers to be more reluctant to pay their debts in full or at all, or more willing to pursue legal actions against the Enlarged Group (including through claims management companies or other similar third party agencies), even if such actions are not warranted.

Negative publicity can result from the Enlarged Group being named in published industry complaint data sites, receiving negative attention due to internal disputes, including disputes with former employees, or any of the Enlarged Group's DCA partners violating law or other regulatory requirements or acting inappropriately in their conduct of business.

Any such negative publicity could jeopardise Arrow Global or Capquest's existing relationships with debt sellers or their ability to establish new relationships with other debt sellers or diminish their attractiveness as a counterparty generally. Additionally, Arrow Global and Capquest are, and the Enlarged Group may in future be, contractually required to reassign debt portfolios if a debt portfolio attracts negative media attention towards a debt seller. Any of the foregoing could affect the Enlarged Group's ability to purchase debt portfolios, its ability to collect on the debt portfolios that it purchases, and may materially and adversely affect the Enlarged Group's business and results of operations.

Following the Acquisition, because of Capquest's existing litigation operations, a larger portion of Arrow Global's collections may be achieved through litigation. Accordingly, a larger percentage of its future collections may be dependent on success in individual lawsuits. Lawsuits expose the Enlarged Group to litigation risks, including documentation, data, and reputational risks, as well as increased costs. Furthermore, changes to laws, regulations or rules that affect the manner in which the Enlarged Group initiates enforcement proceedings, including rules affecting documentation, or shorter statutes of limitation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on its business and results of operations.

The Integrated Technology Platform is not yet fully implemented and may be delayed or fail to perform as expected, or require further expenditure to remedy problems

Capquest has not yet fully implemented the Integrated Technology Platform and may encounter technical or operational difficulties that delay the completion of the project. Once implemented, the new IT systems may not perform as expected and may not yield the benefits expected by Capquest's management. There may also be a period of time during which it is not possible to fully utilise the benefits of the platform while employees familiarise themselves with the new platform or due to unexpected problems. These factors could negatively affect the Enlarged Group's ability to service accounts and may affect customer service, which could materially and adversely affect the Enlarged Group's business and results of operations. Remedying problems that arise before or after implementation of the platform could also require further substantial expenditure, time and other resources, which could materially adversely affect the financial performance of the Enlarged Group.

PART III
INFORMATION ON CAPQUEST

Debt purchase

Since purchasing its first portfolio in 2004, Capquest has grown to become one of the largest privately owned UK purchasers of non-performing consumer debt (by 120-Month Gross ERC). As at 30 June 2014, Capquest owned and managed defaulted debt portfolios with an aggregate face value of £4.8 billion, including £4.1 billion of purchased loan portfolios and approximately 2.8 million owned customer accounts (based on portfolio purchases made between 1 September 2004 and 30 June 2014) and had a 120-month ERC of £224.5 million. As at 30 June 2014, 80% of Capquest's defaulted debt portfolios (by purchase price) were financial services loan portfolios, with the remaining 20% consisting of retail, telecommunications and motor finance portfolios.

Capquest's Adjusted EBITDA, which it believes is representative of its operating cash generation, has grown from £29.8 million for the year ended 31 March 2012 to £34.1 million for the 12 months ended 30 June 2014. For the 12 months ended 30 June 2014, revenue from debt purchase activities (including portfolio write-downs) was £26.3 million (including portfolio write-up and portfolio impairment). Debt purchase accounted for 85% of Capquest's total revenue for the 12 months ended 30 June 2014.

Of Capquest's £224.5 million 120-Month Gross ERC as at 30 June 2014, 79% was attributable to portfolios in the financial services sector, 13% to retail, 4% to motor finance and 4% to telecommunications, as estimated by Arrow Global through account level ERC forecasting.

Capquest's experience in a range of sectors and with a range of debt types, commercial structures and balance sizes provides it with both earnings diversification and purchasing flexibility. Its flexible operating model has enabled Capquest to collect across a wide range of debt types and sectors to achieve further diversification. Its acquisition of the British Credit Trust (''**BCT**'') portfolio and business assets in February 2014 further broadened its collection capability, adding motor finance receivables to its asset base.

In the year ended 31 March 2014, Capquest spent £45.8 million to acquire portfolios, compared with £57.0 million in the year ended 31 March 2013.

In addition to spot purchases, Capquest acquires portfolios through forward flow agreements, which provide a regular flow of purchasing spend and accounts, on previously agreed terms. In the 12 months ended 30 June 2014, forward flow arrangements accounted for debt purchases of £9.9 million. Capquest has recently extended a forward flow agreement with an established client to 2016, securing further committed spend for FY 2015 and FY 2016. A further forward flow agreement was entered into in December 2013 for a two-year period.

Portfolio performance, pricing and forecasting

Based on Arrow Global's estimates of Gross ERC, utilising its ERC forecasting model, and the purchase cost allocated to the acquired portfolios, Capquest is expected to generate a 120-Month Gross Cash-on-Cash multiple of 2.1x across its loan portfolios as from the date of purchase.

Client relationships

The development of Capquest's debt purchase business over the past decade has been underpinned by strong relationships with its blue chip client base, which includes major UK banks, credit card companies, telecommunications providers and retailers. Several of these relationships date back over a decade, with repeat transactions having been entered into with more than 70% of clients. In addition, despite the recent consolidation of debt servicing and purchasing panels among UK banks, over the past 18 months Capquest has retained all the panel memberships that it wished to retain, which the Board believes is a result of the strength of Capquest's relationships, its strong audit performance track record and commitment to compliance and treating customers fairly. These relationships give Capquest good visibility of purchasing opportunities with a range of clients, which allows Capquest to maintain a diverse mix of new debt portfolio purchases, lowering client concentration risk.

Contingency collections

Capquest draws on more than 25 years of operational experience as a DCA and employs strategies to segment and engage customers on behalf of its third party clients. Servicing debt on behalf of third parties provides Capquest with a regular stream of account placements, giving it greater insight into prevailing payment trends across debt types and demographics. Capquest's longstanding client relationships have also led to proprietary opportunities to acquire contingency tails of portfolios that it services (effectively providing an opportunity to purchase debt ''in-situ'') and enables it to move towards ''place-to-sell'' structures (where Capquest would agree at the time of establishing the contingency arrangement that it will purchase the portfolio after a period of collections). As a result of these factors, contingency collections have remained a key complementary component to Capquest's overall business model.

The contribution of Capquest's contingency collection business to its total revenue has decreased as Capquest has expanded its debt purchase business and refocused the contingency business on a smaller number of strategic clients from 2012 onwards. As a result, contingency commissions as a percentage of total revenue decreased from 32% in the year ended 31 March 2012 to 15% in the year ended 31 March 2014.

In addition, Capquest has successfully navigated recent DCA panel reorganisations and has maintained the panel memberships that it wished to retain, which is expected to lead to increased allocations and the receipt of new placement types. Recently, Capquest has also been successful in securing a new contract with a high street bank.

Operating model

Collection

The Board believes that Capquest's flexible approach to collections has enabled it to successfully acquire and collect debt across a variety of sectors, balance sizes and placement types and focus purchases in areas where pricing is relatively attractive.

Portfolios are serviced through one of three business units, each of which employs a tailored servicing strategy according to the type of debt, which enables Capquest to manage collection costs efficiently and optimise the experience for customers. All three business units utilise a mix of traditional telephone contact and new, automated contact methods, such as emails and SMS messaging, to ensure servicing costs remain appropriate and interactions are tailored to customers' needs. This collection strategy enables Capquest to manage profitably a variety of account types such as low balance accounts and motor finance accounts.

Litigation

Capquest currently uses a range of enforcement procedures that are tailored to customers' specific circumstances and driven by a proprietary in-house scorecard, which was developed in partnership with a specialist analytics advisory practice. These procedures have been applied to accounts where Capquest has strong evidence that a customer is able to pay (based on factors such as assets and income) but has otherwise refused to engage.

Compliance

Since 2012, Capquest has invested in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry. This has included the implementation of a ''three lines of defence'' risk management model similar to that employed by banks and by Arrow Global, which provides oversight, challenge and reporting on risks within the business.

The Board believes that Capquest's complaint levels are low relative to the average 654 calls connected, 13,284 letters and 790 emails sent per day. For debt purchase, Capquest's FOS complaints per million live accounts was 12.9, with 8.7 complaints per million for contingency accounts, resulting in a combined rate of 12.0 complaints per million live accounts for the year ended 31 March 2014, broadly in line with Arrow Global at 17 per one million live accounts in the year to 31 December 2013. Of the 34 complaint decisions received from the FOS between 1 April 2013 and 31 March 2014, only eight (24%) were not upheld in Capquest's favour, representing a ''success'' rate of 76%. This compares favourably with the debt collection industry average of 61%, based on FOS complaints data from 1 April 2013 to 31 March 2014. Capquest has never had any requirements imposed by a regulator.

In connection with the assumption of responsibility for regulation of the consumer credit industry by the FCA in April 2014, all of Capquest's key trading entities registered with the FCA for interim consumer credit permissions or, in the case of the Capquest Group company that is already authorised by the FCA and has permission to service mortgage loans, interim variation of permissions. These Capquest entities have been provided with three-month ''landing slots'' during 2015 in which to apply for full FCA authorisation or variation of permissions, as applicable.

Information Technology, data and analytics

As part of its business change programme, Capquest has focused on developing an integrated data, analytics and technology platform (the ''**Integrated Technology Platform**'') to underpin its flexible operating model, which is currently in the final phases of a staged implementation. Arrow Global expects this highly advanced technology platform to further enhance Capquest's account servicing capabilities, with a strong focus on compliance and the customer journey.

This new technology platform is designed to offer advanced account servicing and compliance capabilities, supporting a broad range of asset classes with tailored, dynamic customer engagement. At the heart of the architecture is an integrated collections platform, Latitude, which is a key part of an ''all-in-one'' collections suite from Interactive Intelligence, Inc., a US-based technology company with specialist capabilities in the sector. Latitude has been deployed to more than 250 debt purchase and DCA clients in the United States. Capquest is a longstanding user of Interactive Intelligence's dialler and customer interaction solutions, which are also being extended to enable a rich, multi-channel customer experience.

Arrow Global believes that Capquest will be the first in the UK industry to benefit from Latitude functionality. According to a recent independent assessment, together with the other elements of the transformational work completed, the Latitude platform is expected to provide Capquest with industry-leading capabilities in technology, compliance and analytics.

According to Capquest's management, key benefits of the new platform are expected to include:

(A) a highly advanced, scalable collections platform which integrates external data, analytics, operational servicing and real-time feedback, improving customer actions at an account level;

(B) a new data repository housing more than 340 million transactions and 2.8 million customer accounts, enabling significant improvements in analytics and performance management and a centralised document repository capturing all customer correspondence;

(C) more accurate analytics models, embedded within a new collections strategy decision engine, together with a wide range of optimisation models (for example, best-time-to-call);

(D) a case-management solution for litigation activities, integrated with the collections platform;

(E) multi-channel customer interaction, including SMS messaging, email and a self-service web portal for online account access and payment management; and

(F) performance and compliance monitoring tools (including voice analytics).

These benefits are expected to further reinforce the Enlarged Group's operational and financial performance through greater collection flexibility, enhanced customer experience and improved cost efficiency.

Employees

As at 30 June 2014, Capquest had 385 full-time equivalent employees (268 in the Farnborough office and 117 in the Glasgow office). Collections, administration and operational employees account for a significant proportion of the employee base.

Capquest uses individual personal development plans and coaching for its business operations employees, supplemented by regular monitoring and review as well as compliance training. Capquest's performance management framework rewards high-performing employees based on call quality, customer outcomes and business performance, while targeting underperformance for improvement through coaching and development. In recognition of its commitment to employee development, Capquest was recently awarded Silver ''Investor in People'' status.

Premises

Capquest's office in Glasgow houses collection operations and elements of the associated support functions. The group's headquarters in Farnborough houses additional collections operations alongside the analytics, compliance and risk, human resources, IT, finance, litigation, commercial and trace functions.

Financial profile and performance

Further information about certain of the financial measures described below can be found in Part VI of this Circular.

Capquest's results of operations are subject to the same drivers as those that affect Arrow Global's results of operations. These consist of the following:

- loan portfolio purchases;
- Core Collections;
- revenue recognition, impairment of purchased loan portfolios and estimation of cash flow forecasts;
- Collection Activity Costs and operational efficiency;
- trends in average monthly payments;
- macroeconomic conditions; and
- regulatory considerations.

In addition, Capquest's results of operations are impacted by factors that impact its in-house collections platform and its contingency collections business.

The results of Capquest's contingency collection business are impacted by placement volumes, commission rates agreed with clients and liquidation rates achieved. Placement volumes are dependent on the ability to secure positions on Debt Originator panels and to maintain or increase account allocations. This is typically achieved through a combination of strong collections performance and audit scores relative to other panel members. The volume of total accounts placed by each Debt Originator is a function of its debt recovery strategies, which dictate volumes of accounts collected in-house, sold or placed. This can be driven by factors such as debt sale pricing, in-house collections capabilities and satisfaction with collection practices of DCAs and debt purchasers. Commission and liquidation rates are dependent on a range of factors including type and age of debt, availability of complete data on customers and collection strategies employed.

The ownership of an in-house collections platform provides different requirements and drivers. These include the ability to recruit, retain and train collection agents effectively and optimise operational efficiency through high utilisation of the collections platform. The collections platform is regularly audited by clients, both from a debt purchase and contingency collections perspective, with poor scores potentially impacting the ability to purchase or receive account placements. A flexible, scalable and resilient core IT platform is needed in order to service a wide range of asset classes and cater for client needs, automating processes where possible to reduce servicing costs. Collections results are also driven by the ability to access up to date complete data on customers and apply sophisticated analytics in order to make contact with customers, engage with customers and put in place effective and sustainable payment plans to optimise results.

Portfolio overview

Purchases of loan portfolios

The table below summarises Capquest's loan portfolio purchasing activity by setting out its key purchasing metrics by vintage.

	Vintage			
	Year ended 31 March			Three months ended 30 June
	2012	2013	2014	2014
Portfolio purchases — costs (*£m*)	25.0	57.2	45.6	2.7
Face value (*£m*)	412.9	266.4	826.4	15.6
Total price paid as % of face value	6.2%	21.4%	5.5%	17.6%

Purchases of loan portfolios can vary in age, type and ultimate collectability. During the periods indicated, Capquest has purchased a range of portfolios, which explains the period-to-period variation in average prices paid and face value. For example, in FY 2013, 98% of purchases related to paying and prime portfolios, compared to 41% in FY 2012, with all purchases made in the three months ended 30 June 2014 being of prime or paying portfolios that command higher average prices to reflect their higher collectability.

In connection with the Acquisition, Arrow Global has undertaken an account-level re-underwriting of Capquest's loan portfolios, using its proprietary ERC forecasting model, at returns in line with its usual targets, and valued them at approximately £110.0 million. Arrow Global expects to generate on these purchased loan portfolios an 84-Month Gross ERC of £190.9 million and 120-Month Gross ERC of £224.5 million, respectively, as at 30 June 2014. (Based on Capquest's ERC forecasting model, as at 30 June 2014, Capquest's 84-Month Gross ERC would be £207.4 million and its 120-Month Gross ERC would be £236.4 million.) Based on such re-underwritten loan portfolios, Arrow Global expects to achieve a Gross Cash-on Cash Multiple of 2.1x over the next 120 months.

The table below sets out, as at 30 June 2014, Capquest's 84-Month Gross ERC and 120-Month Gross ERC on purchased loan portfolio by asset class based on Arrow Global's view of such Gross ERC derived from the account-level re-underwriting of Capquest's loan portfolios using its proprietary ERC forecasting model.

	Months							84-Month Gross ERC	Months			120-Month Gross ERC
	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)	(*£m*)
Asset class	**0-12**	**13-24**	**25-36**	**37-48**	**49-60**	**61-72**	**73-84**		**85-96**	**97-108**	**109-120**	
Financial services	34.7	28.0	23.1	19.5	16.6	14.3	12.3	148.6	10.8	9.5	8.4	177.4
Retail	8.0	5.1	3.8	3.0	2.4	2.0	1.7	26.1	1.4	1.1	0.9	29.5
Motor finance	3.3	1.9	1.3	0.9	0.6	0.5	0.4	8.9	0.2	0.1	0.0	9.2
Telecommunications	2.1	1.5	1.1	0.9	0.7	0.6	0.5	7.3	0.4	0.4	0.3	8.4
Total	**48.1**	**36.6**	**29.3**	**24.3**	**20.4**	**17.4**	**14.8**	**190.9**	**12.8**	**11.1**	**9.7**	**224.5**

As at 30 June 2014, 79.1% of Capquest's 120-Month Gross ERC was derived from financial services portfolios, with 13.1% attributable to retail portfolios, 4.1% to motor finance portfolios and 3.7% to telecommunications portfolios. The average account balance of Capquest's financial services portfolios, retail portfolios, motor finance portfolios and telecommunications portfolios was £2,745, £507, £3,318 and £322, respectively.

Individual accounts within the financial services portfolios have a higher average balance relative to accounts within retail portfolios and telecommunications portfolios. The higher average balance typically results in customers entering into long-term repayment plans consisting of small regular repayments. Consequently, financial services portfolios tend to produce higher Gross Cash-on-Cash Multiples relative to retail portfolios and telecommunications portfolios (albeit with a similar Net IRR). Motor finance portfolios purchased have been fast-liquidating in nature, and while their Gross Cash-on-Cash Multiples are relatively low, Net IRRs forecast for this asset class are relatively high compared to recent overall vintages.

Collections

The main driver of Capquest's revenue is Core Collections, which is driven by successful collection of payments on purchased loan portfolios. Capquest's existing portfolio produced Core Collections of £59.2 million in the year ended 31 March 2014 and £15.4 million in the three months ended 30 June 2014.

Capquest's primary source of cash flow is the proceeds received from customer accounts in its purchased loan portfolios, received via three principal routes:

- **Payment plans:** most customers pay by entering into long-term repayment plans, which provides Capquest with significant cash flow visibility.
- **Settlements:** settlements arise when a single payment or agreed series of large instalments (typically for less than the remaining balance) leads to the closure of the account and any remaining balance being written off. Capquest makes a settlement assumption on each portfolio when it is purchased, which has an impact on the purchase price.
- **Litigation:** litigation is pursued as a means of engaging the customer when other methods have failed and is only pursued once accounts have been checked against a range of selection criteria which are designed to exclude vulnerable customers and those in financial difficulty. The enforcement routes that are deployed are selected based on customers' circumstances, including their employment and home ownership status. Litigation proceeds can come either as one-off payments or through a regular flow of payments depending on the enforcement route deployed.

For the three months ended 30 June 2014, 52% of Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements, 40% through settlement arrangements (which can include a discount to the face amount of the loan outstanding) and 8% through litigation. The average monthly payments received per customer during the three months ended 30 June 2014 for Capquest's loan portfolios was £21.32 (excluding motor finance portfolios), with direct debit being the most popular payment method (32%).

Capquest owns its own collections platform with limited placement of accounts typically used only where specialist skills are required (for example, on deceased accounts and litigation). In-house collections are performed from both of its sites, located in Glasgow and Farnborough, which Capquest has moved into over the last two years.

Capquest believes that its operating platform enables it to successfully collect across a range of debt types, including asset classes, balance sizes and placement levels. It employs servicing strategies tailored towards portfolio characteristics. These include a mix of traditional telephone and letter contact, together with newer automated methods, including emails and SMS messaging, to ensure that servicing costs remain appropriate. The recent acquisition of a portfolio of motor finance accounts and business assets from BCT extended the capabilities of Capquest into the motor finance collections market.

Capquest supplements data already held on customers and their accounts with data enhancements from credit bureaus and other specialist data providers for address and telephone number look-up services, as well as customer propensity-to-pay scoring. This data, together with existing analytical capabilities and collections strategy expertise, is used to help identify the best accounts to contact, the right time to make contact and the right contact method to deploy. Collection agents engage with customers to establish sustainable repayment plans based on affordability assessments with established processes to identify vulnerable customers and those in financial hardship. Capquest believes its business has a strong commitment to treating its customers fairly and continuously seeks to improve the customer experience.

Capquest has made significant investment in a new integrated data, analytics and technology platform which it expects to underpin the operating model and which is currently in the final phases of a staged implementation. This platform is expected to offer sophisticated account servicing capabilities and extended customer contact channels which Capquest believes will further enhance the customer experience and improve customer engagement.

Capquest has historically achieved accurate collections performance against collections forecast used for the computation of ERC. Since commencing debt purchase activity, Capquest has achieved collections of 105% of original 84-month in-house forecasts.

Revenue recognition

Capquest's revenue recognition policy followed in the preparation of its consolidated financial information included in this Circular is consistent with Arrow Global's revenue recognition policy.

The following table sets out a reconciliation of Capquest's Core Collections to total revenue.

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	£000	£000	£000	£000	£000
Core Collections	44,211	49,260	59,153	13,968	15,441
Portfolio amortisation	(19,216)	(24,580)	(28,733)	(7,235)	(8,184)
Income from purchased loan portfolios	24,995	24,680	30,420	6,733	7,257
Portfolio write-up/(write-down)	(430)	2,558	8,904	2,684	17
Portfolio impairment	(2,901)	(510)	(11,654)	(1,516)	(739)
Income from asset management	10,081	7,706	4,799	1,314	1,156
Total revenue	**31,745**	**34,434**	**32,469**	**9,215**	**7,691**

During the periods indicated below, income from purchased loan portfolios ranged from 56.5% to 47.0% of Core Collections.

	Year ended 31 March			Three months ended 30 June	
	2012	2013	2014	2013	2014
	(%)	(%)	(%)	(%)	(%)
Portfolio amortisation, portfolio write-up and portfolio impairment as a % of Core Collections	51.0	45.7	53.2	43.4	57.7
Income from purchased loan portfolios as a % of Core Collections	56.5	50.1	51.4	48.2	47.0

Capquest's portfolio amortisation, portfolio write-up/(write-down) and portfolio impairment as a percentage of Core Collections has generally been higher than those of Arrow Global due to Capquest's acquisition of portfolios at a lower return than its historical performance, as well as portfolio impairments caused by lower realised Core Collections compared to its ERC forecast on specific portfolio purchases, including a large tertiary loan portfolio purchased in June 2013.

Collection Activity Costs and operational efficiency

The majority of costs to service a portfolio are incurred at the beginning of Capquest's ownership of the portfolio, mainly driven by the cost of printing and postage associated with sending letters to customers and time spent making contact with the customers. The front-loaded nature of the Collection Activity Costs combined with the volume of portfolios purchased in a period therefore has an impact on the Collection Cost Ratio of Capquest's business in any particular period. In a year of significant portfolio purchase activity, or where a large proportion of portfolios were purchased late in the financial year, Capquest tends to see an increase in the Collection Cost Ratio on its entire portfolio asset base. There would be an opposite effect if Capquest decreased the rate of portfolio purchases, such as in a run-off scenario, or had a higher proportion of portfolio purchases early in the year.

Results of operations

The following table sets out information relating to Capquest's balance sheet and the statement of comprehensive income (in the latter case, including as a percentage of its total revenue) during the periods indicated.

Balance sheet data

	31 March			30 June
	2012	2013	2014	2014
	£000	£000	£000	£000
Purchased loan portfolios (asset)	67,651	102,287	116,362	110,180
Intangible assets (asset)	25,285	25,348	29,568	30,722
Loans (liability)	43,401	57,864	64,366	60,266
Unsecured loan notes (liability)	57,837	73,168	94,354	94,354

Purchased loan portfolios

The balance sheet value of the purchased loan portfolios is derived based on the 84-Month Gross ERC for each relevant period. As set out in the table below, Capquest has experienced significant annual Gross ERC growth to 31 March 2014, as a result of the forecast collections from portfolio purchases completed in each year exceeding the collections made in that year.

	As at 31 March			As at 30 June
	2012	2013	2014	2014
	(£m)	*(£m)*	*(£m)*	*(£m)*
84-Month Gross ERC(1)	154.6	200.3	216.8	207.4
120-Month Gross ERC(1)	170.8	230.1	247.4	236.4

(1) Gross ERC in the table above represents Capquest's historical Gross ERC, as prepared by Capquest. Capquest's Gross ERC going forward will be based on Arrow Global's view of such Gross ERC derived from the account-level (re)underwriting of Capquest's loan portfolios using its proprietary ERC forecasting model. Based on such account-level (re)underwriting, Arrow Global expects to generate on these loan portfolios an 84-Month Gross ERC of £190.9 million and 120-Month Gross ERC of £224.5 million, respectively, as at 30 June 2014.

The balance sheet value of Capquest's purchased loan portfolios decreased £6.2 million, or 5.3%, from £116.4 million as at 31 March 2014 to £110.2 million as at 30 June 2014. This decrease was principally due to portfolio acquisitions during the three months ended 30 June 2014 of £2.7 million being more than offset by collections on loan portfolios during the period, as well as a net portfolio impairment of £0.7 million reflecting the downward re-forecast of expected Gross ERC relating to specific underperforming portfolio purchases.

The balance sheet value of Capquest's purchased loan portfolios increased £14.1 million, or 13.8%, from £102.3 million as at 31 March 2013 to £116.4 million as at 31 March 2014. This increase was principally due to portfolio acquisitions of £45.6 million during the financial year, which was partially offset by increased collections during the period, as well as a net portfolio impairment of £2.7 million reflecting the downward re-forecast of expected Gross ERC relating primarily to a specific underperforming portfolio purchase made in June 2013.

The balance sheet value of Capquest's purchased loan portfolios increased £34.6 million, or 51.1%, from £67.7 million as at 31 March 2012 to £102.3 million as at 31 March 2013. This increase was principally due to portfolio acquisitions of £57.2 million during the financial year (which was Capquest's largest annual expenditure on portfolio acquisitions to date), as well as a net portfolio write-up of £2.0 million (compared to a net portfolio impairment of £3.3 million in the prior financial year).

The movements in purchased loan portfolio assets were as follows:

	FY 2012	FY 2013	FY 2014
	£000	£000	£000
As at the year brought forward	65,204	67,651	102,287
Portfolios acquired during the year	24,994	57,168	45,558
Core Collections	(44,211)	(49,260)	(59,153)
Income from purchased loan portfolios	24,995	24,680	30,420
Portfolio write-up/(write-down)	(430)	2,558	8,904
Portfolio impairment	(2,901)	(510)	(11,654)
As at the year end	**67,651**	**102,287**	**116,362**

Intangible assets

Capquest's intangible assets comprise goodwill and software licences. The goodwill relates to the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in 2011. The recoverable amount is determined by assessing the fair value (bid price paid for Capquest) less the costs associated with the sale against the carrying value of the net assets adjusted for the current financing structure of Capquest. The current financing structure must be adjusted from the carrying value of the net assets as the bid price assumes that Arrow Global's funding structure will replace the current financing structure of Capquest.

Loans

Loans of Capquest (which comprise amounts payable under the Capquest Term and Revolving Credit Facilities) decreased £4.1 million, or 6.4%, from £64.4 million as at 31 March 2014 to £60.3 million as at 30 June 2014. This decrease was due to repayments made on the revolving credit facility from Core Collections during this period being greater than any drawdowns made. The term loan facility was fully drawn as at 30 June 2014 and 31 March 2014.

Loans increased £6.5 million, or 11.2%, from £57.9 million as at 31 March 2013 to £64.4 million as at 31 March 2014. This increase was due to increased net amounts drawn from the revolving credit facility in order to purchase loan portfolios. The term loan facility was fully drawn as at 31 March 2014 and 31 March 2013.

Loans increased £14.5 million, or 33.4%, from £43.4 million as at 31 March 2012 to £57.9 million as at 31 March 2013. This increase was due to increased net amounts drawn from the revolving credit facility in order to purchase loan portfolios. The term loan facility was fully drawn as at 31 March 2013 and 31 March 2012.

Unsecured loan notes

Unsecured loan notes of Capquest (which represent the Capquest Management Loan Notes and the Capquest Shareholder Loan Notes) remained stable at £94.4 million as at 30 June 2014 and 31 March 2014.

Unsecured loan notes increased £21.2 million, or 29.0%, from £73.2 million as at 31 March 2013 to £94.4 million as at 31 March 2014. This increase was due to additional funding requirements to purchase loan portfolios during the period, increased costs relating to the use of value accreting litigation strategies and the funding of Capquest's new integrated IT platform.

Unsecured loan notes increased £15.4 million, or 26.6%, from £57.8 million as at 31 March 2012 to £73.2 million as at 31 March 2013. This increase was due to an additional funding requirement for the purchase of a large portfolio purchase in November 2012.

Statement of comprehensive income data

	Year ended 31 March						Three months ended 30 June			
	2012		2013		2014		2013		2014	
	£000	% of total revenue	£000	% of total revenue	£000	% of total revenue	£000	% of total revenue	£000	% of total revenue
Core Collections	44,211	139.3	49,260	143.1	59,153	182.2	13,968	151.6	15,441	200.8
Portfolio amortisation	(19,216)	(60.5)	(24,580)	(71.4)	(28,733)	(88.5)	(7,235)	(78.5)	(8,184)	(106.4)
Income from purchased loan portfolios	24,995	78.7	24,680	71.7	30,420	93.7	6,733	73.1	7,257	94.4
Portfolio write-up/ (down)	(430)	(1.4)	2,558	7.4	8,904	27.4	2,684	29.1	17	0.2
Portfolio impairment	(2,901)	(9.1)	(510)	(1.5)	(11,654)	(35.9)	(1,516)	(16.5)	(739)	(9.6)
Income from asset management	10,081	31.8	7,706	22.4	4,799	14.8	1,314	14.3	1,156	15.0
Total revenue	**31,745**	**100.0**	**34,434**	**100.0**	**32,469**	**100.0**	**9,215**	**100.0**	**7,691**	**100.0**
Operating expenses										
Collection Activity Costs	(13,891)	(43.8)	(13,214)	(38.4)	(17,060)	(52.5)	(3,097)	(33.6)	(3,694)	(48.0)
Professional fees and services	(4,577)	(14.4)	(2,438)	(7.1)	(1,601)	(4.9)	(971)	(10.5)	(748)	(9.7)
Of which non-recurring items	1,656	5.2	267	0.8	63	0.2	—	—	371	4.8
Professional fees and services excluding exceptional items	(2,921)	(9.2)	(2,171)	(6.3)	(1,538)	(4.7)	(971)	(10.5)	(377)	(4.9)
Other operating expenses	(10,713)	(33.7)	(11,565)	(33.6)	(14,391)	(44.3)	(3,549)	(38.5)	(3,276)	(42.6)
Of which non-recurring items	1,207	3.8	2,171	6.3	931	2.9	315	3.4	116	1.5
Other operating expenses excluding non-recurring items	(9,506)	(29.9)	(9,394)	(27.3)	(13,460)	(41.5)	(3,234)	(35.1)	(3,160)	(41.1)
Total operating expenses before non-recurring items	**(26,318)**	**(82.9)**	**(24,779)**	**(72.0)**	**(32,058)**	**(98.7)**	**(7,302)**	**(79.2)**	**(7,231)**	**(94.0)**
Non-recurring items	(2,863)	(9.0)	(2,438)	(7.1)	(994)	(3.1)	(315)	(3.4)	(487)	(6.3)
Total operating expenses	**(29,181)**	**(91.9)**	**(27,217)**	**(79.0)**	**(33,052)**	**(101.8)**	**(7,617)**	**(82.7)**	**(7,718)**	**(100.4)**
Operating profit/ (loss)	**2,564**	**8.1**	**7,217**	**21.0**	**(583)**	**(1.8)**	**1,598**	**17.3**	**(27)**	**(0.4)**
Total finance income and costs	(11,316)	(35.6)	(13,915)	(40.4)	(17,023)	(52.4)	(3,198)	(34.7)	(4,868)	(63.3)
Loss before tax	**(8,752)**	**(27.6)**	**(6,698)**	**(19.5)**	**(17,606)**	**(54.2)**	**(1,600)**	**(17.4)**	**(4,895)**	**(63.6)**
Taxation credit on ordinary activities	1,495	4.7	574	1.7	59	0.2	12	0.1	—	—
Loss for the period attributable to equity shareholders	**(7,257)**	**(22.9)**	**(6,124)**	**(17.8)**	**(17,547)**	**(54.0)**	**(1,588)**	**(17.2)**	**(4,895)**	**(63.6)**

Statement of comprehensive income for the three months ended 30 June 2014 compared to the three months ended 30 June 2013.

Total revenue

Total revenue decreased £1.5 million, or 16.3%, from £9.2 million in the three months ended 30 June 2013 to £7.7 million in the three months ended 30 June 2014. This decrease was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £1.4 million, or 10.0%, from £14.0 million in the three months ended 30 June 2013 to £15.4 million in the three months ended 30 June 2014. This increase was due to increased purchases of loan portfolios made during 2014, including the purchase of the motor finance portfolios during February and March 2014.

- *Portfolio amortisation.* Portfolio amortisation increased £1.0 million, or 13.9%, from £7.2 million in the three months ended 30 June 2013 to £8.2 million in the three months ended 30 June 2014. This increase was due to the increase in Core Collections during the three months ended 30 June 2014. Portfolio amortisation as a percentage of Core Collections increased 1.2 percentage points from 51.8% in the three months ended 30 June 2013 to 53.0% in the three months ended 30 June 2014. This increase was due to the purchase of faster-liquidating motor finance portfolios (£8.5 million purchase spend in the fourth quarter of 2014), which accelerates the amortisation curve.

- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios increased £0.6 million, or 9.8%, from £6.7 million in the three months ended 30 June 2013 to £7.3 million in the three months ended 30 June 2014.

- *Portfolio write-up and portfolio impairment.* Capquest recognised net portfolio impairment of £0.7 million in the three months ended 30 June 2014 compared to a net portfolio write-up of £1.2 million in the three months ended 30 June 2013. The net portfolio impairment in the three months ended 30 June 2014 was mainly related to the downward re-forecast of expected Gross ERC relating to specific underperforming portfolio purchases, including a large tertiary loan portfolio purchased in June 2013. The net portfolio write-up in the three months ended 30 June 2013 mainly related to the upward re-forecast of expected Gross ERC relating to a large portfolio purchase made in November 2012.

- *Income from asset management.* Income from asset management decreased £0.2 million, or 15.0%, from £1.3 million in the three months ended 30 June 2013 to £1.1 million in the three months ended 30 June 2014. This decrease was due to a reduction in third party contingency commission, reflecting the decision to focus on a core group of banking and finance clients.

Total operating expenses

Total operating expenses increased £0.1 million, or 1.3%, from £7.6 million in the three months ended 30 June 2013 to £7.7 million in the three months ended 30 June 2014. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £0.6 million, or 19.4%, from £3.1 million in the three months ended 30 June 2013 to £3.7 million in the three months ended 30 June 2014. This increase was primarily due to additional costs associated with litigation strategies, which experienced an increase in spend of £0.5 million from £0.1 million in the three months ended 30 June 2013 to £0.6 million in the three months ended 30 June 2014 as a result of a decision to increase litigation spend.

- *Professional fees and services.* Professional fees and services decreased £0.2 million, or 20.0%, from £1.0 million in the three months ended 30 June 2013 to £0.7 million in the three months ended 30 June 2014. This decrease was due to a reduction in the use of professional services associated with the implementation of Capquest's new IT platform. The decrease was partially offset by the recognition of non-recurring costs within professional fees and services of £0.4 million in the three months ended 30 June 2014 (compared to nil in the three months ended 30 June 2013) in connection with the Acquisition process.

- *Other operating expenses.* Other operating expenses decreased £0.2 million, or 7.7%, from £3.5 million in the three months ended 30 June 2013 to £3.3 million in the three months ended

30 June 2014. This decrease was primarily due to a decrease in overhead staff costs as a result of a reduction in the use of project contractors previously used in change and transformation project management.

Operating profit/loss

As a result of the foregoing, Capquest recognised an operating loss of £27,000 in the three months ended 30 June 2014 compared to an operating profit of £1.6 million in the three months ended 30 June 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA increased £1.5 million, or 18.4%, from £8.1 million in the three months ended 30 June 2013 to £9.6 million in the three months ended 30 June 2014. This increase was principally due to an increase in Core Collections of £1.5 million. Capquest's Collection Cost Ratio increased from 22.2% in the three months ended 30 June 2013 to 23.9% in the three months ended 30 June 2014 as a result of an increase in litigation costs (£0.5 million increase to £0.6 million in the three months ended 30 June 2014) reflecting the increased use of litigation collection strategies (while Core Collections increased by 10.5%, Collection Activity Costs increased by 19.3%). As a result of the foregoing, Capquest Adjusted EBITDA ratio improved from 58.2% in the three months ended 30 June 2013 to 62.3% in the three months ended 30 June 2014.

The following tables set out the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Three months ended 30 June	
	2013	2014
	£000	£000
Net cash flow used in operating activities	(16,874)	(46)
Purchases of loan portfolios	25,369	2,724
Purchases of loan notes	—	—
Proceeds from disposal of loan portfolios	—	—
Income taxes paid	5	60
Working capital adjustments[(a)]	(666)	6,398
Interest receivable[(b)]	(24)	(6)
Exceptional costs[(c)]	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

	Three months ended 30 June	
	2013	2014
	£000	£000
Loss for the period attributable to equity shareholders	(1,588)	(4,895)
Finance income and costs[(d)]	3,198	4,868
Taxation charge on ordinary activities	(12)	—
Operating profit/(loss)	1,598	(27)
Portfolio amortisation	7,235	8,184
Portfolio write-up	(2,684)	(17)
Impairment of portfolios	1,516	739
Depreciation, amortisation and impairment of intangible assets	145	251
Exceptional costs included under professional fees and services and other operating expenses[(c)]	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

	Three months ended 30 June	
	2013	2014
	£000	£000
Income from loan portfolios	6,733	7,257
Portfolio amortisation	7,235	8,184
Core Collections	**13,968**	**15,441**
Profit on portfolios	—	—
Other income	1,314	1,156
Other expenses	(7,617)	(7,718)
Depreciation, amortisation and impairment of intangible assets	145	251
Exceptional costs included under professional fees and services and other operating expenses[(c)]	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

(a) The following table sets out the working capital adjustments based on Capquest's consolidated cash flow statements for the periods under review.

	Three months ended 30 June	
	2013	2014
	£000	£000
(Increase)/decrease in other receivables	(168)	471
Acquisition expenses	—	371
Increase/(decrease) in trade and other payables	(813)	5,440
Restructuring[(i)]	94	—
Transformation project[(ii)]	221	116
Working capital adjustments	**(666)**	**6,398**

(i) Comprises expenses related to the exit of executive and senior managers.
(ii) See note (c) below.

(b) Interest receivable includes cash interest on cash deposits.
(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of Capquest's underlying performance.

	Three months ended 30 June	
	2013	2014
	£000	£000
Professional fees and services:		
Acquisition expenses	—	371[(i)]
Other operating expenses:		
Restructuring cost	94[(ii)]	—
Transformation project[(iii)]	221	116
Total non-recurring items	**315**	**487**

(i) Comprises expenses incurred in connection with the Acquisition.
(ii) Comprises expenses related to the exit of executive and senior managers.
(iii) Comprises expenses related to a project that focused on designing and rolling out "model office" processes, rebranding Capquest and addressing legacy issues related to credit balance, suspense account and interest calculations.

Finance income and costs

Total finance income and costs increased £1.7 million, or 54.9%, from £3.2 million in the three months ended 30 June 2013 to £4.9 million in the three months ended 30 June 2014. This increase was primarily due to increased interest payable in respect of the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of additional loan notes being advanced to Capquest for funding of loan portfolio purchases and costs in relation to Capquest's new IT platform, as well as increased commitment fees payable on the Capquest Term and Revolving Credit Facilities following Citigroup's entry into the revolving credit facility syndicate in June 2013. The three months ended 30 June 2014 also included additional charges relating to the facility commitment fees following a catch-up adjustment being made during the quarter relating to prior periods. The increase was also due to lower fair value gains on interest rate swaps (£0.1 million in the three months ended 30 June 2014 compared to £0.7 million in the three months ended 30 June 2013).

Loss attributable to equity shareholders

As a result of the foregoing, loss for the period attributable to equity shareholders increased £3.3 million from a loss of £1.6 million in the three months ended 30 June 2013 to a loss of £4.9 million in the three months ended 30 June 2014.

Statement of comprehensive income for FY 2014 compared to FY 2013

Total revenue decreased £2.1 million, or 6.1%, from £34.4 million in FY 2013 to £32.5 million in FY 2014. This decrease was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £9.9 million, or 20.1%, from £49.3 million in FY 2013 to £59.2 million in FY 2014. This increase was due to increased portfolio purchases during FY 2013.
- *Portfolio amortisation.* Portfolio amortisation increased £4.1 million, or 16.7%, from £24.6 million in FY 2013 to £28.7 million in FY 2014. This increase was due to the increase in Core Collections. Portfolio amortisation as a percentage of Core Collections remained largely stable at 49.9% in FY 2013 and 48.6% in FY 2014.
- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios increased £5.7 million, or 23.3%, from £24.7 million in FY 2013 to £30.4 million in FY 2014.
- *Portfolio write-up and impairment.* Capquest recognised a net portfolio impairment of £2.8 million in FY 2014 compared to a net portfolio write-up of £2.0 million in FY 2013. The net portfolio write-up impairment in FY 2014 mainly reflected the downward re-forecast of expected Gross ERC relating to a specific underperforming portfolio purchase made in June 2013.
- *Income from asset management.* Income from asset management decreased £2.9 million, or 37.7%, from £7.7 million in FY 2013 to £4.8 million in FY 2014. This decrease was due to a reduction in third party contingency commission, reflecting the decision to rationalise the contingency collection client base.

Total operating expenses

Total operating expenses increased £5.9 million, or 21.7%, from £27.2 million in FY 2013 to £33.1 million in FY 2014. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £3.9 million, or 29.6%, from £13.2 million in FY 2013 to £17.1 million in FY 2014. This increase was due to an increase in the costs associated with litigation activity, as well an increase in postage and printing costs as a result of an increase in the number of letters sent reflecting the change in loan portfolio purchasing mix, as well an increase in postage unit costs passed on from suppliers.
- *Professional fees and services.* Professional fees and services decreased £0.8 million, or 33.4%, from £2.4 million in FY 2013 to £1.6 million in FY 2014. This decrease was due primarily to non-recurring expenses incurred in FY 2013, including expenses in relation to Capquest's transformation project incorporating the ''model office'' process (consultancy advice relating to Capquest's approach to customer contact and operational improvements designed to increase utilisation rates) and office design, as well as expenses in relation to the implementation of Capquest's new IT platform and an internal controls audit design to test and improve the robustness of controls within the organisation.
- *Other operating expenses.* Other operating expenses increased £2.8 million, or 24.1%, from £11.6 million in FY 2013 to £14.4 million in FY 2014. This increase was primarily due to an increase in staff costs relating to the transformation project team salaries/contractor fees and new senior management team salaries of £1.7 million, from £7.0 million in FY 2013 to £8.7 million in FY 2014, and an increase in expenses with respect to rebranding fees, increased travel expenses,

additional training costs and capital expenditure depreciation of £0.9 million, from £1.0 million in FY 2013 to £1.9 million in FY 2014. This increase was also due to higher premises costs of £0.2 million relating to having both a Regus office and new office in Glasgow for a time, and paying rent on the Fleet office facility and the new Farnborough head office for part of FY 2014. This increase was partially offset by reduced non-recurring costs in relation to a reclassification of the transformation project team salaries/contractors fees (previously treated as a non-recurring item in FY 2013), scoping expenses in relation to Capquest's new IT platform and the closure of Capquest's South African collections platform.

Operating profit/loss

As a result of the foregoing, Capquest recognised an operating loss of £0.6 million in FY 2014 compared to operating profit of £7.2 million in FY 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA decreased £0.2 million, or 0.6%, from £32.8 million in FY 2013 to £32.6 million in FY 2014. This decrease was principally due to an increase in costs associated with litigation collections strategies, creating security on previously unsecured loan balances and future Gross ERC expectations. Capquest's Collection Cost Ratio increased from 26.8% in FY 2013 to 28.8% in FY 2014 as a result of the increase in litigation activity, with an increase of £0.5 million to £0.6 million (while Core Collections increased by 20.1%, Collection Activity Costs increased by 29.1%). As a result of the foregoing, Capquest's Adjusted EBITDA ratio decreased from 66.5% in FY 2013 to 55.1% in FY 2014.

The following tables set out the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended 31 March	
	2013	**2014**
	£000	**£000**
Net cash flow used in operating activities	(27,504)	(5,843)
Purchases of loan portfolios	57,168	40,758
Income taxes paid	(6)	—
Working capital adjustments[(a)]	659	(3,272)
Interest receivable[(b)]	(11)	(19)
Exceptional costs[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

	Year ended 31 March	
	2013	**2014**
	£000	**£000**
Loss for the period attributable to equity shareholders	(6,124)	(17,547)
Finance income and costs	13,915	17,023
Taxation charge on ordinary activities	(574)	(59)
Operating profit/(loss)	7,217	(583)
Portfolio amortisation	24,580	28,733
Portfolio write-up	(2,558)	(8,904)
Impairment of portfolios	510	11,654
Depreciation, amortisation and impairment of intangible assets	557	721
Sale of asset	—	3
Exceptional costs included under professional fees and services and other operating expenses[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

	Year ended 31 March	
	2013	2014
	£000	£000
Income from loan portfolios	24,680	30,420
Portfolio amortisation	24,580	28,733
Core Collections	**49,260**	**59,153**
Profit on portfolios	—	—
Other income	7,706	4,799
Other expenses	(27,217)	(33,052)
Depreciation, amortisation and impairment of intangible assets	557	721
Loss on sale of asset	—	3
Exceptional costs included under professional fees and services and other operating expenses[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

(a) The following table sets out the working capital adjustments based on Capquest's consolidated cash flow statements for the periods under review.

	Year ended 31 March	
	2013	2014
	£000	£000
(Increase)/decrease in other receivables	(100)	(28)
Decrease in trade and other payables	(1,619)	(4,170)
Increase in tax position	—	(5)
Restructuring[(i)]	1,104	464
Transformation project[(i)]	1,274	467
Working capital adjustments	**659**	**(3,272)**

(i) See note (c) below.

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of Capquest's underlying performance. The following table sets out the breakdown of non-recurring costs during the periods under review.

	Year ended 31 March	
	2013	2014
	£000	£000
Professional fees and services:		
Acquisition expenses	60[(i)]	63[(ii)]
Restructuring cost	207[(iii)]	—
Other operating expenses:		
Restructuring cost	897[(iv)]	464[(v)]
Transformation project[(vi)]	1,274	467
Total non-recurring items	**2,438**	**994**

(i) Comprises expenses incurred in connection with the acquisition of the Glasgow office.

(ii) Comprises expenses incurred in connection with the acquisition of a motor finance portfolio.

(iii) Comprises expenses incurred in connection with the closure of the South African collections platform and the vendor selection process undertaken in connection with the Capquest's new IT platform.

(iv) Comprises expenses related to the exit of executive and senior managers and subsequent executive recruitment fees, and redundancy costs associated with the closure of the South African collections platform.

(v) Comprises expenses related to the exit of executive and senior managers and dilapidation expenses on the exit from the collections platform in Twickenham.

(vi) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding Capquest and addressing legacy issues related to credit balance, suspense account and interest calculations.

Finance income and costs

Total finance income and costs increased £3.1 million, or 22.3%, from £13.9 million in FY 2013 to £17.0 million in FY 2014. This increase was due to an increase in interest costs on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of additional loan notes that were advanced to Capquest for funding loan portfolio purchases, costs in relation to Capquest's new IT platform, as well as increased interest payable in respect of the Capquest Term and Revolving Credit Facilities due to increased drawings and an increase in amortisation of financing costs and commitment fees relating to the increase of the facility limit in June 2013 upon Citibank joining the revolving credit facility syndicate. This increase was partially offset by increased gains on interest rate swaps.

Taxation

Tax income decreased £0.5 million, or 83.3%, from £0.6 million in FY 2013 to £0.1 million in FY 2014. This decrease was primarily due to a £0.4 million increase in disallowed interest. There was also a £2.4 million increase in the tax income due to the increase in accounts losses during FY 2014 for the cumulative reasons specified in detail above. This was, however, largely offset by the £2.6 million unrecognised deferred tax asset arising from the tax losses carried forward in FY 2014.

Loss for the year attributable to equity shareholders

As a result of the foregoing, loss for the year attributable to equity shareholders increased £11.4 million from a loss of £6.1 million in FY 2013 to a loss of £17.5 million in FY 2014.

Statement of comprehensive income for FY 2013 compared to FY 2012

Total revenue increased £2.6 million, or 8.2%, from £31.8 million in FY 2012 to £34.4 million in FY 2013. This increase was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £5.1 million, or 11.5%, from £44.2 million in FY 2012 to £49.3 million in FY 2013. This increase was due to increases in portfolio loan purchases made during FY 2013.
- *Portfolio amortisation.* Portfolio amortisation increased £5.4 million, or 27.9%, from £19.2 million in FY 2012 to £24.6 million in FY 2013. This increase was due to the increase in portfolio loan purchases made during FY 2013. Portfolio amortisation as a percentage of Core Collections increased 6.5 percentage points from 43.5% in FY 2012 to 50.0% in FY 2013 reflecting the changing mix of loan portfolio purchases made compared to prior years with the focus moving from tertiary to prime/paying portfolios.
- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios decreased £0.3 million, or 1.2%, from £25.0 million in FY 2012 to £24.7 million in FY 2013.
- *Portfolio write-up and impairment.* Capquest recognised a net portfolio write-up of £2.0 million in FY 2013 compared to a net portfolio impairment of £3.3 million in FY 2012. The net portfolio write-up in FY 2013 was required to recognise the over performance and resulting increase in Gross ERC collections forecast for a large paying portfolio purchased in November 2012, as well as recovering telecommunications portfolios that were subject to impairment during FY 2012.
- *Income from asset management.* Income from asset management decreased £2.4 million, or 23.8%, from £10.1 million in FY 2012 to £7.7 million in FY 2013. This decrease was due to a reduction in the number of contingency collections clients and the purchase of a significant tail of contingency collection accounts.

Total operating expenses

Total operating expenses decreased £2.0 million, or 6.8%, from £29.2 million in FY 2012 to £27.2 million in FY 2013. This decrease was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs decreased £0.7 million, or 5.0%, from £13.9 million in FY 2012 to £13.2 million in FY 2013. This decrease was primarily due to a £0.4 million decrease in postage and printing costs resulting from a 40% reduction in letter volumes in FY 2013 as a result of the change in mix of loan portfolios purchased, as well as reduced data usage fees. This decrease was partially offset by increases in collection staff costs as the platform grew to support the increased loan portfolio purchases made during FY 2012 and FY 2013.

- *Professional fees and services.* Professional fees and services decreased £2.2 million, or 47.8%, from £4.6 million in FY 2012 to £2.4 million in FY 2013. This decrease was primarily due to a decrease in non-recurring costs compared to FY 2012 (which included legal and professional fees incurred in relation to the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in August 2011).
- *Other operating expenses.* Other operating expenses increased £0.9 million, or 8.4%, from £10.7 million in FY 2012 to £11.6 million in FY 2013. This increase was due to a £1.6 million increase in staff costs (from £5.4 million in FY 2012 to £7.0 million in FY 2013) as a result of restructuring of the senior management team following the sale of Capquest Group Limited and its subsidiaries to funds managed by TowerBrook, as well as the growth of the indirect functions to support the expected growth in portfolio purchasing and increasing regulatory compliance requirements. In addition, increased premises costs were incurred while the fit-out of Capquest's Glasgow office was undertaken. This increase was partially offset by an impairment of intangible assets due to the write-off of Capquest's internally developed replacement collections systems of £1.2 million taken in FY 2012, which was not repeated in FY 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA increased £3.0 million, or 10.1%, from £29.8 million in FY 2012 to £32.8 million in FY 2013. This increase was principally due to increased revenue as a result of loan portfolio purchases and the foregoing movements in Collection Activity Costs, professional fees and services and other operating expenses. Capquest's Collection Cost Ratio decreased from 31.4% in FY 2012 to 26.8% in FY 2013 as a result of the reduction in Collection Activity Costs (while Core Collections increased by 11.4%, Collection Activity Costs decreased by 4.9%). As a result of the foregoing, Capquest Adjusted EBITDA ratio decreased from 67.4% in FY 2012 to 66.5% in FY 2013.

The following tables set out the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended 31 March	
	2012	2013
	£000	£000
Net cash flow used in operating activities	709	(27,504)
Purchases of loan portfolios	24,994	57,168
Income taxes paid	588	(6)
Working capital adjustments[a]	680	659
Interest receivable[b]	(20)	(11)
Exceptional costs[c]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

	Year ended 31 March	
	2012	2013
	£000	£000
Loss for the period attributable to equity shareholders	(7,257)	(6,124)
Interest expense	11,316	13,915
Taxation charge on ordinary activities	(1,495)	(574)
Operating profit	2,564	7,217
Portfolio amortisation	19,216	24,580
Portfolio (write-up)/write down	430	(2,558)
Impairment of portfolios	2,901	510
Depreciation, amortisation and impairment of intangible assets	1,840	557
Exceptional costs[(c)]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

	Year ended 31 March	
	2012	2013
	£000	£000
Income from loan portfolios	24,995	24,680
Portfolio amortisation	19,216	24,580
Core Collections	**44,211**	**49,260**
Other income	10,081	7,706
Other expenses	(29,181)	(27,217)
Depreciation, amortisation and impairment of intangible assets	1,840	557
Exceptional costs[(c)]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

(a) The following table sets out the working capital adjustments based on Capquest's consolidated cash flow statements for the periods under review.

	Year ended 31 March	
	2012	2013
	£000	£000
Increase in other receivables	(115)	(100)
Acquisition expenses	1,656	—
Decrease in trade and other payables	(861)	(1,619)
Restructuring	—	1,104
Transformation project	—	1,274
Working capital adjustments	**680**	**659**

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of Capquest's underlying performance. The following table sets out the breakdown of non-recurring costs during the periods under review.

	Year ended 31 March	
	2012	**2013**
	£000	**£000**
Professional fees and services:		
Acquisition expenses	1,656[(i)]	60[(ii)]
Restructuring cost	—	207[(iii)]
Other operating expenses:		
Restructuring cost	—	897[(iv)]
Transformation project	—	1,274[(v)]
Technology impairments	1,207[(vi)]	—
Total non-recurring items	**2,863**	**2,438**

(i) Comprises expenses incurred in connection with the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook.

(ii) Comprises expenses incurred in connection with the acquisition of the Glasgow office.

(iii) Comprises expenses incurred in connection with the closure of the South African collections platform and the vendor selection process undertaken in connection with Capquest's new IT platform.

(iv) Comprises expenses related to the exit of executive and senior managers and subsequent executive recruitment fees, and redundancy costs associated with the closure of the South African collections platform.

(v) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding Capquest and addressing legacy issues related to credit balance, suspense account and interest calculations.

(vi) Comprises costs related to the write-off of Capquest's internally developed replacement collections systems.

Operating profit/loss

As a result of the foregoing, Capquest's operating profit increased £4.7 million from £2.6 million in FY 2012 to £7.2 million in FY 2013.

Finance income and costs

Total finance income and costs increased £2.6 million, or 18.2%, from £11.3 million in FY 2012 to £13.9 million in FY 2013. This increase was primarily due to increased interest payable in respect of the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of the new funding structure of Capquest following the purchase by funds managed by TowerBrook in August 2011, as well as increased interest payable in respect of the Capquest Term and Revolving Credit Facilities due to increased drawings for loan portfolio purchases. This increase was also due to increased losses on interest rate swaps and amortisation of financing costs with respect to the renewal and increase of the Capquest Term and Revolving Credit Facilities in August 2011 upon the purchase by funds managed by TowerBrook.

Taxation

Tax income decreased £0.9 million, or 61.6%, from £1.5 million in FY 2012 to £0.6 million in FY 2013. This decrease was primarily due to a £0.6 million decrease in disallowable expenditure, mainly attributable to disallowable legal fees in FY 2012 on the acquisition by funds managed by TowerBrook. There was also a £0.6 million decrease in accounts losses during FY 2013 for the cumulative reasons specified in detail above, and a £0.7 million increase in disallowed interest. Finally, tax rates dropped by two percentage points, from 26% in FY 2012 to 24% in FY 2013, which caused the remaining £0.1 million decrease.

Loss attributable to equity shareholders

As a result of the foregoing, loss for the year attributable to shareholders decreased £1.2 million, or 16.4%, from £7.3 million in FY 2012 to £6.1 million in FY 2013.

Liquidity and capital resources

Overview

During the periods under review, Capquest's principal sources of liquidity consisted of operating cash flow before purchases of loan portfolios, and borrowings under the Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes. In connection with the Acquisition, the borrowings under Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes will be repaid and the related facilities terminated.

Capquest's principal uses of funds are to fund working capital, debt purchases and capital expenditures, and to service debt and tax requirements.

Cash flow

The following table summarises the principal components of Capquest's consolidated cash flows for the periods under review:

	Year ended 31 March			Three months ended 30 June	
	2012	**2013**	**2014**	**2013**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**
Net cash flow from operating activities before purchases of loan portfolios and loan notes	25,703	29,664	34,915	8,495	2,678
Purchases of loan portfolios	(24,994)	(57,168)	(40,758)	(25,369)	(2,724)
Net cash (used in)/from operating activities	709	(27,504)	(5,843)	(16,874)	(46)
Net cash (used in)/generated by investing activities	(7,694)	(561)	(9,457)	(1,139)	(1,285)
Net cash generated by financing activities	13,019	24,839	21,451	16,891	(5,568)
Net increase (decrease) in cash and cash equivalents	**6,034**	**(3,226)**	**6,151**	**(1,122)**	**(6,899)**

Three months ended 30 June 2014 compared to three months ended 30 June 2013

Net cash flow from operating activities before purchases of loan portfolios decreased £5.8 million, or 68.3%, from £8.5 million in the three months ended 30 June 2013 to £2.7 million in the three months ended 30 June 2014. This decrease was principally due to a £4.8 million release of accrual relating to the purchase of a motor finance portfolio where the purchase was agreed and recognised in March 2014 and funds subsequently transferred to the Debt Originator in April 2014.

Net cash used in investing activities increased £0.2 million, or 18.2%, from £1.1 million in the three months ended 30 June 2013 to £1.3 million in the three months ended 30 June 2014. This increase was principally due to an increase in the purchase of intangible assets (from £0.1 million in the three months ended 30 June 2013 to £1.2 million in the three months ended 30 June 2014) in connection with the implementation of Capquest's new IT platform. This increase was partially offset by a decrease in purchases of property, plant and equipment (from £1.1 million in the three months ended 30 June 2013 to £0.1 million in the three months ended 30 June 2014).

Net cash flow from financing activities decreased from an inflow of £16.9 million in the three months ended 30 June 2013 to an outflow of £5.6 million in the three months ended 30 June 2014. The outflow in the three months ended 30 June 2014 primarily related to repayment of borrowings under the Capquest Term and Revolving Credit Facilities. The inflow in the three months ended 30 June 2013 primarily related to additional Capquest Shareholder Loan Notes issued by Capquest and additional drawdowns from the Capquest Term and Revolving Credit Facilities to finance loan portfolio purchasing activity.

FY 2014 compared to FY 2013

Net cash flow from operating activities before purchases of loan portfolios increased £5.2 million, or 17.5%, from £29.7 million in FY 2013 to £34.9 million in FY 2014. This increase was principally due to increased Core Collections offset in part by an increase in Collection Activity Costs, as well as the motor finance purchase accrual.

Net cash used in investing activities increased £8.9 million from £0.6 million in FY 2013 to £9.5 million in FY 2014. This increase was due to an increase in purchases of property, plant and equipment (from £0.3 million in FY 2013 to £5.0 million in FY 2014) in connection with the implementation of Capquest's new IT platform and the new office fit-outs in Glasgow and Farnborough, as well as an increase in the purchase of intangible assets (from £0.3 million in FY 2013 to £4.5 million in FY 2014) in connection with the implementation of Capquest's new IT platform and the new office fit-outs in Glasgow and Farnborough.

Net cash flow from financing activities decreased £3.3 million, or 13.3%, from £24.8 million in FY 2013 to £21.5 million in FY 2014. This decrease was principally due to reduced portfolio purchasing spend in FY 2014 compared to FY 2013.

FY 2013 compared to FY 2012

Net cash flow from operating activities before purchases of loan portfolios increased £4.0 million, or 15.6%, from £25.7 million in FY 2012 to £29.7 million in FY 2013. This increase was principally due to increased Core Collections during FY 2013 as a result of increased loan portfolio purchases, in addition to lower professional fees and services (owing to non-recurring costs incurred in FY 2012 in connection with the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook).

Net cash used in investing activities decreased £7.1 million, or 92.2%, from £7.7 million in FY 2012 to £0.6 million in FY 2013. This decrease was principally attributable to £7.2 million, net of cash acquired, spent in the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in FY 2012.

Net cash flow from financing activities increased £11.8 million, or 90.8%, from £13.0 million in FY 2012 to £24.8 million in FY 2013. This increase was due to drawdowns under the revised Capquest Term and Revolving Credit Facilities.

Borrowings

<u>Capquest Term and Revolving Credit Facilities</u>

Certain entities in the Capquest group are party to the Capquest Term and Revolving Credit Facilities with The Royal Bank of Scotland plc, Citibank, N.A. London Branch, NAC EuroLoan Advantage 1 Limited, Mercator CLO I PLC, Mercator CLO III Limited and Lloyds TSB Bank plc as original lenders and The Royal Bank of Scotland plc as agent and security agent.

The Capquest Term and Revolving Credit Facilities comprise (i) a term loan with total commitments of £16.1 million and (ii) a revolving credit facility with total commitments of £110.0 million. Amounts drawn under the revolving credit facility may be repaid and reborrowed from time to time.

The term loan bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.50% per annum, while the revolving credit facility bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.50% per annum. The revolving credit facility also provides for a commitment fee of 1.75% per annum on the available commitment.

The term loan expires in August 2018, while the revolving credit facility expires in December 2016.

The obligations of Capquest under the Capquest Term and Revolving Credit Facilities are secured by assets and shares of the relevant obligors.

Capquest's financial and operating performance is monitored by certain financial covenants in the Capquest Term and Revolving Credit Facilities related to total interest cover, minimum tangible net worth, debt coverage ratio, asset coverage ratio and collection ratio, all of which are tested monthly. Capquest was in compliance with the financial covenants throughout the periods under review, except for breaches of the debt coverage ratio covenant in February 2012 and January 2014, which were waived in each case because the breach resulted from unforeseen issues in the drafting of the debt coverage ratio calculation, as defined in the Capquest Term and Revolving Credit Facilities, resulting in a one-month breach that self-corrected in the following month.

As at 30 June 2014, Capquest had drawn the entire £16.1 million under the term loan, and £42.7 million under the revolving credit facility.

Capquest Shareholder Loan Notes and Capquest Management Loan Notes

In August 2011, Capquest issued the Capquest Shareholder Loan Notes of £52.0 million to Quest Holdings B.V. Subsequently, Capquest issued additional Capquest Shareholder Loan Notes to the same entity on various occasions, with £88.4 million outstanding as at 30 June 2014. The Capquest Shareholder Loan Notes bear interest at a rate of 12% per annum and are due in 2020. Capquest may redeem, at its option, some or all the Capquest Shareholder Loan Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

In August 2011, Capquest issued the Capquest Management Loan Notes of £5.8 million to certain members of its management. Capquest has repaid existing, and issued additional, Capquest Management Loan Notes on various occasions, with £5.9 million outstanding as at 30 June 2014. The Capquest Management Loan Notes bear interest at a rate of 12% per annum and are due in 2020. Capquest may redeem, at its option, some or all the Capquest Management Loan Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

In July 2014, all the interest accrued on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes (£27.2 million as at 30 June 2014) was converted into shares in Quest Topco Limited.

Lombard financing arrangements

Capquest Debt Recovery Limited has entered into the Lombard Loans with Lombard North Central PLC for the purchase of certain assets, as well as the Lombard Sale and Leaseback Agreements with Lombard Technology Services Limited. As at 30 June 2014, Capquest had £1.6 million of borrowings outstanding under the Lombard Financing Arrangements.

A change of control of Capquest under the Lombard Financing Arrangements (which the Acquisition would constitute) would result in a termination of the underlying agreements (either automatically or at the lender's discretion). Arrow Global has confirmed with the relevant lenders that the Lombard Financing Arrangements will be repaid in full and terminated upon Completion of the Acquisition.

Hedging arrangements

Capquest Investments Limited has entered into certain 2002 ISDA master agreements with The Royal Bank of Scotland plc and Lloyds TSB Bank plc to hedge a portion of the interest rate component of amounts borrowed under the Capquest Term and Revolving Credit Facilities. Arrow Global expects to terminate these hedging arrangements with a portion of the net proceeds of the Offering.

Capital expenditure

Capquest's capital expenditure comprises expenditure relating to office properties, office fit-outs and IT equipment, including the implementation of Capquest's new IT platform.

Arrow Global expects capital expenditures in respect of Capquest for the rest of 2014 to be higher than its capital expenditures during the periods under review, as a result of the implementation of its new IT platform.

Capquest's capital expenditures increased from £1.1 million in the three months ended 30 June 2013 to £1.3 million in the three months ended 30 June 2014. The key expenditure in the three months ended 30 June 2014 related to the implementation of Capquest's new IT platform.

Capital expenditures increased from £0.6 million in FY 2013 to £9.5 million in FY 2014. The key expenditure in FY 2014 included expenditure in relation to the implementation of Capquest's new IT platform and the relocation to and refit of Capquest's head office in Farnborough.

Capital expenditures increased from £0.5 million in FY 2012 to £0.6 million in FY 2013.

Contractual obligations and commitments

The following table sets out as at 30 June 2014, giving effect to the Offering and the use of proceeds therefrom, a summary of Capquest's contractual obligations and commercial commitments.

	Payments to be made by period				
	Less than 1 year	From 1 to 3 years	From 3 to 5 years	5 or more years	Total
	£000	£000	£000	£000	£000
Operating lease obligations[1]	818	1,108	1,187	3,434	6,547
Total	**818**	**1,108**	**1,187**	**3,434**	**6,547**

(1) Operating lease payments represent future minimum lease payments under non-cancellable operating leases in respect of certain of Capquest's office properties and IT equipment.

Off-balance sheet arrangements

As at 30 June 2014, Capquest had no off-balance sheet arrangements.

Quantitative and qualitative disclosure about market risks

Capquest's market risk principally comprises interest rate risk and foreign currency risk.

Interest rate risk

Capquest is exposed to interest rate risk on the purchased loan portfolio financing, related party loans and cash and cash equivalents. The recoverability of debt may be influenced by movements in the interest rate environment. As at 31 March 2014, Capquest had interest rate swaps in place for a notional amount of £55.0 million (31 March 2013: £55.0 million; 31 March 2012: £40.0 million).

Interest rate sensitivity analysis

If LIBOR rates had been 0.25% higher/lower and all other variables were held constant, Capquest's profit and equity for FY 2014 would have decreased/increased by £14,545. This would be attributable to Capquest's exposure to interest on the Capquest Term and Revolving Credit Facilities, and includes the effects of the economic hedge from the interest rate swaps outstanding during the period.

Foreign currency risk

Capquest's exposure to foreign exchange currency risk is not material and relates to certain euro-denominated contingency collections and invoices.

PART IV
HISTORICAL FINANCIAL INFORMATION RELATING TO CAPQUEST

Section A

ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION RELATING TO CAPQUEST

The Directors
Arrow Global Group PLC
Belvedere
12 Booth Street
Manchester
M2 4AW

3 November 2014

Dear Sirs

Quest Topco Limited

We report on the financial information set out in paragraph (i) for the years ended 31 March 2012, 2013 and 2014. This financial information has been prepared for inclusion in the class 1 circular relating to the acquisition of Quest Topco Limited dated 3 November 2014 by Arrow Global Group PLC on the basis of the accounting policies set out in note 2. This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the class 1 circular.

Responsibilities

The Directors of Arrow Global Group PLC are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in a form that is consistent with the accounting policies adopted in Arrow Global Group PLC's latest annual accounts.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the class 1 circular dated 3 November 2014, a true and fair view of the state of affairs of Quest Topco Limited as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2.

Yours faithfully

Ernst & Young LLP

Section B

HISTORICAL FINANCIAL INFORMATION RELATING TO CAPQUEST

(i) *Financial information for the years ended 31 March 2012, 31 March 2013 and 31 March 2014*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	Year ended 31 March 2014 Underlying	Exceptional items 2014	Year ended 31 March 2014 including exceptionals	Year ended 31 March 2013 Underlying	Exceptional items 2013	Year ended 31 March 2013 including exceptionals	Aggregated Year ended 31 March 2012 Underlying	Aggregated Exceptional items 2012	Aggregated Year ended 31 March 2012 including exceptionals
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Continuing operations										
Revenue										
Income from purchased loan portfolios	12	30,420	—	30,420	24,680	—	24,680	24,995	—	24,995
Portfolio write-up/(down)	4,12	8,904	—	8,904	2,558	—	2,558	(430)	—	(430)
Portfolio impairment	4,12	(11,654)	—	(11,654)	(510)	—	(510)	(2,901)	—	(2,901)
		27,670	—	27,670	26,728	—	26,728	21,664	—	21,664
Income from asset management		4,799	—	4,799	7,706	—	7,706	10,081	—	10,081
Total revenue		32,469	—	32,469	34,434	—	34,434	31,745	—	31,745
Operating expenses										
Collection Activity Costs		17,060	—	17,060	13,214	—	13,214	13,891	—	13,891
Professional fees and services										
Non-recurring items:										
Acquisition expense		—	63	—	—	60	—	—	1,656	—
Restructuring cost		—	—	—	—	207	—	—	—	—
	8	1,538	63	1,601	2,171	267	2,438	2,921	1,656	4,577
Non-recurring items:										
Restructuring cost		—	464	—	—	897	—	—	—	—
Transformation project		—	467	—	—	1,274	—	—	—	—
Technology impairments		—	—	—	—	—	—	—	1,207	—
Other operating expenses	7	13,460	931	14,391	9,394	2,171	11,565	9,506	1,207	10,713
Total operating expenses		32,058	994	33,052	24,779	2,438	27,217	26,318	2,863	29,181
Operating profit/(loss)		411	(994)	(583)	9,655	(2,438)	7,217	5,427	(2,863)	2,564
Finance income		19	—	19	109	—	109	28	—	28
Finance costs		(18,012)	—	(18,012)	(13,376)	—	(13,376)	(11,093)	—	(11,093)
Fair value gain/(loss) on interest rate swaps		970	—	970	(648)	—	(648)	(251)	—	(251)
Total finance income and costs	5	(17,023)	—	(17,023)	(13,915)	—	(13,915)	(11,316)	—	(11,316)
Loss before tax		(16,612)	(994)	(17,606)	(4,260)	(2,438)	(6,698)	(5,889)	(2,863)	(8,752)
Taxation credit on ordinary activities	9	59	—	59	574	—	574	1,495	—	1,495
Loss for the year attributable to equity shareholders		(16,553)	(994)	(17,547)	(3,686)	(2,438)	(6,124)	(4,394)	(2,863)	(7,257)
Items reclassified to profit and loss in future periods										
Other comprehensive income:										
Foreign exchange translation difference arising on revaluation of foreign operations		—	—	—	6	—	6	—	—	—
Total comprehensive income for the year attributable to equity shareholders		(16,553)	(994)	(17,547)	(3,680)	(2,438)	(6,118)	(4,394)	(2,863)	(7,257)

CONSOLIDATED BALANCE SHEETS

As at 31 March

	Notes	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Assets				
Non-current assets				
Intangible assets	10	29,568	25,348	25,285
Property, plant & equipment	11	4,966	453	512
Purchased loan portfolios	12	87,381	76,887	50,345
Derivative asset	20	453	250	244
Total non-current assets		122,368	102,938	76,386
Current assets				
Cash and cash equivalents		16,713	10,562	13,788
Other receivables	13	2,481	2,513	2,620
Purchased loan portfolios	12	28,981	25,400	17,306
Total current assets		48,175	38,475	33,714
Total purchased loan portfolios	12,20	116,362	102,287	67,651
Total assets		170,543	141,413	110,100
Equity				
Share capital	16	31	30	30
Share premium		6,235	5,716	5,372
Accumulated deficit		(33,244)	(14,846)	(8,042)
Dividends on preference shares		1,925	1,074	388
Total equity attributable to shareholders		(25,053)	(8,026)	(2,252)
Liabilities				
Non-current liabilities				
Loans	21	17,766	16,112	15,696
Unsecured loan notes	21	94,354	73,168	57,837
Derivative liability	20	382	1,149	495
Deferred tax liability	15	—	59	633
Total non-current liabilities		112,502	90,488	74,661
Current liabilities				
Trade and other payables	14	12,762	5,076	5,841
Loans	21	46,600	41,752	27,705
Interest on unsecured loan notes	21	23,732	12,123	4,145
Total current liabilities		83,094	58,951	37,691
Total liabilities		195,596	149,439	112,352
Total equity and liabilities		170,543	141,413	110,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

Capquest Group Limited	Ordinary shares*	Share premium	Retained earnings	Dividends on preference shares	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	**982**	**—**	**692**	**—**	**1,674**
Profit for the period	—	—	397	—	397
Exchange differences	—	—	—	—	—
Total comprehensive income for the year	—	—	397	—	397
Issue of shares	76	—	—	—	76
Balance at 25 August 2011	**1,058**	**—**	**1,089**	**—**	**2,147**

Quest Topco Limited	Ordinary shares*	Share premium	Accumulated deficit	Dividends on preference shares	Total
	£000	£000	£000	£000	£000
Balance at 1 June 2011	—	—	—	—	—
Loss for the period	—	—	(7,654)	—	(7,654)
Total comprehensive income for the year	—	—	(7,654)	—	(7,654)
Dividend on preference shares	—	—	(388)	388	—
Issue of shares	30	5,372	—	—	5,402
Balance at 31 March 2012	30	5,372	(8,042)	388	(2,252)
Loss for the year	—	—	(6,124)	—	(6,124)
Exchange differences	—	—	6	—	6
Total comprehensive income for the year	—	—	(6,118)	—	(6,118)
Dividend on preference shares	—	—	(686)	686	—
Issue of shares	—	344	—	—	344
Balance at 31 March 2013	30	5,716	(14,846)	1,074	(8,026)
Loss for the year	—	—	(17,547)	—	(17,547)
Total comprehensive income for the year	—	—	(17,547)	—	(17,547)
Dividend on preference shares	—	—	(851)	851	—
Issue of shares	1	519	—	—	520
Balance at 31 March 2014	31	6,235	(33,244)	1,925	(25,053)

* See note 16 for details on the composition of ordinary shares

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March

	Notes	Consolidated year ended 31 March 2014	Consolidated year ended 31 March 2013	Aggregated year ended 31 March 2012
		£000	£000	£000
Cash flows from operating activities				
Adjusted for:				
Loss before tax		(17,606)	(6,698)	(8,752)
Collections in the year	12	59,153	49,260	44,211
Income from purchased loan portfolios	12	(30,420)	(24,680)	(24,995)
Portfolio write (up)/down	12	(8,904)	(2,558)	430
Portfolio impairment	12	11,654	510	2,901
Depreciation and amortisation	4, 10, 11	721	557	633
Impairment of intangible asset (exceptional item)	10	—	—	1,207
Loss on disposal of property, plant and equipment	4	3	—	—
Finance Income	5	(19)	(109)	(28)
Finance costs	5	18,012	13,376	11,093
(Gain)/ loss on fair values on derivatives	5	(970)	648	251
Operating cash flows before movement in working capital		31,624	30,306	26,952
Decrease in other receivables	13	28	100	115
Increase/(decrease) in trade and other payables (excluding exceptional items disclosed in this statement)	14	4,170	1,619	861
Acquisition expenses (exceptional item)		—	—	(1,656)
Restructuring (exceptional item)		(464)	(1,104)	—
Transformation project (exceptional item)		(467)	(1,274)	—
Interest received		19	11	20
Increase in tax position		5	—	—
Cash generated by operations		34,915	29,658	26,291
Income taxes and overseas taxation paid		—	6	(588)
Net cash flow from operating activities before purchases of loan portfolios		34,915	29,664	25,703
Purchases of loan portfolios	12	(40,758)	(57,168)	(24,994)
Net cash used in operating activities		(5,843)	(27,504)	709
Investing activities				
Purchase of property, plant and equipment	11	(4,952)	(261)	(298)
Purchase of intangible assets	10	(4,505)	(300)	(153)
Acquisition of subsidiary, net of cash acquired	22	—	—	(7,243)
Net cash (used in)/ generated by investing activities		(9,457)	(561)	(7,694)
Financing activities				
Proceeds of issued share capital	16	520	344	5,478
Proceeds from bank loans	21	39,692	45,292	30,455
Proceeds from loan notes	21	21,076	15,332	57,836
Proceeds from other loans	21	1,773	—	—
Repayment of bank loans	21	(37,202)	(32,063)	(75,372)
Repayment of other loans	21	(119)	(468)	(1,002)
Interest paid		(4,289)	(3,598)	(4,376)
Net cash flow generated by financing activities		21,451	24,839	13,019
Net increase/(decrease) in cash and cash equivalents		6,151	(3,226)	6,034
Cash and cash equivalents at beginning of year		10,562	13,788	7,754
Cash and cash equivalents at end of year		16,713	10,562	13,788

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Quest Topco Limited (''the Company'') was incorporated on 1 June 2011 in England and Wales. The company's registered office address is Fleet 27, Rye Close, Fleet, Hampshire GU51 2QQ.

The ultimate parent undertaking of the Quest Topco Limited group is Quest Holdings Cooperatief UA, a cooperative formed under the laws of the Netherlands.

The historical financial information has been prepared in accordance with the accounting policies set out in note 2.

Through its subsidiary companies, the Quest Topco Limited group (''the Group'') acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables and to administer and disburse the proceeds of the receivables.

The Group maintains a fiscal year commencing and ending each year on 1 April and 31 March. Unless otherwise specified, the historical financial information and all the amounts included in these Notes are presented in thousands of British pounds (£).

2. Accounting policies

Basis of preparation

The historical financial information comprises the accounts of Quest Topco Limited and the accounts of the subsidiaries in which it holds, directly or indirectly, control, being:

- Quest Bidco Limited
- Quest Newco Limited
- BRUInvest (BVI) Limited
- Capquest Group Limited
- Capquest Investments Limited
- Capquest Debt Recovery Limited
- Capquest Asset Management Limited
- Capquest Mortgage Servicing Limited
- Capquest Debt Recovery SA (pty) Limited

The basis of preparation and accounting policies used in preparing the aggregated financial information for the year ended 31 March 2012 and the consolidated financial information for years ended 31 March 2013 and 31 March 2014 are set out below. The historical financial information has been prepared on a basis consistent with the accounting policies adopted in Arrow Global Group PLC's latest annual financial statements, being for the year ended 31 December 2013, and in accordance with this basis of preparation.

On 26 August 2011, Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited. As such, prior to that date, Quest Topco Limited did not control Capquest Group Limited or BRUInvest Limited and is not permitted by IFRS to present consolidated financial information incorporating the results of the Capquest Group Limited group or BRUInvest Limited prior to that date. The historical financial information is prepared on the following basis:

- For the year ended 31 March 2012, the aggregated statement of comprehensive income and aggregated statement of cash flows, aggregate the results and cash flows of the Capquest Group Limited group and BRUInvest Limited for the period from 1 April 2011 to 25 August 2011 and of the Quest Topco Limited group for the period from 1 June 2011, being its date of incorporation, to 31 March 2012. Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited on 26 August 2011, and consolidated the results and cash flows of its subsidiaries from that date.
- The statement of changes in equity for the year ended 31 March 2012 separately reflects the changes in equity for the Capquest Group Limited group and BRUInvest Limited for the period

from 1 April 2011 to 25 August 2011 and for the Quest Topco Limited group for the period from 1 June 2011 to 31 March 2012. Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited on 26 August 2011 and consolidated the results and cash flows of its subsidiaries from that date.

- The consolidated balance sheet as at 31 March 2012, 2013 and 2014 and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the year ended 31 March 2013 and 2014 are those of the Quest Topco Limited group.

The aggregated financial information has been prepared in accordance with this basis of preparation. This basis of preparation describes how the historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) except as described below.

IFRSs, as adopted by the EU, do not provide for the preparation of aggregated financial information and, accordingly, in preparing the aggregated statement of comprehensive income and aggregated cash flows statement for the year ended 31 March 2012, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs as adopted by the EU:

- As explained above, the statement of comprehensive income and the statement of cash flows for the year ended 31 March 2012 are prepared on an aggregated basis and therefore do not comply with IFRS.
- The aggregated financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 Presentation of Financial Statements and consequently there is no explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.

In other respects IFRSs as adopted by the EU have been applied.

IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU.

The principal accounting policies adopted are set out below.

New IFRS issued but not yet effective

As at 31 March 2014, the following standards which have not been applied in the financial statements were in issue but not yet effective:

Standard	Effective
IFRS 10 Consolidated financial statements	Periods beginning on or after 1 January 2014
IFRS 11 Joint arrangements	Periods beginning on or after 1 January 2014
IFRS 12 Disclosure of interests in other entities	Periods beginning on or after 1 January 2014
IAS 27 (revised 2011) Separate financial statements	Periods beginning on or after 1 January 2014
IAS 28 (revised 2011) Associates	Periods beginning on or after 1 January 2014
Amendments to IFRS 10, 11 and 12 on transition guidance	Periods beginning on or after 1 January 2014
Amendment to IAS 36 Impairment of assets on recoverable amount disclosures	Periods beginning on or after 1 January 2014
Amendment to IAS 32 Financial instruments: Presentation on financial instruments asset and liability offsetting	Periods beginning on or after 1 January 2014
Amendment to IAS 39 Financial instruments: Recognition and measurement on novation of derivatives and hedge accounting	Periods beginning on or after 1 January 2014
IFRIC 21 Levies	Periods beginning on or after 1 January 2014
IFRS 9 Financial instruments	Periods beginning on or after 1 July 2014
Amendment to IAS 19 Employee benefits on defined benefit plans	Periods beginning on or after 1 July 2014
Amendments to IFRS 9 Financial instruments on general hedge accounting	Periods beginning on or after 1 July 2014
Annual improvements 2012	Periods beginning on or after 1 July 2014
Annual improvements 2013	Periods beginning on or after 1 July 2014

The Group has considered the impact of the above and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements, apart from additional disclosures.

In November 2009, as part of the phased project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the IASB issued IFRS 9 'Financial Instruments' which reconsiders the classification and measurement of financial assets. This standard has not yet been endorsed by the EU. The Directors anticipate that the adoption of the above standards in future periods will have no material impact on the financial statements for the Group.

Basis of consolidation

The consolidated financial statements for the years ended 31 March 2012, 31 March 2013 and 31 March 2014 include the financial statements of Quest Topco Limited and its subsidiaries. The financial statements of subsidiaries are prepared up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-Group transactions, balances, income and expenses are eliminated upon consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

Goodwill

Goodwill represents the excess of the total consideration transferred for an acquired entity and the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed of that entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (''CGU'') expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU.

The Group calculates the recoverable amount of this CGU by determining the higher of fair value less cost to sell and its value in use. The key assumptions for the value in use calculation are those regarding the forecast cash flows during the forecast period and the long-term growth rate in revenue utilised to value the cash flows into perpetuity.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the statement of comprehensive income and is not reversed in a subsequent period.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the profit or loss on disposal.

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the Historical financial information. The effective interest rate 'EIR' is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as they are received.

The carrying amount is adjusted for changes in estimates of cash flows. Such adjustments are recorded as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

Revenue on assets under management

In accordance with IAS 18, the Group recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. The carrying value amount is adjusted for changes in estimates of cash flows. Where portfolios exhibit objective evidence of impairment, a reduction is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a restructuring of the Group's operations, major project costs, one-off impairments on fixed or intangible assets, and costs relating to material acquisitions. Such items are disclosed separately within the financial statements.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

The Group has, for the period covered by the historical financial information, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Foreign currencies

The historical financial information of each Group company is presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the historical financial information, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the historical financial information.

In preparing the historical financial information of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the year in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting the historical financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the other comprehensive income.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the year and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

Deferred tax

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

Other intangible assets

Acquired licences are capitalised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over the shorter of contractual life and useful economic life.

Software licences	— five years

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following basis:

Furniture	— five years
Computer equipment	— three years
Leasehold improvements	— over the term of the lease

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. All financial instruments are recorded on initial recognition at fair value. Subsequent measurement will depend on their classification as either loans and receivables, trading financial instruments or financial liabilities at amortised cost.

Purchased loan portfolios

The Group's purchased loan portfolios are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the historical financial information. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as it is received.

The carrying amount is adjusted for changes in estimates of cash flows. Such adjustments are recorded as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

The portfolio asset is analysed between current and non-current in the balance sheet. The current asset is determined using the expected cash flows arising in the next 12 months after the balance sheet date. The residual amount is classified as non-current.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Financial liabilities are held at amortised cost using the effective interest method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capitalisation of legal transaction fees

Legal transaction fees associated with the purchase of portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 in the manner described in note 20.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in historical financial information.

a) Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. The carrying value amount is adjusted for changes in estimates of cash flows. Where portfolios exhibit objective evidence of impairment, a reduction is recorded to the carrying value of the portfolio.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Revenue recognition

Interest income from purchased loan portfolios is allocated over the expressed life of the portfolio and is calculated using the effective interest method. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

b) Impairment of purchased loan portfolios

The carrying amount of purchased loan portfolios is adjusted for changes in estimates of cash flows.

c) Estimation of cash flow forecasts

Estimates of cash flows that determine the EIR are established for each purchased portfolio as at the point of purchase 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. Revaluations of portfolios are based on the rolling 84-month Estimated Remaining Collections (ERC) at the revaluation date. This ERC is updated quarterly using a proprietary model. ERC represents an estimate of the undiscounted gross cash value of the Group's purchased loan portfolios at a point in time.

d) Exceptional items

The classification of exceptional items is considered a critical accounting judgement. Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the underlying performance of the Group.

e) Impairment of goodwill

The recoverable amount of goodwill and other intangible assets is based on fair value less costs to sell which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate.

4. Loss for the year

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Loss for the year has been arrived at after charging/ (crediting):			
Net foreign exchange (gains)/losses	5	50	45
Operating leases — properties	952	1,375	1,380
Portfolio write-up/(down) (note 12)	8,904	2,558	(430)
Impairment of portfolios (note 12)	(11,654)	(510)	(2,901)
Depreciation and amortisation (notes 10 and 11)	721	557	633
Loss on disposal of property, plant and equipment	3	—	—
Impairment of intangible asset (note 10)	—	—	1,207

5. Finance income and costs

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Finance income			
Bank interest	19	109	28
Finance costs			
Interest and similar charges on bank loans	(4,289)	(3,488)	(5,747)
Loan note interest	(11,609)	(8,088)	(4,145)
Other interest	—	—	(10)
Amortisation of financing costs	(2,114)	(1,800)	(1,191)
Total interest costs	(18,012)	(13,376)	(11,093)
Fair value gains/(losses) on interest rate swaps	970	(648)	(251)
Total finance costs	(17,042)	(14,024)	(11,344)

6. Auditor's remuneration

The analysis of auditor remuneration is as follows:

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Fees payable for audit services — Company	8	5	26
Fees payable for audit services for subsidiaries	137	85	77
Fees payable for other services to the Group	20	—	—
Total fees payable for audit services	**165**	**90**	**103**
Fees payable for tax compliance	57	84	36
Fees payable for tax advisory services	—	2	3
Fees payable for other services	—	2	3
Total fees payable for non-audit services	**57**	**88**	**42**
Total fees payable	**222**	**178**	**145**

7. Staff costs and other operating expenses

a) Other operating expenses

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Staff costs (note 7. b)	8,669	6,984	5,294
Other staff related costs	562	568	310
Premises	2,070	1,848	1,766
IT	504	575	577
Depreciation and amortisation	721	557	633
Impairment of intangible asset	—	—	1,207
Loss on disposal of tangible/intangible asset	2	—	1
Net foreign exchange (gains)/losses	5	50	45
Other operating expenses	1,858	983	880
Total operating expenses	**14,391**	**11,565**	**10,713**
Exceptional items			
Restructuring costs	(464)	(897)	—
Transformation projects	(467)	(1,274)	—
Technology impairments	—	—	(1,207)
Total operating expenses excluding exceptional items	**13,460**	**9,394**	**9,506**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the ongoing performance of the Group.

Restructuring costs included in exceptional items were incurred in respect of:

- Site closures and office relocations;
- Exit of executive and senior managers; and
- Executive recruitment.

The Group undertook an exercise to improve its operations and efficiencies to become a customer facing business. The costs incurred with the transformation of how the Group operates included new training for its collectors and resolving legacy inefficiencies.

The Group internally generated an IT platform which was discontinued during the year ended 31 March 2012, on which date an impairment was made against the carrying value of the assets.

b) Staff costs

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Collection Activity Costs	8,175	8,015	7,504
Other operating expenses	8,669	6,984	5,369
	16,844	**14,999**	**12,873**

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Wages, bonuses and salaries	15,292	13,669	11,542
Pension costs	1,373	1,271	59
Social security costs	179	59	1,272
	16,844	**14,999**	**12,873**

The total directors' personnel remuneration (including non-executive directors) during the year ended 31 March 2014 was £977,000 (FY 2013: £1,464,000; FY 2012: £1,399,000) and included £12,000 in relation to pension costs (FY 2013: £10,000; FY 2012: £126,000).

The remuneration of the highest paid director during the year ended 31 March 2014 was £369,000 (FY 2013: £426,000; FY 2012: £461,000) including pension costs of £7,000 (FY 2013: £6,000; FY 2012: £116,000).

At 31 March 2014, there was an accrual in respect of pension costs of £nil (FY 2013: £nil; FY 2012: £nil).

The average monthly number of employees (including executive directors) is analysed below:

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	No.	No.	No.
Data and Systems	36	30	29
Collections	52	43	23
Management	150	182	176
Finance	10	7	7
Collections support	4	2	2
Facilities	11	9	6
HR	30	24	19
Litigation	13	15	13
Commercial	4	7	8
Trace	30	42	42
Audit and risk	20	10	6
Legal	2	—	—
	362	371	331

8. Professional fees and services

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Professional fees and services	1,601	2,438	4,577
Exceptional items:			
Acquisition expense	(63)	(60)	(1,656)
Restructuring cost	—	(207)	—
Professional fees and services excluding exceptional items	**1,538**	**2,171**	**2,921**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the ongoing performance of the Group.

Acquisition expenses were incurred with respect to the acquisition of Capquest Group Limited by Quest Topco Limited during the year ended 31 March 2012 and the acquisition of a large portfolio and some assets from a third party during the year ended 31 March 2014.

Restructuring costs included in exceptional items were incurred in respect of:

- Employee advice; and
- Research undertaken on vendors for a new IT platform.

9. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 March 2014 is lower than the standard rate of corporation tax in the UK at 23% the differences are as follows:

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Loss before tax	**(17,606)**	**(6,698)**	**(8,752)**
Tax credit at standard UK corporation tax rate	(4,049)	(1,608)	(2,276)
Expenses not deductible for tax purposes	30	19	577
Differences in tax rates	—	25	(100)
Unpaid interest timing difference	1,388	990	304
Unrecognised deferred tax	2,572	—	—
Tax credit	**(59)**	**(574)**	**(1,495)**
Effective tax rate relating to continuing operations	**0%**	**(8%)**	**(16%)**
Standard UK corporation rate for the year	**23%**	**24%**	**26%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Lower**	**Lower**	**Lower**

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Tax credit for the year consists of:			
Deferred tax credit:			
Origination and reversal of temporary differences	(59)	(574)	(1,495)
Total tax credit	**(59)**	**(574)**	**(1,495)**

At 31 March 2014 the Group had tax losses carried forward of £7,901,000 (FY 2013: £1,322,000; FY 2012: £3,909,000).

Deferred tax

There is no deferred tax recognised on £7,901,000 (FY 2013: £nil; FY 2012: £nil) of tax losses carried forward. These losses are available for offset against future non-trading profits and have no expiry date. The Group has an unrecognised deferred tax asset of £350,000 (FY 2013: £nil; FY 2012: £nil) in respect of decelerated capital allowance, £114,000 (FY 2013: £nil; FY 2012: £nil) in respect of unpaid interest and £10,000 (FY 2013: £nil; FY 2012: £nil) in respect of pension timing differences.

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts.

Exceptional tax

Exceptional items in the year ended 31 March 2014 amounting to £994,000 (FY 2013: £2,438,000; FY 2012: £2,863,000) are deductible expenses for tax purposes.

10. Intangible assets

Capquest Group Limited

	Software licences
	£000
Cost	
At 1 April 2011	2,735
Additions	25
At 25 August 2011	**2,760**
Amortisation and impairment	
At 1 April 2011	952
Amortisation charge for the period	75
At 25 August 2011	**1,027**
Net book value	
At 25 August 2011	**1,733**

Quest Topco Limited

	Software licences	Goodwill	Total
	£000	£000	£000
Cost			
On acquisition of Capquest Group Limited	2,760	24,732	27,492
Additions	128	—	128
At 31 March 2012	**2,888**	**24,732**	**27,620**
Additions	300	—	300
At 31 March 2013	**3,188**	**24,732**	**27,920**
Additions	4,505	—	4,505
Disposals	(1,922)	—	(1,922)
At 31 March 2014	**5,771**	**24,732**	**30,503**
Amortisation and impairment			
On acquisition of Capquest Group Limited	1,027	—	1,027
Amortisation charge for the period	101	—	101
Impairment loss	1,207	—	1,207
At 31 March 2012	**2,335**	**—**	**2,335**
Amortisation charge for the period	237	—	237
Impairment loss	—	—	—
At 31 March 2013	**2,572**	**—**	**2,572**
Amortisation charge for the period	285	—	285
Impairment loss	—	—	—
Disposals	(1,922)	—	(1,922)
At 31 March 2014	**935**	**—**	**935**
Net book value			
At 31 March 2014	**4,836**	**24,732**	**29,568**
At 31 March 2013	**616**	**24,732**	**25,348**
At 31 March 2012	**553**	**24,732**	**25,285**

Amortisation and impairment losses are recognised in other operating expenses on the statement of comprehensive income.

Impairment of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill is attributable to the Quest Topco Limited group which is considered to be the only CGU to which the goodwill relates.

The goodwill relates to the acquisition of the Capquest Group by funds managed by TowerBrook in 2011. At 31 March 2014, the recoverable amount was determined by assessing the Directors' estimate of the fair value of the Group, adjusted for expected sales costs, against the carrying value of the net assets of the Group. In estimating the fair value of the Group, the Directors considered current market information indicating the value of the Group in an arm's length sale transaction. The carrying value of the Group's net assets was adjusted for the current financing structure of the Group to assume that an acquirer's funding structure would replace the current group financing structure including the repayment of the Capquest Revolving Credit Facility, Capquest Term Loan Facility, Lombard financing agreement, intercompany balances with Quest Holdings B.V. and other Management loan note holders, and associated accrued loan note interest.

The carrying value of the net assets adjusted for the current financing structure of the Group exceeded the Directors' estimate of the fair value of the Group less costs to sell and it was therefore concluded that there was no impairment.

In the prior years ending 31 March 2012 and 31 March 2013, the Directors have reviewed the carrying value of the goodwill for potential impairment by comparing it to the Group enterprise value. The Directors conclude that no impairment should be recognised on 31 March 2012 or 31 March 2013.

Impairment of other intangible assets

An impairment review was made on the net book value of an in-house produced database system at 31 March 2012, which has been capitalised as an intangible software asset. Following a review of the Group's technology infrastructure and future strategic investment plans to enhance the Group's IT systems, the Directors concluded that it was appropriate to record an impairment of £1,207,000 in relation to the database system. Following the impairment, the carrying value of the asset was £nil which the Directors considered to be the value in use of the asset at that time. This valuation was derived using a discount rate based on the Group's cost of capital.

11. Property, plant and equipment

Capquest Group Limited

	Leasehold Improvements	Furniture	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2011	196	251	2,618	3,065
Additions	1	—	90	91
At 25 August 2011	**197**	**251**	**2,708**	**3,156**
Accumulated depreciation				
At 1 April 2011	93	180	2,121	2,394
Depreciation charge for the period	8	10	165	183
At 25 August 2011	**101**	**190**	**2,286**	**2,577**
Net book value				
At 25 August 2011	**96**	**61**	**422**	**579**

	Leasehold Improvements	Furniture	Computer equipment	Total
	£000	£000	£000	£000
Cost				
On acquisition of Capquest Group Limited	197	251	2,708	3,156
Additions	8	11	188	207
At 31 March 2012	**205**	**262**	**2,896**	**3,363**
Additions	23	23	215	261
At 31 March 2013	**228**	**285**	**3,111**	**3,624**
Additions	1,560	415	2,977	4,952
Disposals	(7)	(17)	(2,829)	(2,853)
At 31 March 2014	**1,781**	**683**	**3,259**	**5,723**
Accumulated depreciation				
On acquisition of Capquest Group Limited	101	190	2,286	2,577
Depreciation charge for the year	12	47	215	274
At 31 March 2012	**113**	**237**	**2,501**	**2,851**
Depreciation charge for the year	21	11	288	320
At 31 March 2013	**134**	**248**	**2,789**	**3,171**
Depreciation charge for the year	98	53	285	436
Disposals	(4)	(17)	(2,829)	(2,850)
At 31 March 2014	**228**	**284**	**245**	**757**
Net book value				
At 31 March 2014	**1,553**	**399**	**3,014**	**4,966**
At 31 March 2013	**94**	**37**	**322**	**453**
At 31 March 2012	**92**	**25**	**395**	**512**

12. Financial assets

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Non-current:			
Purchased loan portfolios	87,381	76,887	50,345
	87,381	76,887	50,345
Current:			
Purchased loan portfolios	31,731	23,352	20,637
Portfolio write-up/(down)	8,904	2,558	(430)
Impairment of portfolios	(11,654)	(510)	(2,901)
	28,981	25,400	17,306
Total	**116,362**	**102,287**	**67,651**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 March 2014, the carrying amount of the purchased loan portfolio asset was £116,362,000 (31 March 2013: £102,287,000; 31 March 2012: £67,651,000).

The movements in purchased loan portfolio assets were as follows:

Capquest Group Limited

	Period ended 25 August 2011
	£000
As at 1 April 2011	65,204
Portfolios acquired during the period	12
Collections in the period	(17,496)
Income from purchased loan portfolios	9,652
As at 25 August 2011	**57,372**

Quest Topco Limited

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
As at the year brought forward	102,287	67,651	—
On acquisition of Capquest Group Limited	—	—	57,372
Portfolios acquired during the year	45,558	57,168	24,982
Collections in the year	(59,153)	(49,260)	(26,715)
Income from purchased loan portfolios	30,420	24,680	15,343
Portfolio write-up/(down)	8,904	2,558	(430)
Impairment of portfolios	(11,654)	(510)	(2,901)
As at the year end	**116,362**	**102,287**	**67,651**

13. Other receivables and prepayments

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Trade receivables	720	751	1,859
Prepayments and other debtors	1,761	1,032	750
Due from parent companies (note 18)	—	718	—
Taxation and social security	—	8	—
Current tax asset	—	4	11
	2,481	**2,513**	**2,620**

The directors consider that the carrying amounts approximate to their fair value as balances are readily converted to cash.

14. Trade and other payables

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Trade payables	1,944	938	1,149
Taxation and social security	394	346	322
Other liabilities and accruals	10,424	3,792	4,370
	12,762	**5,076**	**5,841**

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

15. Deferred tax liability

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Fair value adjustment on debt portfolio	1,137	1,494	1,681
Trading losses	(1,137)	(1,190)	(792)
Accelerated capital allowances	—	(245)	(2)
Other	—	—	(254)
	—	**59**	**633**

Movement in deferred tax balances during the year:

	As at 31 March 2012	Recognised in income statement	As at 31 March 2013	Recognised in income statement	As at 31 March 2014
	£000	£000	£000	£000	£000
Fair value adjustment on debt portfolio	1,681	(187)	1,494	(357)	1,137
Trading losses	(792)	(398)	(1,190)	53	(1,137)
Accelerated capital allowances	(2)	(243)	(245)	245	—
Other	(254)	254	—	—	—
	633	**(574)**	**59**	**(59)**	**—**

16. Share capital and reserves

Share capital

The Company has authorised share capital of up to an aggregate nominal amount of £200,000,000.

	Company Year ended 31 March 2014	Company Year ended 31 March 2013	Company Year ended 31 March 2012
	£000	£000	£000
Called up and fully paid			
Ordinary Shares of £1.00 each	—	—	—
A Ordinary shares of £0.01 each	1	1	1
A Preferred ordinary shares of £0.001 each	2	1	1
B Ordinary shares of £0.01 each	11	11	11
B Preferred ordinary shares of £0.001 each	4	4	4
C Ordinary Shares of £1.00 each	10	10	10
D Ordinary Shares of £1.00 each	3	3	3
E Ordinary Shares of £1.00 each	—	—	—
F Ordinary Shares of £0.001 each	—	—	—
	31	**30**	**30**

Reserves

	Share premium	Accumulated deficit	Dividends on preference shares	Total
	£000	£000	£000	£000
Balance at 1 June 2011	—	—	—	—
Loss for the period	—	(7,654)	—	(7,654)
Dividends on preference shares	—	(388)	388	—
Issue of shares	5,372	—	—	5,372
Balance at 31 March 2012	5,372	(8,042)	388	(2,282)
Loss for the period	—	(6,124)	—	(6,124)
Exchange differences	—	6	—	6
Dividends on preference shares	—	(686)	686	—
Issue of shares	344	—	—	344
Balance at 31 March 2013	5,716	(14,846)	1,074	(8,056)
Loss for the period	—	(17,547)	—	(17,547)
Dividends on preference shares	—	(851)	851	—
Issue of shares	519	—	—	519
Balance at 31 March 2014	**6,235**	**(33,244)**	**1,925**	**(25,084)**

Unpaid dividends that have accrued on the preference shares at 12% are included in reserves.

Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption.

On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 24.

17. Lease commitments

The Group has entered into commercial leases on office buildings and certain items of computer equipment. The leases on the office buildings have an average life of between 10 and 15 years and the leases on the items of computer equipment have an average life of between three and four years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Office buildings

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Less than 1 year	758	759	1,381
1-5 years	2,275	1,640	945
5+ years	3,801	1,747	—
	6,834	4,146	2,326

Other assets

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Less than 1 year	10	8	11
1-5 years	25	—	8
	35	8	19

18. Related party transactions

Group

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

	Quest Holdings B.V.	Key management personnel	Total
	£000	£000	£000
Year ended 31 March 2014			
Interest incurred on 12% B loan notes	—	(1,049)	(1,049)
Interest incurred on 12% A loan notes	(10,560)	—	(10,560)
	(10,560)	**(1,049)**	**(11,609)**
Balances outstanding as at 31 March 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(248)	(1,779)	(2,027)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(21,705)	—	(21,705)
	(111,076)	**(7,010)**	**(118,086)**
Year ended 31 March 2013			
Interest incurred on 12% B loan notes	—	(642)	(642)
Interest incurred on 12% A loan notes	(7,336)	—	(7,336)
	(7,336)	**(642)**	**(7,978)**
Balances outstanding as at 31 March 2013			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(978)	(978)
12% A loan notes	(67,328)	—	(67,328)
Accrued interest due on 12% A loan notes	(11,145)	—	(11,145)
	(78,473)	**(6,818)**	**(85,291)**
Year ended 31 March 2012			
Interest incurred on 12% B loan notes	—	(336)	(336)
Interest incurred on 12% A loan notes	(3,809)	—	(3,809)
	(3,809)	**(336)**	**(4,145)**
Balances outstanding as at 31 March 2012			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(336)	(336)
12% A loan notes	(51,997)	—	(51,997)
Accrued interest due on 12% A loan notes	(3,809)	—	(3,809)
	(55,806)	**(6,176)**	**(61,982)**

Summary of transactions

Quest Holdings B.V. was the immediate parent company on 31 March 2014.

Key management personnel include the directors of Quest Topco Limited and Capquest Group Limited, and other shareholders in Quest Topco Limited.

Quest Holdings B.V. and M Brunault, former Chief Executive Officer of Capquest Group Limited, and others, are holders of preference shares issued by Quest Topco Limited. Preference shares accrue interest at 12% and are convertible at the discretion of the Company. On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 24.

A rate of 12% is receivable on the A and B loan notes. Loan notes are due in 2020 and are therefore receivable after more than one year. All amounts are unsecured. There is no fixed date of redemption. On 3 July 2014 the accrued interest on the loan notes was converted into equity, see note 24.

Remuneration for directors has been disclosed in note 7 along with the profit and loss charges in the year.

19. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 March 2012 to 31 March 2014 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Current status	Parent Company
Quest Bidco Limited	United Kingdom	100	Trading	Quest Topco Limited
Quest Newco Limited	United Kingdom	100	Trading	Quest Bidco Limited
Capquest Group Limited 21.7% owned by BRUInvest (BVI) Limited	United Kingdom	71.3	Trading	Quest Newco Limited
BRUInvest (BVI) Limited	United Kingdom	100	Trading	Quest Newco Limited
Capquest Investments Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Debt Recovery Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Asset Management Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Mortgage Servicing Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Debt Recovery SA (pty) Limited	South Africa	100	Trading	Capquest Group Limited

The investments in subsidiaries are all stated at cost.

20. Financial Instruments

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The Group has exposure to credit risk, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The directors consider that there are no significant differences between the financial asset values in the consolidated balance sheet and their fair value with the exception of purchased loan portfolios. Except for the unsecured loan notes with fixed rate of 12%, borrowings are considered to be reported at fair value as these were arm's length transactions at prevailing market rate. The fair value of the unsecured loans is shown in note 20.

Assets and liabilities measured at cost less depreciation and impairment include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). Key inputs into the impairment review process are outlined in note 10. An impairment of intangible assets was recorded in the period ended 31 March 2012, refer to note 10 for further details. There were no significant impairments recorded during the years ended 31 March 2013 and 2014.

Credit risk

Credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The Group manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are portfolio assets, loan notes and derivative assets.

The maximum credit risk exposure in relation to the financial assets is disclosed below:

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Purchased loan portfolio	116,362	102,287	67,651
Cash and cash equivalents	16,713	10,562	13,788
Derivative asset	453	250	244
	133,528	**113,099**	**81,683**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios are measured at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired. All loan notes are measured at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business.

The Group has a low fixed cost base, is highly cash generative with weekly cash receipts and portfolio purchases are discretionary, which helps to mitigate liquidity risk.

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

As at 31 March 2014:

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Non-interest bearing					
Trade and other payables	14,687	—	—	—	14,687
Interest bearing					
Revolving credit facility	48,918	—	—	—	48,918
Asset finance	777	715	505	—	1,997
12% A Loan Notes due 2020 — Unsecured	—	—	—	88,405	88,405
12% B Loan Notes due 2020 — Unsecured	—	—	—	5,949	5,949
Interest on 12% A Loan Notes due 2020 — Unsecured	32,924	14,843	55,945	33,565	137,277
Interest on 12% B Loan Notes due 2020 — Unsecured	2,985	1,075	4,052	2,431	10,543
Bank loan	798	798	18,444	—	20,040
Total	**101,089**	**17,431**	**78,946**	**130,350**	**327,816**

As at 31 March 2013:

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Non-interest bearing					
Trade and other payables	6,150	—	—	—	6,150
Interest bearing					
Revolving credit facility	43,843	—	—	—	43,843
Asset finance	81	57	68	—	206
12% A Loan Notes due 2020 — Unsecured	—	—	—	67,328	67,328
12% B Loan Notes due 2020 — Unsecured	—	—	—	5,840	5,840
Accrued interest on 12% A Loan Notes due 2020 — Unsecured	21,705	13,218	49,990	54,363	139,276
Accrued interest on 12% B Loan Notes due 2020 — Unsecured	2,027	957	3,621	3,938	10,543
Bank loan	804	804	2,412	16,854	20,874
Total	**74,610**	**15,036**	**56,091**	**148,323**	**294,060**

As at 31 March 2012

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Non-interest bearing					
Trade and other payables	6,229	—	—	—	6,229
Interest bearing					
Revolving credit facility	28,956	—	—	—	28,956
Asset finance	484	69	38	—	591
12% A Loan Notes due 2020 — Unsecured	—		—	51,997	51,997
12% B Loan Notes due 2020 — Unsecured	—	—	—	5,840	5,840
Accrued interest on 12% A Loan Notes due 2020 — Unsecured	11,145	10,560	44,638	72,933	139,276
Accrued interest on 12% B Loan Notes due 2020 — Unsecured	978	847	3,233	5,283	10,341
Bank loan	971	971	2,913	16,582	21,437
Total	**48,763**	**12,447**	**50,822**	**152,635**	**264,667**

Since 31 March 2014, the accrued interest on the unsecured loan notes has been converted into equity, see note 24.

The table below shows the maturity analysis for derivative financial liabilities.

As at 31 March 2014:

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Interest rate swaps	—	132	250	—	382
Total	**—**	**132**	**250**	**—**	**382**

As at 31 March 2013:

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Interest rate swaps	—	—	1,149	—	1,149
Total	—	—	1,149	—	1,149

As at 31 March 2012

Amounts due to:

	within 1 year	1-2 years	2-5 years	5 years and over	Total
	£000	£000	£000	£000	£000
Interest rate swaps	—	—	495	—	495
Total	**—**	**—**	**495**	**—**	**495**

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises currency risk and interest rate risk considered further below.

Interest rate risk

The Group is exposed to interest rate risk during the year on the purchased loan portfolio financing, related party loans and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group has interest rate swaps in place for a notional amount of £55,000,000 (31 March 2013: £55,000,000; 31 March 2012: £40,000,000).

Interest rate sensitivity analysis

If interest base rates had been 0.5% higher and all other variables were held constant, the Group's loss for the year ended 31 March 2014 would decrease and the Group's equity at that would date would increase by £29,000 (31 March 2013: increase in Group's loss and decrease in equity of £26,000; 31 March 2012: increase in Group's loss and decrease in equity of £35,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents.

If LIBOR rates had been 0.25% higher and all other variables were held constant, the Group's loss for the year ended 31 March 2014 would decrease and the Group's equity at that date would increase by £15,000 (31 March 2013: increase in Group's loss and decrease in equity of £13,000; 31 March 2012: increase in Group's loss and decrease in equity of £18,000). This is attributable to the Group's exposure to interest on its revolving credit facility and incorporates the effects of the economic hedge from the interest rate swaps outstanding during the periods noted above.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% higher than those at the balance sheet date and all other variables were held constant, the Group's net assets and result for each denomination of currency would increase/(decrease) as follows:

Equity and net assets

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Currency			
Euro (EUR)	1	4	2
	1	**4**	**1**

Net Loss

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Currency			
Euro (EUR)	1	4	2
	1	**4**	**2**

If foreign exchange rates had been 10% lower than those at the balance sheet date and all other variables were held constant, the Group's net assets and result for each denomination of currency would increase/(decrease) as follows:

Equity and net assets

	31 March 2014	31 March 2013	31 March 2012
	£000	£000	£000
Currency			
Euro (EUR)	2	4	2
	2	**4**	**2**

Net Loss

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Currency			
Euro (EUR)	2	4	2
	2	**4**	**2**

10% is considered to be a reasonable expectation of possible fluctuations in rates.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt, cash and cash equivalents and equity. The Group is not subject to any externally imposed capital requirements.

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 March was:

	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
	£000	£000	£000
Ordinary share capital and premium	6,266	5,746	5,402
Bank loans	62,650	57,802	42,871
Other loans	1,716	62	530
Unsecured loans	94,354	73,168	57,837
	164,986	**136,778**	**106,640**

The principal covenants of the revolving credit facility that the Group currently has in place are total interest cover, minimum tangible net worth, debt coverage ratio, asset coverage ratio and collection ratio. All are tested monthly.

As at 31 March 2014 the total interest cover was 6.43 times, the minimum tangible net worth was £56.0m, the debt coverage ratio was 7.13 times, the asset cover ratio was 4.56 times and the collection ratio was 91%. Covenants were met throughout the year to 31 March 2014 with the exception of the debt coverage ratio in January 2014. This breach was waived as it was a result of unforeseen issues in purchase loan portfolios.

All covenants have been met since.

Fair values

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 judgement 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 historical performance data. The purchased loan portfolios fair value is calculated using discounted net 84-month forecast cash flows. The fair values of derivative instruments are calculated using quoted prices. 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.

Except for unsecured loan notes with fixed rate of 12%, borrowings are considered to be reported at fair value as these were arm's length transactions at prevailing market rates. The Group has not identified a significant change in the availability of such market rates. Assets and liabilities measured at fair value on a non-recurring basis include property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are remeasured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). There were no significant impairments recorded during the periods ended 31 March 2014 and 2013.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

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 statement of financial position.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
31 March 2014:				
Derivative assets	—	453	—	**453**
Derivative liabilities	—	(382)	—	**(382)**
Net assets	—	71	—	**71**
31 March 2013:				
Derivative assets	—	250	—	**250**
Derivative liabilities	—	(1,149)	—	**(1,149)**
Net liabilities	—	(899)	—	**(899)**
31 March 2012:				
Derivative assets	—	244	—	**244**
Derivative liabilities	—	(495)	—	**(495)**
Net liabilities	—	(251)	—	**(251)**

Of the above derivative contracts, the net fair value asset of £71,000 (31 March 2013: liability of £899,000; 31 March 2012: liability of £251,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Financial instruments not measured at fair value — fair value hierarchy

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Assets				
31 March 2014:				
Purchased loan portfolios	—	—	141,094	**141,094**
Total assets	—	—	141,094	**141,094**
31 March 2013:				
Purchased loan portfolios	—	—	127,019	**127,019**
Total assets	—	—	127,019	**127,019**
31 March 2012:				
Purchased loan portfolios	—	—	92,383	**92,383**
Total assets	—	—	92,383	**92,383**

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

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Liabilities				
31 March 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	—	**165,269**	—	**165,269**
31 March 2013:				
Unsecured loan notes	—	150,480	—	150,480
Total liabilities	—	**150,480**	—	**150,480**
31 March 2012:				
Unsecured loan notes	—	127,621	—	127,621
Total liabilities	—	**127,621**	—	**127,621**

There have been no transfers in or out of Level 2.

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 historical 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 effective interest rate are established for each purchased portfolio over 12 months old and 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.

If the 84-month cash collections forecast had been 10% higher/lower at each collection point and all other variables were held constant, the purchased loan portfolio as at 31 March 2014 would increase/decrease by £11,516,000 (31 March 2013: £10,383,000; 31 March 2012: £7,012,000).

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 IRR, signs off the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios can be seen in note 12.

The fair value of the unsecured loans is calculated using discounted cash flows, applying the current market rates and a credit spread reflective of the Group's current credit standing.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets that are carried in the financial statements.

Financial assets

		Carrying amount			Fair value		
	Notes	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012
		£000	£000	£000	£000	£000	£000
Purchased loan portfolios	12	116,362	102,287	67,651	141,094	127,019	92,383
Derivative asset	20	453	250	244	453	250	244
Cash and cash equivalents		16,713	10,562	13,788	16,713	10,562	13,788
Other receivables	13	2,481	2,513	2,620	2,481	2,513	2,620
Total assets		**136,009**	**115,612**	**84,303**	**160,741**	**140,344**	**109,035**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial liabilities that are carried in the financial statements.

Financial liabilities

		Carrying amount			Fair value		
	Notes	31 March 2014	31 March 2013	31 March 2012	31 March 2014	31 March 2013	31 March 2012
		£000	£000	£000	£000	£000	£000
Trade and other payables	14	12,762	5,076	5,841	12,762	5,076	5,841
Loans	21	64,366	57,864	43,401	64,366	57,864	43,401
Unsecured loan notes	21	94,354	73,168	57,837	165,269	150,480	127,621
Interest on unsecured loan notes	21	23,732	12,123	4,145	23,732	12,123	4,145
Derivative liability	20	382	1,149	495	382	1,149	495
Total liabilities		**195,596**	**149,380**	**111,719**	**266,511**	**226,692**	**181,503**

21. Borrowings

As at 31 March:

	Group Year ended 31 March 2014	Group Year ended 31 March 2013	Group Year ended 31 March 2012
	£000	£000	£000
Revolving credit facility	46,600	41,752	27,260
Bank loan	16,050	16,050	15,611
Other loans	1,716	62	530
Unsecured loan notes	94,354	73,168	57,837
Interest on unsecured loan notes	23,732	12,123	4,145
Total borrowings	**182,452**	**143,155**	**105,383**
Amount due for settlement within 12 months	70,332	53,875	31,850
Amount due for settlement after 12 months	112,120	89,280	73,533
	182,452	**143,155**	**105,383**

All amounts are denominated in pounds sterling.

Revolving credit facility

On 7 November 2006, the Group entered into a revolving credit facility (the ''revolving credit facility'') with Royal Bank of Scotland, as security agent for a consortium of participating financial institutions. The new revolving credit facility terminates in August 2016 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.5% per annum. The new revolving credit facility has total commitments of £110 million.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 1.75% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.

Term loan facility

On 26 August 2011, the Group entered into a term loan facility with total capital commitments of £16.05 million. The term loan facility terminates in August 2018 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.5% per annum. The Group had drawn the full term loan available as at 31 March 2014.

Unsecured loan notes

On 26 August 2011, the Group issued £52.0 million of 12% unsecured A loan notes and £5.8 million of 12% unsecured B loan notes due 2020. Net proceeds of £52.0 million and £5.8 million included unsecured loan notes issuance costs that were capitalised within the financial instrument. The Group may redeem, at its option, some or all of the unsecured loan notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

22. Acquisitions

On 26 August 2011, the Company acquired 100% of the voting shares of Capquest Group Limited for a total consideration of £32,888,000. Capquest Group Limited was acquired to provide debt and equity financing to strengthen Capquest's capital base to support its continued growth and evolution into new areas of the growing market.

Effect of the acquisition

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

	Net assets acquired
	£000
Intangible assets and property, plant and equipment	2,312
Portfolio assets	57,628
Cash and cash equivalents	16,615
Other receivables	6,593
Other payables	(11,064)
Revolving credit facility	(27,475)
Term bank loan	(16,050)
Unsecured loan notes	(18,033)
Corporation tax liability	(259)
Deferred tax liability	(2,111)
	8,156
Goodwill on acquisition (see note 10)	24,732
Consideration paid	32,888
Consideration paid consists of:	
Shares issued in Quest Topco Limited	385
Loan notes	8,645
Cash	23,858

Goodwill of £24,732,000 arose on acquisition and is tested annually for impairment, see note 10. Goodwill represents the premium paid on acquisition for the enterprise value of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

23. First-time adoption of IFRS

This historical financial information for the years ended 31 March 2014, 2013 and 2012 is the first the Group has prepared in accordance with the basis of preparation as explained in Note 2. These are the first group statements at Quest Topco Limited level. A reconciliation of previous UK GAAP Group statements for Capquest Group Limited under consideration of the acquisition of Capquest Group Limited by Quest Topco Limited to IFRS is given to help readers. This reconciliation is prepared as if the 1 April 2011 would be the IFRS transition date.

Exemptions applied

The Group has applied the following exemptions:

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS that occurred before 1 April 2011. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also required that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS and impairment was deemed necessary.

Reconciliation of equity as at 1 April 2011 (date of transition to IFRS) for the Capquest Group Limited group

	Notes	UK GAAP as at 1 April 2011	Remeasurements	IFRS as at 1 April 2011
		£000	£000	£000
Assets				
Non-current assets				
Intangible assets	B,C	—	1,783	1,783
Property, plant & equipment	C	2,454	(1,783)	671
Purchased loan portfolios	A	—	48,854	48,854
Total non-current assets		**2,454**	**48,854**	**51,308**
Current assets				
Inventory	A	54,486	(54,486)	—
Cash and cash equivalents		7,754	—	7,754
Other receivables	A	5,345	(2,598)	2,747
Purchased loan portfolios	A	—	16,350	16,350
Total current assets		**67,585**	**(40,734)**	**26,851**
Total purchased loan portfolios		—	65,204	65,204
Total assets		**70,039**	**8,120**	**78,159**
Equity				
Share capital		982	—	982
Retained earnings		720	6,009	6,729
Total equity attributable to shareholders		**1,702**	**6,009**	**7,711**
Liabilities				
Non-current liabilities				
Loans		44,848	—	44,848
Unsecured loan notes		2,657	—	2,657
Deferred tax liability	G	—	2,111	2,111
Total non-current liabilities		**47,505**	**2,111**	**49,616**
Current liabilities				
Trade and other payables		7,223	—	7,223
Loans		13,609	—	13,609
Total current liabilities		**20,832**	**—**	**20,832**
Total liabilities		**68,337**	**2,111**	**70,448**
Total equity and liabilities		**70,039**	**8,120**	**78,159**

Reconciliation of equity as at 26 August 2011 (date of transition to IFRS) for the Quest Topco Limited group

	Notes	UK GAAP as at 26 August 2011	Remeasurements	IFRS as at 26 August 2011
		£000	£000	£000
Assets				
Non-current assets				
Intangible assets	B, C	30,741	(4,276)	26,465
Property, plant & equipment	C	2,312	(1,733)	579
Purchased loan portfolios	A	—	33,184	33,184
Total non-current assets		**33,053**	**27,175**	**60,228**
Current assets				
Inventory	A	49,508	(49,508)	—
Cash and cash equivalents		28,382	—	28,382
Other receivables	A	6,593	—	6,593
Purchased loan portfolios	A	—	24,444	24,444
Total current assets		**84,483**	**(25,064)**	**59,419**
Total purchased loan portfolios		—	57,628	57,628
Total assets		**117,535**	**2,111**	**119,646**
Equity				
Share capital		30	—	30
Share premium		5,372	—	5,372
Retained earnings		(2,158)	—	(2,158)
Total equity attributable to shareholders		**3,244**	**—**	**3,244**
Liabilities				
Non-current liabilities				
Loans		16,050	—	16,050
Unsecured loan notes		56,818	—	56,818
Deferred tax liability	G	—	2,111	2,111
Total non-current liabilities		**72,868**	**2,111**	**74,979**
Current liabilities				
Trade and other payables	F	13,949	—	13,949
Loans	E	27,475	—	27,475
Total current liabilities		**41,424**	**—**	**41,424**
Total liabilities		**114,292**	**2,111**	**16,403**
Total equity and liabilities		**117,536**	**2,111**	**119,647**

Group reconciliation of equity as at 31 March 2012

	Notes	UK GAAP	Remeasurements	IFRS as at 31 March 2012
		£000	£000	£000
Assets				
Non-current assets				
Intangible assets	B, C	27,552	(2,267)	25,285
Property, plant & equipment	C	1,131	(619)	512
Purchased loan portfolios	A	—	50,345	50,345
Derivative asset	D	—	244	244
Total non-current assets		28,683	47,703	76,386
Current assets				
Inventory	A	60,719	(60,719)	—
Cash and cash equivalents		13,788	—	13,788
Other receivables	A	3,870	(1,250)	2,620
Purchased loan portfolios	A	—	17,306	17,306
Deferred tax asset	G	201	(201)	—
Total current assets		78,578	(44,864)	33,714
Total purchased loan portfolios		—	67,651	67,651
Total assets		107,261	2,839	110,100
Equity				
Share capital		30	—	30
Share premium		5,372	—	5,372
Retained earnings		(8,754)	712	(8,042)
Dividend on preference shares		388	—	388
Total equity attributable to shareholders		(2,964)	712	(2,252)
Liabilities				
Non-current liabilities				
Loans		15,696	—	15,696
Unsecured loan notes		57,837	—	57,837
Derivative liability	D	—	495	495
Deferred tax liability	G	—	633	633
Total non-current liabilities		73,533	1,128	74,661
Current liabilities				
Trade and other payables	F, H	5,705	136	5,841
Loans	E	26,842	863	27,705
Interest on unsecured loan notes		4,145	—	4,145
Total current liabilities		36,692	999	37,691
Total liabilities		110,225	2,127	112,352
Total equity and liabilities		107,261	2,839	110,100

Group reconciliation of total comprehensive income for the year ended 31 March 2012

	Notes	UK GAAP for the period 1 April 2011 to 25 August 2011 for the Capquest Group Limited group	UK GAAP for the period 1 June 2011 (date of incorporation) to 31 March 2012 for the Quest Topco Limited group	UK GAAP for the year ended 31 March 2012	Remeasurements	IFRS for the year ended 31 March 2012
		£000	£000	£000	£000	£000
Continuing operations						
Revenue						
Income from purchased loan portfolios	A	12,973	29,891	42,864	(17,869)	24,995
Portfolio write-up	A	—	—	—	(430)	(430)
Portfolio impairment	A	—	—	—	(2,901)	(2,901)
		12,973	29,891	42,864	(21,200)	21,664
Income from asset management		7,987	2,094	10,081	—	10,081
Total revenue		**20,960**	**31,985**	**52,945**	**(21,200)**	**31,745**
Operating expenses						
Collection Activity Costs	A	11,393	21,259	32,652	(18,761)	13,891
Professional fees and services		1,741	2,836	4,577	—	4,577
Other operating expenses	B, F	3,712	10,386	14,098	(3,385)	10,713
Total operating expenses		**16,846**	**34,481**	**51,327**	**(22,146)**	**29,181**
Operating profit		**4,114**	**(2,496)**	**1,618**	**946**	**2,564**
Finance income and costs	D, E	(3,583)	(6,619)	(10,202)	(1,114)	(11,316)
Profit/(loss) before tax		**531**	**(9,115)**	**(8,584)**	**(168)**	**(8,752)**
Taxation charge on ordinary activities	G	(134)	352	218	1,277	1,495
Total comprehensive income for the year attributable to equity shareholders		**397**	**(8,763)**	**(8,366)**	**1,109**	**(7,257)**

Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total comprehensive income for the year ended 31 March 2012.

A Purchased loan portfolios

Under UK GAAP, income from purchased debt was recognised as received. Revenue for performing loan books was the profit element, including interest, forecast for the portfolio. This was recognised over the life of the portfolio on a yield basis in line with collections. Inventory represented the carrying values of portfolios of distressed bought debt. The debt was stated at amortised cost and was realised to cost of sales as collections were received to reflect the expected yield over the life of the portfolio. Loan books were performing debt portfolios which were held as receivables on the balance sheet.

Under IFRS, purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortised cost using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios.

The inventory held under UK GAAP at 1 April 2011 and 26 August 2011 of £54,486,000 and £49,508,000, respectively has been reclassified as purchased loan portfolios and revalued at amortised cost using the effective interest rate method. This has resulted in an uplift in retained earnings of £8,120,000 at 1 April 2011 which has increased the goodwill arising on acquisition of the Capquest Group Limited group on 26 August 2011.

B Goodwill

Under UK GAAP, goodwill is amortised annually over its useful economic life. IFRS does not permit the amortisation of goodwill but requires an annual impairment review to be undertaken. Accordingly, the amortisation charged under UK GAAP has been reversed and an annual impairment review has been undertaken. The amortisation charge recognised under UK GAAP for the year ended 31 March 2012 was £3,586,000.

The changes from UK GAAP to IFRS relating to assets and liabilities held at the date of acquisition of the Capquest Group Limited group and BRUInvest Limited have increased or decreased the goodwill arising on consolidation accordingly.

At 26 August 2011 and 31 March 2012, goodwill arising on acquisition of the Capquest Group Limited group has increased as a result of the change in valuation of the purchased loan portfolio, being an uplift of the asset by £8,020,000, net of the deferred tax arising as a result of £2,111,000.

C Intangible assets

Under UK GAAP, software and licence costs are capitalised as property, plant and equipment, however these assets are classified as intangible assets under IFRS. These assets have been reclassified as intangible assets on transition to IFRS.

The net book value of the intangible assets reclassified at 1 April 2011, 26 August 2011 and 31 March 2012 were £1,753,000, £1,733,000 and £553,000, respectively.

D Derivative financial instruments

The fair value of interest rate swap contracts is recognised under IFRS, and was not recognised under UK GAAP. The contracts have been brought into the balance on the date of transition to IFRS as an asset, when the derivative has a positive fair value, and a liability, when the derivative has a negative fair value.

The recognition of these derivatives on the balance sheet as resulted in a derivative asset of £244,000 and a deferred liability of £495,000 being recognised at 31 March 2012. The charge to finance costs of £251,000 has been recognised in the total comprehensive income for the year ended 31 March 2012.

E Capitalisation of borrowing costs

Under UK GAAP, the Group capitalised borrowing costs against the loan to which it related, and realised the cost against finance costs on a straight line basis. IFRS requires capitalised borrowing costs to be realised using the effective interest rate method.

During the year ended 31 March 2012 the realisation of the borrowing costs was accelerated as a result of the remeasurement increasing finance costs by £863,000.

F Other financial assets and liabilities

The Group's holiday period runs from 1 January to 31 December. Accordingly, the Group has recognised a holiday pay accrual in respect of unutilised holiday accrued to the balance sheet date. This accrual was not previously recognised under UK GAAP.

The recognition of the holiday pay accrual increased the other operating expenses for the year ended 31 March 2012 and trade and other payables held at 31 March 2012 by £136,000.

G Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

A deferred tax liability of £2,111,000 was realised on the remeasurement of the purchased loan portfolios identified on page 62. During the year ended 31 March 2012 £430,000 was released to the tax charge.

24. Post balance sheet events

On 3 July 2014, all of the accrued interest on loan notes and the interest on preference shares were converted to 4,065,399 F Ordinary equity shares using their valuation as at 30 June 2014. These values were as follows:

Accrued interest on loan notes	£27,164,000
Accrued interest on preference shares	£ 2,159,000

On 23 September 2014, a Sale and Purchase Agreement was signed with Arrow Global Group PLC for its acquisition of the Quest Topco Limited group.

(ii) Unaudited interim condensed consolidated financial information

The unaudited interim consolidated financial information have been prepared for the purpose of the Circular and in accordance with the basis of preparation described in Note 2 below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June

	Note	Three months ended 30 June 2014 Underlying "Unaudited"	Exceptional items "Unaudited"	Three months ended 30 June 2014 including exceptionals "Unaudited"	Three months ended 30 June 2013 Underlying "Unaudited"	Exceptional items "Unaudited"	Three months ended 30 June 2013 including exceptionals "Unaudited"
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue							
Income from purchased loan portfolios	9	7,257	—	7,257	6,733	—	6,733
Portfolio write-up/(down)	9	17	—	17	2,684	—	2,684
Portfolio impairment	9	(739)	—	(739)	(1,516)	—	(1,516)
Portfolio income		**6,535**	**—**	**6,535**	**7,901**	**—**	**7,901**
Income from asset management		1,156	—	1,156	1,314	—	1,314
Total revenue		**7,691**	**—**	**7,691**	**9,215**	**—**	**9,215**
Operating expenses							
Collection Activity Costs		3,694	—	3,694	3,097	—	3,097
Professional fees and services							
Non-recurring items							
Acquisition expense		—	371	—	—	—	—
		377	371	748	971	—	971
Non-recurring items							
Restructuring costs		—	—	—	—	94	—
Transformation project		—	116	—	—	221	—
Other operating expenses		3,160	116	3,276	3,234	315	3,549
Total operating expenses		7,231	487	7,718	7,302	315	7,617
Operating profit/(loss)		**460**	**(487)**	**(27)**	**1,913**	**(315)**	**1,598**
Finance income	4	6	—	6	24	—	24
Finance costs	4	(5,006)	—	(5,006)	(3,877)	—	(3,877)
Fair value gain/(loss) on interest rate swaps	4	132	—	132	655	—	655
Total finance income and costs		**(4,868)**	**—**	**(4,868)**	**(3,198)**	**—**	**(3,198)**
Loss before tax		**(4,408)**	**(487)**	**(4,895)**	**(1,285)**	**(315)**	**(1,600)**
Taxation (charge)/credit on ordinary activities	6	—	—	—	12	—	12
Loss for the period attributable to equity shareholders		**(4,408)**	**(487)**	**(4,895)**	**(1,273)**	**(315)**	**(1,588)**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2014 "Unaudited"	31 March 2014 "Audited"	30 June 2013 "Unaudited"
		£000	£000	£000
Assets				
Non-current assets				
Intangible assets		30,722	29,568	25,366
Property, plant & equipment		4,846	4,966	1,429
Purchased loan portfolios	9	83,286	87,381	90,432
Derivative asset		409	453	502
Total non-current assets		**119,263**	**122,368**	**117,729**
Current assets				
Cash and cash equivalents		9,814	16,713	9,440
Other receivables		3,012	2,481	2,351
Purchased loan portfolios	9	26,894	28,981	31,158
Total current assets		**39,720**	**48,175**	**42,949**
Total purchased loan portfolios	*9*	*110,180*	*116,362*	*121,590*
Total assets		**158,983**	**170,543**	**160,678**
Equity				
Share capital		31	31	31
Share premium		6,235	6,235	5,863
Accumulated deficit		(38,373)	(33,244)	(16,620)
Dividends on preference shares		2,159	1,925	1,260
Total equity attributable to shareholders		**(29,948)**	**(25,053)**	**(9,466)**
Liabilities				
Non-current liabilities				
Loans	13	17,607	17,766	16,171
Unsecured loan notes	13	94,354	94,354	80,021
Derivative liability		206	382	746
Deferred tax liability		—	—	47
Total non-current liabilities		**112,167**	**112,502**	**96,985**
Current liabilities				
Trade and other payables	10	6,941	12,762	4,629
Loans	13	42,659	46,600	53,980
Interest on unsecured loan notes	13	27,164	23,732	14,550
Total current liabilities		**76,764**	**83,094**	**73,159**
Total liabilities		**188,931**	**195,596**	**170,144**
Total equity and liabilities		**158,983**	**170,543**	**160,678**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June

	Ordinary shares	Share premium	Accumulated deficit	Dividends on preference shares	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2013 (audited)	**30**	**5,716**	**(14,846)**	**1,074**	**(8,026)**
Loss for the period	—	—	(1,588)	—	(1,588)
Total comprehensive loss for the period	—	—	(1,588)	—	(1,588)
Dividend on preference shares	—	—	(186)	186	—
Issue of shares	1	147	—	—	148
Balance at 30 June 2013 (unaudited)	**31**	**5,863**	**(16,620)**	**1,260**	**(9,466)**
Balance at 1 April 2014 (audited)	**31**	**6,235**	**(33,244)**	**1,925**	**(25,053)**
Loss for the period	—	—	(4,895)	—	(4,895)
Total comprehensive loss for the period	—	—	(4,895)	—	(4,895)
Dividend on preference shares	—	—	(234)	234	—
Balance at 30 June 2014 (unaudited)	**31**	**6,235**	**(38,373)**	**2,159**	**(29,948)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Period ended 30 June 2014 "Unaudited"	Period ended 30 June 2013 "Unaudited"
		£000	£000
Cash flows from operating activities			
Adjusted for:			
Loss before tax		(4,895)	(1,600)
Collections in the period	9	15,441	13,968
Income from purchased loan portfolios	9	(7,257)	(6,733)
Portfolio write-up	9	(17)	(2,684)
Portfolio impairment	9	739	1,516
Depreciation and amortisation		251	145
Finance income		(6)	(24)
Finance costs		5,006	3,877
Gain on fair values on derivatives		(132)	(655)
Operating cash flows before movement in working capital		**9,130**	**7,810**
(Increase)/decrease in other receivables		(471)	168
Increase/(decrease) in trade and other payables (excluding exceptional items disclosed in this statement)	10	(5,440)	813
Acquisition expenses (exceptional item)		(371)	—
Restructuring (exceptional item)		0	(94)
Transformation project (exceptional item)		(116)	(221)
Interest received		6	24
Cash generated by operations		**2,738**	**8,500**
Income taxes and overseas taxation paid		(60)	(5)
Net cash flow from operating activities before purchases of loan portfolios		**2,678**	**8,495**
Purchases of loan portfolios	9	(2,724)	(25,369)
Net cash used in operating activities		**(46)**	**(16,874)**
Investing activities			
Purchase of property, plant and equipment		(59)	(1,056)
Purchase of intangible assets		(1,231)	(83)
Proceeds from sale of property, plant and equipment		5	—
Net cash used in investing activities		**(1,285)**	**(1,139)**
Financing activities			
Proceeds of issued share capital		—	148
Proceeds from bank loans		6,385	20,282
Proceeds from loan notes		—	6,134
Repayment of bank loans		(10,790)	(8,825)
Repayment of other loans		(17)	—
Interest paid		(1,146)	(848)
Net cash flow generated by financing activities		**(5,568)**	**16,891**
Net (decrease)/increase in cash and cash equivalents		**(6,899)**	**(1,122)**
Cash and cash equivalents at beginning of period		**16,713**	**10,562**
Cash and cash equivalents at end of period		**9,814**	**9,440**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Through its subsidiary companies, the Quest Topco Limited group (''the Group'') acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables and to administer and disburse the proceeds of the receivables.

The Group maintains a fiscal year commencing and ending each year on 1 April and 31 March, respectively. Unless otherwise specified, the unaudited interim condensed consolidated financial statements and all the amounts included in these notes are presented in thousands of British pounds (£).

2. Accounting policies

Basis of preparation

The unaudited interim condensed consolidated financial statements for the three months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's historical financial information for the three years ended 31 March 2014.

The quarterly results 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 Directors of Arrow Global confirm that the accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Arrow Global's historical financial information for the three years ended 31 March 2014 and are consistent with the accounting policies adopted in Arrow Global Group PLC's latest annual consolidated financial statements, being for the year ended 31 December 2013.

Adoption of new standards

The following standards were effective at 1 January 2014. There was no significant impact to the Group from the adoption of these standards.

Standard
IFRS 10 Consolidated financial statements
IFRS 11 Joint arrangements
IFRS 12 Disclosure of interests in other entities
IAS 27 (revised 2011) Separate financial statements
IAS 28 (revised 2011) Associates
Amendments to IFRS 10, 11 and 12 on transition guidance
Amendment to IAS 36 Impairment of assets on recoverable amount disclosures
Amendment to IAS 32 Financial instruments: Presentation on financial instruments asset and liability offsetting
Amendment to IAS 39 Financial instruments: Recognition and measurement on novation of derivatives and hedge accounting
IFRIC 21 Levies

In November 2009, as part of the phased project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the IASB issued IFRS 9 'Financial Instruments'; which reconsiders the classification and measurement of financial assets. This standard has not yet been endorsed by the EU. The Directors anticipate that the adoption of the above standards in future periods will have no material impact on the financial statements for the Group.

3. Principal risks

The Group has 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 the Group's business objectives. Risks are categorised as: strategic risk, conduct risk, operational risk, financial risk and investment 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 could impact the ability to collect from portfolios, or the amount of debt portfolios that are sold. 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.	Management ensures that all portfolios are purchased at an appropriate price and also build strong relationships with the Group's creditor client base in order to mitigate such risks. The Group manages this risk through compliance and industry best practice collection approaches.
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 the Group's core values and could also lead to regulatory censure, financial loss and reputational/brand damage.	Conduct risk and treating customers fairly (''TCF'') are at the heart of the Group's third party management framework. All employees and third parties acting on the group's behalf receive TCF training.

Risk	Definition	Effect on the Group	Approach
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Regulatory risk — risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection regulation. Legal risk — risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through legal contract and /or warranties.	Should the Group experience an inability to collect, the Group could suffer financial loss. The Group is also reliant on IT systems for data management and analysis. Failure to comply with relevant regulation could result in the suspension or termination of the Group's ability to conduct business and could lead to regulatory censure and financial loss. Exposure to remediation cost and further cases pursued by claims management companies.	The Group operates a disaster recovery programme and business continuity processes. The Group also completes internal audits to review systems and processes to reduce the risk of 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. The Group employs industry specialists to monitor the latest regulations and update the Group's internal policies accordingly. Where required the Group takes external specialist advice. The Group also engages in regular training and assurance activity to ensure compliance with internal policies. Due diligence on prospective investment purchases to identify potential documentation weaknesses. The Group's legal team is involved in all purchases and external legal advice taken where required.

Risk	Definition	Effect on the Group	Approach
Financial risk	Market risk: the risk of losses in portfolios due to changes in the level of interest rates. Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due. Credit risk: risk to earnings or capital arising when a counter-party defaults on its contractual obligations, including failure to perform obligations in a timely manner. Tax risk: tax compliance risks arise from the complex nature of tax legislation and practice.	The Group's financial risk management strategy is 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) and movements in interest rates (interest rate risk).	Liquidity risk is managed through maintenance of a flexible cost base and establishment of borrowing facilities. The Group is highly cash generative and portfolio investment is discretionary. Management mitigate interest rate risk using swap contracts. 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.
Investment risk	The risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing.	The statistical models and analytics used, including the calculation of Estimated Remaining Collections, may prove to be inaccurate, which could lead to poor decision making and the Group may fail to achieve its anticipated recoveries.	Rigorous change controls are in place prior to any new data influencing the Group's decision-making model, and due diligence and executive review is carried out prior to investment. Portfolio performance is monitored by senior management.

4. Finance and income costs

	For the three months ended 30 June 2014	For the three months ended 30 June 2013
	£000	£000
Finance income		
Bank interest	6	24
Finance costs		
Interest and similar charges on bank loans	(1,294)	(1,018)
Loan note interest	(3,432)	(2,367)
Amortisation of financing costs	(280)	(492)
Total interest costs	(5,006)	(3,877)
Fair value gains on interest rate swaps	132	655
Total finance costs	**(4,874)**	**(3,222)**

5. Dividend

No dividend was paid during the period (30 June 2013: £nil).

Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption.

On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 14.

6. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the period ended 30 June 2014 is lower than the standard rate of corporation tax in the UK at 23% (30 June 2013: 24%), the differences are as follows:

	For the three months ended 30 June 2014	For the three months ended 30 June 2013
	£000	£000
Loss before tax	**(4,895)**	**(1,600)**
Tax credit at standard UK corporation tax rate	(1,126)	(384)
Expenses not deductible for tax purposes	17	29
Unpaid interest timing difference	347	1
Unrecognised deferred tax	762	342
Tax charge	**—**	**(12)**
Standard UK corporation rate for the period	**23%**	**24%**
Effective tax rate higher/lower than standard UK corporation rate for the period	**Lower**	**Lower**

	For the three months ended 30 June 2014	For the three months ended 30 June 2013
	£000	£000
Tax charge for the period consists of:		
Deferred tax credit:		
Origination and reversal of temporary differences	—	(12)
Total tax credit	**—**	**(12)**

At 30 June 2014 the Group had tax losses carried forward of £11,070,000 (30 June 2013: £1,269,000).

Deferred tax

There is no deferred tax recognised on £11,070,000 (30 June 2013: £nil) of tax losses carried forward. These losses are available for offset against future trading profits and have no expiry date. The Group has an unrecognised deferred tax asset of £350,000 (30 June 2013: £nil) in respect of decelerated capital allowance, £143,000 (30 June 2013: £nil) in respect of unpaid interest and £32,000 (30 June 2013: £nil) in respect of pension timing differences.

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts.

Exceptional tax

There were exceptional items in the period amounting to £487,000 (30 June 2013: £315,000). All exceptional items are taxable.

7. Reconciliation of exceptional items

	For the three months ended 30 June 2014	For the three months ended 30 June 2013
	£000	£000
Professional fees and services:		
Acquisition expense	371	—
Other operating expenses:		
Restructuring costs	—	94
Transformation project	116	221
	487	**315**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the ongoing performance of the Group.

Acquisition expenses were incurred with respect to the sale of the Quest Topco Limited group.

Restructuring costs included in exceptional items were incurred in respect of the exit of executive and senior managers.

The Group undertook an exercise to improve its operations and efficiencies to become a customer facing business. The costs incurred with the transformation of how the Group operates included new training for its collectors and resolving legacy inefficiencies.

8. Impairment of goodwill

At 30 June 2014 the Group held goodwill with a carrying value of £24,732,000 (31 March 2014: £24,732,000; 30 June 2013: £24,732,000) and intangible assets with a carrying value of £5,989,000 (31 March 2014; £4,836,000; 30 June 2013: £634,000).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill is attributable to the Quest Topco Limited group which is considered to be the only CGU to which the goodwill relates.

The Capquest Group's intangible assets comprise goodwill and software licences. The goodwill relates to the acquisition of the Capquest Group by funds managed by TowerBrook Capital Partners, L.P. in 2011. At 30 June 2014, the recoverable amount was determined by assessing the Directors' estimate of the fair value of the Group, adjusted for expected sales costs, against the carrying value of the net assets of the Group. In estimating the fair value of the Group, the Directors considered current market information indicating the value of the Group in an arm's length sale transaction. The carrying value of the Group's net assets was adjusted for the current financing structure of the Group to assume that an acquirer's funding structure would replace the current group financing structure including the repayment of the Capquest Revolving Credit Facility, Capquest Term Loan Facility, Lombard financing agreement, intercompany balances with Quest B.V and other Management loan note holders, and associated accrued loan note interest.

The carrying value of the net assets adjusted for the current financing structure of the Group exceeded the Directors' estimate of the fair value of the Group less costs to sell and it was therefore concluded that there was no impairment.

In the prior years ending 31 March 2012, 31 March 2013 and 31 March 2014, the Directors have reviewed the carrying value of the goodwill for potential impairment by comparing it to the Group enterprise value. The Directors conclude that no impairment should be recognised on 31 March 2012, 31 March 2013 or 31 March 2014.

9. Financial assets

	30 June 2014	31 March 2014	30 June 2013
	£000	£000	£000
Non-current:			
Purchased loan portfolios	83,286	87,381	90,432
	83,286	87,381	90,432
Current:			
Purchased loan portfolios	27,616	31,731	29,990
Portfolio write-up	17	8,904	2,684
Portfolio impairment	(739)	(11,654)	(1,516)
	26,894	28,981	31,158
Total	**110,180**	**116,362**	**121,590**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 June 2014, the carrying amount of the purchased loan portfolio asset was £110,180,000 (31 March 2014: £116,362,000; 30 June 2013: £121,590,000).

The movements in purchased loan portfolio assets were as follows:

	Period ended 30 June 2014	Year ended 31 March 2014	Period ended 30 June 2013
	£000	£000	£000
As at the period brought forward	116,362	102,287	102,287
Portfolios acquired during the period	2,724	45,558	25,370
Collections in the period	(15,441)	(59,153)	(13,968)
Income from purchased loan portfolios	7,257	30,420	6,733
Portfolio write-up	17	8,904	2,684
Portfolio impairment	(739)	(11,654)	(1,516)
As at the period end	**110,180**	**116,362**	**121,590**

Fair values

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 judgement 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 historical performance data. The purchased loan portfolios fair value is calculated using discounted net 84-month forecast cash flows. The fair values of derivative instruments are calculated using quoted prices. 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.

Except for unsecured loan notes with a fixed rate of 12%, borrowings are considered to be reported at fair value as these were arm's length transactions at prevailing market rates. The Group has not identified a significant change in the availability of such market rates. Assets and liabilities measured at fair value on a non-recurring basis include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are remeasured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). There were no significant impairments recorded during the period ended 31 June 2014.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

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 statement of financial position.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
30 June 2014:				
Derivative assets	—	409	—	**409**
Derivative liabilities	—	(206)	—	**(206)**
Net assets	—	203	—	**203**
31 March 2014:				
Derivative assets	—	453	—	**453**
Derivative liabilities	—	(382)	—	**(382)**
Net assets	—	71	—	**71**
30 June 2013:				
Derivative assets	—	502	—	**502**
Derivative liabilities	—	(746)	—	**(746)**
Net liabilities	—	(244)	—	**(244)**

Of the above derivative contracts, the net fair value asset of £203,000 (31 March 2014: asset of £71,000; 30 June 2013: liability of £244,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Financial instruments not measured at fair value — fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
30 June 2014				
Purchased loan portfolios	—	—	134,912	**134,912**
Total assets	—	—	134,912	**134,912**
31 March 2014:				
Purchased loan portfolios	—	—	141,094	**141,094**
Total assets	—	—	141,094	**141,094**
30 June 2013:				
Purchased loan portfolios	—	—	146,322	**146,322**
Total assets	—	—	146,322	**146,322**

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 effective interest rate are established for each purchased portfolio over 12 months old and 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.

If the 84-month cash collections forecast had been 10% higher at each collection point and all other variables were held constant, the purchased loan portfolio as at 30 June 2014 would increase by £11,321,000 (31 March 2014: £11,516,000; 30 June 2013: £11,052,000).

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 IRR, signs off the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and that are carried in the financial statements.

		Carrying amount			Fair value		
	Notes	30 June 2014	31 March 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
		£000	£000	£000	£000	£000	£000
Purchased loan portfolios	9	110,180	116,362	121,590	134,912	141,094	146,322
Derivative asset		409	453	502	409	453	502
Cash and cash equivalents		9,814	16,713	9,440	9,814	16,713	9,440
Other receivables		3,013	2,351	2,351	3,013	2,351	2,351
Total assets		**123,416**	**135,879**	**133,883**	**148,148**	**160,611**	**158,615**

10. Trade and other payables

	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000
Trade payables	1,558	1,944	1,145
Taxation and social security	437	394	340
Other liabilities and accruals	4,946	10,424	3,144
	6,941	**12,762**	**4,629**

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

11. Financial liabilities

Financial instruments not measured at fair value — fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Liabilities				
30 June 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	**—**	**165,269**	**—**	**165,269**
31 March 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	**—**	**165,269**	**—**	**165,269**
30 June 2013:				
Unsecured loan notes	—	150,480	—	150,480
Total liabilities	**—**	**150,480**	**—**	**150,480**

There have been no transfers in or out of Level 2.

The fair value of the unsecured loans is calculated using discounted cash flows, applying the current market rates and a credit spread reflective of the Group's current credit standing.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial liabilities that are carried in the financial statements.

		Carrying amount			Fair value		
	Notes	30 June 2014	31 March 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
		£000	£000	£000	£000	£000	£000
Trade and other payables	10	6,941	12,762	4,629	6,941	12,762	4,629
Loans	13	60,266	64,366	70,151	60,266	64,366	70,151
Unsecured loan notes	13	94,354	94,354	80,021	165,269	165,269	150,480
Interest on unsecured loan notes	13	27,164	23,732	14,550	27,164	23,732	14,550
Derivative liability	9	206	382	746	206	382	746
Total liabilities		**188,931**	**195,596**	**170,097**	**259,846**	**266,511**	**240,556**

12. Related party transactions

Group

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

	Quest Holdings B.V.	Key management personnel	Total
	£000	£000	£000
Period ended 30 June 2014			
Interest incurred on 12% B loan notes	—	(203)	(203)
Interest incurred on 12% A loan notes	(3,229)	—	(3,229)
	(3,229)	**(203)**	**(3,432)**
Balances outstanding as at 30 June 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(277)	(1,982)	(2,259)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(24,905)	—	(24,905)
	(114,305)	**(7,213)**	**(121,518)**
Balances outstanding as at 31 March 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(248)	(1,779)	(2,027)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(21,705)	—	(21,705)
	(111,076)	(7,010)	(118,086)
Period ended 30 June 2013			
Interest incurred on 12% B loan notes	—	(178)	(178)
Interest incurred on 12% A loan notes	(2,189)	—	(2,189)
	(2,189)	**(178)**	**(2,367)**
Balances outstanding as at 30 June 2013			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(1,117)	(1,117)
12% A loan notes	(74,181)	—	(74,181)
Accrued interest due on 12% A loan notes	(13,433)	—	(13,433)
	(87,614)	**(6,957)**	**(94,571)**

Group

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

Quest Holdings B.V. was the immediate parent company on 30 June 2014.

Key management personnel include the directors of Quest Topco Limited and Capquest Group Limited, and other shareholders in Quest Topco Limited.

Quest Holdings B.V. and M Brunault, former Chief Executive Officer of Capquest Group Limited, and others, are holders of preference shares issued in the company. Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption. On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 14.

A rate of 12% is receivable on the A and B loan notes. Loan notes are due in 2020 and are therefore receivable after more than one year. All amounts are unsecured. On 3 July 2014 the accrued interest on the loan notes was converted into equity, see note 14.

13. Borrowings

	Period ended 30 June 2014	Year ended 31 March 2014	Period ended 30 June 2013
	£000	£000	£000
Revolving credit facility	42,659	46,600	53,980
Bank loan	16,050	16,050	16,050
Other loans	1,557	1,716	121
Unsecured loan notes	94,354	94,354	80,021
Interest on unsecured loan notes	27,164	23,732	14,550
Total borrowings	**181,784**	**182,452**	**164,722**
Amount due for settlement within 12 months	69,823	70,332	68,530
Amount due for settlement after 12 months	111,961	112,120	96,192
	181,784	**182,452**	**164,722**

Revolving credit facility

On 7 November 2006, the Group entered into a revolving credit facility (the ''revolving credit facility'') with Royal Bank of Scotland, as security agent for a consortium of participating financial institutions. The new revolving credit facility terminates in August 2016 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.5% per annum. The new revolving credit facility has total commitments of £110 million.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 1.75% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.

Term loan facility

On 26 August 2011, the Group entered into a term loan facility with total capital commitments of £16.05 million. The term loan facility terminates in August 2018 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.5% per annum. The Group had drawn the full term loan available as of 31 March 2014.

Unsecured loan notes

On 26 August 2011, the Group issued £52.0 million of 12% unsecured A loan notes and £5.8 million of 12% unsecured B loan notes due 2020. Net proceeds of £52.0 million and £5.8 million included unsecured loan notes issuance costs that were capitalised within the financial instrument. The Group may redeem, at its option, some or all of the unsecured loan notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

14. Post balance sheet events

On 3 July 2014, all of the accrued interest on loan notes and the interest on preference shares were converted to 4,065,399 F ordinary equity shares using their valuation as at 30 June 2014. These values were as follows:

Accrued interest on loan notes	£27,164,000
Accrued interest on preference shares	£ 2,159,000

On 23 September 2014 a Sale and Purchase Agreement was signed with Arrow Global Group PLC for its acquisition of the Quest Topco Limited group.

PART V
UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

Section A

Basis of preparation

The unaudited pro forma financial information set out on pages 97 to 99 has been prepared to illustrate the effect of the Acquisition, the Offering and use of the proceeds thereof, including to fund the Acquisition, on the unaudited statement of net assets of Arrow Global as at 30 June 2014 and the unaudited income statement of Arrow Global for the year ended 31 December 2013. The unaudited pro forma financial information should be read in conjunction with the accompanying notes and assumptions as well as the historical consolidated financial statements and related notes of Arrow Global and the historical consolidated financial statements and related notes of Capquest either incorporated by reference or included in this Circular.

The following unaudited pro forma statement of net assets of Arrow Global as at 30 June 2014 is based on and derived from and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Arrow Global as at 30 June 2014 and unaudited condensed consolidated interim financial statements of Capquest as at 30 June 2014 included in this Circular. The unaudited pro forma statement of net assets has been prepared on the basis that the Acquisition and the Offering occurred on 30 June 2014 and in a manner consistent with the accounting policies adopted by Arrow Global and has been compiled on the basis set out in the notes below and in accordance with the requirements of Listing Rule 13.3.3R.

The following unaudited pro forma income statement of Arrow Global for the year ended 31 December 2013 is based on and derived from and should be read in conjunction with the audited consolidated financial statements of Arrow Global for the year ended 31 December 2013 and the audited consolidated financial statements of Quest Topco Limited for the year ended 31 March 2014 included in this Circular. The unaudited pro forma income statement has been prepared on the basis that the Acquisition and the Offering occurred on 1 January 2013 and in a manner consistent with the accounting policies adopted by Arrow Global and has been compiled on the basis set out in the notes below and in accordance with the requirements of Listing Rule 13.3.3R.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The effects of the Acquisition and the Offering have been preliminarily estimated and adjusted in the unaudited pro forma financial information. The unaudited pro forma financial information set out below gives effect to the following:

(A) the consummation of the proposed acquisition of Capquest for an assumed total consideration of £158 million, including the repayment of the Capquest Shareholder Loan Notes, Capquest Management Loan Notes, and amounts drawn under the Capquest Term and Revolving Credit Facility and the Lombard Loans;

(B) the assumed issuance of the Notes at an original issue discount of 2.5%; and

(C) the repayment of a portion of the amounts drawn under the Arrow Global Revolving Credit Facility.

Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information has been audited.

The unaudited pro forma information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this Circular and not rely solely on the summarised financial information contained in this Part V.

Unaudited pro forma statement of net assets as at 30 June 2014

	Arrow Global[(1)]	Capquest[(2)]	Acquisition adjustments	Offering adjustments	Enlarged Group pro forma
	£000	£000	£000	£000	£000
Assets					
Non-current assets					
Purchased loan portfolios	279,704	83,286	—	—	362,990
Intangible assets	3,128	30,722	13,983[(3)]	—	47,833
Property, plant and equipment	271	4,846	—	—	5,117
Loan notes	1,781	—	—	—	1,781
Deferred tax asset	16	—	—	—	16
Derivative asset	—	409	—	—	409
Total non-current assets	**284,900**	**119,263**	**13,983**	**—**	**418,146**
Current assets					
Cash and cash equivalents	17,147	9,814	(173,214)[(4)]	151,270[(8)]	5,017
Purchased loan portfolios	73,062	26,894	—	—	99,956
Other current assets	14,460	3,012	(15)[(5)]	—	17,457
Total current assets	**104,669**	**39,720**	**(173,229)**	**151,270**	**122,430**
Total assets	**389,569**	**158,983**	**(159,246)**	**151,270**	**540,576**
Liabilities					
Non-current liabilities					
Senior secured notes	212,587	—	—	170,506[(8)]	383,093
Loans	—	17,607	(17,607)[(6)]	—	—
Unsecured loan notes	—	94,354	(94,354)[(6)]	—	—
Deferred tax liability	2,435	—	—	—	2,435
Derivative liabilities	—	206	—	—	206
Total non-current liabilities	**215,022**	**112,167**	**(111,961)**	**170,506**	**385,734**
Current liabilities					
Trade and other payables	21,685	6,941	(2,010)[(4)]	—	26,616
Loans	—	42,659	(42,659)[(6)]	—	—
Interest on unsecured loan notes	—	27,164	(27,164)[(7)]	—	—
Revolving credit facility	26,946	—	—	(19,236)[(8)]	7,710
Current tax liability	3,571	—	—	—	3,571
Senior secured notes	5,704	—	—	—	5,704
Total current liabilities	**57,906**	**76,764**	**(71,833)**	**(19,236)**	**43,601**
Total liabilities	**272,928**	**188,931**	**(183,794)**	**151,270**	**429,335**
Net assets/(liabilities)	**116,641**	**(29,948)**	**24,548**	**—**	**111,241**

(1) The consolidated assets and liabilities of Arrow Global have been extracted without material adjustment from the consolidated balance sheet of Arrow Global as at 30 June 2014, as set out in the consolidated interim financial statements of Arrow Global Group PLC.

(2) The consolidated assets and liabilities of Capquest have been extracted without material adjustment from the unaudited consolidated IFRS balance sheet of Quest Topco Limited as at 30 June 2014, as set out in the unaudited consolidated interim financial statements of Quest Topco Limited included elsewhere in this Circular.

(3) Reflects the reversal of Capquest's goodwill of £25.1 million and the creation of goodwill on consolidation of £39.1 million. The £39.1 million goodwill upon consolidation is based on the price paid for the acquisition of Quest Topco Limited less its net assets at the date of the Acquisition following the repayment of outstanding indebtedness of Capquest and related interest as discussed in notes (6) and (7) below. A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed but will be prepared for inclusion in the consolidated financial statements of Arrow Global Group PLC for the year ending 31 December 2014. Management believes that such an exercise will not result in any significant adjustments to the book value of Capquest's tangible assets and liabilities, but expects that a significant element of the purchase price will be allocated to intangible assets that will be amortised over their relevant useful economic lives. Any excess of the consideration over the fair value of the assets acquired will be allocated to goodwill.

(4) Reflects the consideration payable for the Acquisition (including the payment of existing indebtedness of Capquest), estimated fees and expenses related to the Acquisition and the reversal of the cash and cash equivalents of Capquest, as shown in the table below:

	30 June 2014
	£000
Acquisition purchase price	(158,000)
Estimated fees and expenses related to the Acquisition	(5,400)
Reversal of cash and cash equivalents of Capquest[a]	(9,814)
Total	**(173,214)**

(a) £2.0 million of Capquest's cash and cash equivalents comprise client money held by Capquest. The reversal of the corresponding £2.0 million of client money is recognised in trade and other payables.

(5) Reflects the repayment of loans advanced by Appleby Trust (Jersey) Limited, the entity that holds legal title to shares of Quest Topco Limited held by management.

(6) Reflects the repayment of outstanding indebtedness of Capquest in connection with the Acquisition. As at 30 June 2014, Capquest's outstanding indebtedness consisted of amounts outstanding under the Capquest Shareholder Loan Notes (£88.4 million), the revolving credit facility component of the Capquest Term and Revolving Credit Facilities (£42.7 million), the term loan component of the Capquest Term and Revolving Credit Facilities (£16.1 million), the Capquest Management Loan Notes (£5.9 million) and the Lombard Financing Arrangements (£1.6 million). Actual amounts paid for the Acquisition may vary. In connection with the repayment of the existing indebtedness of Capquest, Capquest's outstanding hedging arrangements are also expected to be terminated..

(7) Reflects the reversal of interest on the Capquest Shareholder Loan Notes (£25.2 million) and the Capquest Management Loan Notes £2.9 million in connection with the Capquest Acquisition. See ''Information on Capquest — Financial Profile and Performance — Liquidity and capital resources — Borrowings,'' as well as notes 13 and 14 of Capquest's interim financial information for the three months ended 30 June 2013 and 30 June 2014, for further details on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes.

(8) Reflects the offering of the Notes hereby, less estimated fees and expenses in connection with the Offering that will be capitalised over the term of the Notes, as set out in the following table:

	30 June 2014
	£000
Issuance of Notes[a]	180,101
Estimated fees and expenses related to the transactions[b]	(5,092)
Original issue discount[c]	(4,503)
Repayment of a portion of amounts drawn under the Arrow Global Revolving Credit Facility[d]	(19,236)
	151,270

(a) This amount corresponds to €225.0 million of the aggregate principal amount of the Notes and converted to pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on 30 June 2014. You should not view such translations as a representation that such pound sterling amounts actually represent such converted euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. The exchange rate at which the proceeds of the Offering will be converted into pounds sterling may be materially different.

(b) Including fees and commissions payable to the Initial Purchasers and other transaction costs and professional fees.

(c) This represents 2.5% of the aggregate principal amount of the Notes, converted to pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on 30 June 2014.

(d) Reflects the repayment of £19.2 million of the £26.9 million drawn under the Arrow Global Revolving Credit Facility as at 30 June 2014, using a portion of the net proceeds of the offering of the Notes and cash on hand.

No adjustments have been made to reflect the trading results of the combined group since 30 June 2014 or any other change in the financial position of the Arrow Global and Capquest since 30 June 2014. As set out in note 14 of the interim financial information of Capquest for the three months ended 30 June 2013 and 30 June 2014, on 3 July 2014, all of the accrued interest on the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and the preference shares were converted into ordinary equity shares of Quest Topco Limited using their valuation as at 30 June 2014. As at 28 October 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as at 30 June 2014) as a result of this conversion. As of 28 October 2014, the amounts outstanding under ''Other loans'' of Capquest were approximately £8.9 million (compared to £1.6 million as at 30 June 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. No adjustment has been made for these post-balance sheet events.

Unaudited pro forma income statement for the year ended 31 December 2013

	Arrow Global[(1)]	Capquest[(2)]	Acquisition adjustments	Offering adjustments	Enlarged Group pro forma
	£000	£000	£000	£000	£000
Revenue					
Income from purchased loan portfolios	87,330	30,420	—	—	117,750
Portfolio write-up	4,843	8,904	—	—	13,747
Portfolio write-down	—	(11,654)			(11,654)
Profit on portfolio and loan note sales	1,132	—	—	—	1,132
Income from asset management	1,392	4,799	—	—	6,191
Total revenue	**94,697**	**32,469**	**—**	**—**	**127,166**
Operating expenses					
Collection Activity Costs	(27,994)	(17,060)	—	—	(45,054)
Professional fees and services	(1,733)	(1,601)	—	—	(3,334)
Other operating expenses	(20,759)	(14,391)	—	—	(35,150)
Total operating expenses	**(50,486)**	**(33,052)**	**—**	**—**	**(83,538)**
Operating profit/(loss)	**44,211**	**(583)**	**—**	**—**	**43,628**
Finance income and costs	(23,218)	(17,023)	17,023[(3)]	(10,728)[(4)]	(33,946)
Profit/(loss) before tax	**20,993**	**(17,606)**	**17,023**	**(10,728)**	**9,682**
Taxation (charge)/credit on ordinary activities	(5,882)	59	—	2,494[(5)]	(3,329)
Profit/(loss) for the period attributable to the equity shareholders	**15,111**	**(17,547)**	**17,023**	**(8,234)**	**6,353**

(1) The financial information for Arrow Global has been extracted without material adjustment from the consolidated statement of comprehensive income of Arrow Global Group PLC for the year ended 31 December 2013 in the Annual Report.

(2) The financial information for Capquest has been extracted without material adjustment from the consolidated statement of comprehensive income of Quest Topco Limited for the year ended 31 March 2014, included elsewhere in this Circular.

(3) Reflects the reversal of Capquest's finance income and costs as a result of the repayment of amounts outstanding under, and the termination of, the Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes.

(4) Reflects interest expense of £9.6 million in relation to the Notes (at an interest rate equal to three-month EURIBOR plus 525 basis points per annum, reset quarterly) and the amortisation of such interest expenses and discount of £1.1 million over a seven-year period. This is expected to have a continuing effect going forward.

(5) Reflects the tax impact of the adjustment to finance income and costs at the rate of 23.25% for Arrow Global and 23.0% for Capquest.

No adjustments have been made to reflect the trading results of the combined group since 31 December 2013 (in the case of Arrow Global) and 31 March 2014 (in the case of Capquest) or any other change in the results of operations of Arrow Global and Capquest since 31 December 2013 and 31 March 2014, respectively. On 3 July 2014, all of the accrued interest on the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and the preference shares were converted into ordinary equity shares of Quest Topco Limited using their valuation as at 30 June 2014. As at 28 October 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as at 30 June 2014) as a result of this conversion. As of 28 October 2014, the amounts outstanding under ''Other loans'' of Capquest were approximately £8.9 million (compared to £1.6 million as at 30 June 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. No adjustment has been made for these post-balance sheet events.

Section B

ACCOUNTANT'S REPORT IN RESPECT OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

KPMG

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The Directors
Arrow Global Group PLC
Belvedere
12 Booth Street
Manchester M2 4AW

3 November 2014

Dear Sirs

Arrow Global Group PLC

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part V of the Class 1 circular dated 3 November 2014, which has been prepared on the basis described for illustrative purposes only, to provide information about how the acquisition might have affected the financial information presented on the basis of the accounting policies adopted by Arrow Global Group PLC in preparing the financial statements for the period ended 31 December 2013. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Arrow Global Group PLC to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Arrow Global Group PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Arrow Global Group PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Arrow Global Group PLC.

Yours faithfully

KPMG LLP

PART VI
ADDITIONAL UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The additional unaudited consolidated financial information of Arrow Global Group PLC and Quest Topco Limited as at and for the 12 months ended 30 June 2014 set out below is summary information and has been prepared for illustrative purposes only. The financial information in this section does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or pro forma financial information within the definition in the Listing Rules.

This information has been prepared solely for the purpose of this Circular and is not prepared in the ordinary course of Arrow Global Group PLC or Quest Topco Limited's financial reporting and has not been audited or reviewed.

Shareholders should read the whole of this Circular and not rely on the summarised information set out in this section.

Presentation of financial information

This Part VI contains certain financial measures that are presented in, or derived from measures that are presented in (i) Arrow Global Group PLC's consolidated financial statements, which are prepared in accordance with IFRS and (ii) Quest Topco Limited's consolidated financial statements set out in Part IV of this Circular, which are prepared in a form that is consistent with the accounting policies adopted in Arrow Global Group PLC's most recent audited consolidated financial statements. These measures are:

''**Core Collections**'', which is presented in the financial statements as income from purchased loan portfolios;

''**Operating expenses**'', which is presented in the financial statements as such;

''**Operating profit**'', which is presented in the financial statements as such;

''**Other revenue**'', which is all of the revenue items in the financial statements other than income from purchased loan portfolios;

''**Portfolio amortisation and revaluation**'', which is the sum of portfolio amortisation and portfolio write-up, each of which are shown in the financial statements;

''**Profit before tax**'', which is presented in the financial statements as such;

''**Total gross assets**'', which is presented in the financial statements as such.

In the case of information for Arrow Global Group PLC, these measures were derived by adding Arrow Global Group PLC's consolidated financial information for the year ended 31 December 2013 to its unaudited consolidated financial information for the six months ended 30 June 2014 and subtracting its unaudited consolidated financial information for the six months ended 30 June 2013.

In the case of information for Quest Topco Limited, these measures were derived by adding Quest Topco Limited's consolidated historical financial information for the year ended 31 March 2014 to its unaudited consolidated financial information for the three months ended 30 June 2014 and subtracting its unaudited consolidated financial information for the three months ended 30 June 2013.

This Part VI also contains complementary measures which Arrow Global believes are important in assessing its financial performance. These are:

''**84-Month Gross ERC**'' and ''**120-Month Gross ERC**'' (together ''**Gross ERC**''), which means Arrow Global'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 Arrow Global's proprietary ERC forecasting model, as amended from time to time). 84-Month Gross ERC and 120-Month Gross ERC are calculated as of a point in time assuming no additional purchases are made thereafter. ERC as at 30 June 2014 shown for Quest Topco Limited in this Part VI is Arrow Global's view of such Gross ERC derived from the account-level (re)underwriting of Capquest's loan portfolios using Arrow Global's proprietary ERC forecasting model; and

''**Adjusted EBITDA**'', which is defined as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, amortisation of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable and settlement provisions, and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses).

(i) Unaudited consolidated financial information of Arrow Global Group PLC

	12 months ended 30 June 2014	
	Excluding exceptional items	Including exceptional items
	£000	£000
Core Collections	134,596	134,596
Portfolio amortisation and revaluation	(39,963)	(39,963)
As % of Core Collections	29.7%	29.7%
Other revenue	3,361	3,361
Total revenue	97,994	97,994
Operating expenses	(46,209)	(54,925)
Operating profit	51,785	43,069
% Margin vs. revenue	52.8%	44.0%
Profit before tax	32,190	23,331
% Margin vs. revenue	32.8%	23.8%
Adjusted EBITDA	94,095	94,095
% Margin vs. Core Collections	69.9%	69.9%

	As at 30 June 2014
	£000
84-Month Gross ERC	701,699
120-Month Gross ERC	827,319
Total assets	389,569

(ii) Unaudited consolidated financial information of Quest Topco Limited

	12 months ended 30 June 2014	
	Excluding exceptional items	Including exceptional items
	£000	£000
Core Collections	60,626	60,626
Portfolio amortisation and revaluation	(34,322)	(34,322)
As % of Core Collections	56.6%	56.6%
Other revenue	4,641	4,641
Total revenue	30,945	30,945
Operating expenses	(31,987)	(33,153)
Operating profit	(1,042)	(2,208)
% Margin vs. revenue	(3.4%)	(7.1%)
Loss before tax	(19,735)	(20,901)
% Margin vs. revenue	(63.8%)	(67.5%)
Adjusted EBITDA	34,110	34,110
% Margin vs. Core Collections	56.3%	56.3%

	As at 30 June 2014
	£000
84-Month Gross ERC	190,929
120-Month Gross ERC	224,434
Total assets	158,983

PART VII
PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT AND OTHER RELATED DOCUMENTATION

1. Introduction

The Acquisition Agreement was entered into on 23 September 2014 among Arrow Global, AGIHL and the Sellers to give effect to the Acquisition. Pursuant to the Acquisition Agreement, the Sellers have conditionally agreed to sell the entire issued share capital of Quest Topco Limited, a company incorporated and registered in England and Wales, which is the holding company for the Capquest group of companies, to AGIHL.

In addition, AGIHL entered into the Warranty Deed on 23 September 2014 with the Warrantors pursuant to which the Warrantors gave warranties in relation to the business of Capquest.

The principal terms and conditions of the Acquisition Agreement and the Warranty Deed are set out below.

2. Consideration

The consideration for the Acquisition is £158 million on an enterprise value basis.

The consideration payable upon Completion (the ''**Completion Payment**'') will be allocated as between: (a) the repayment of the Capquest external debt; (b) the repayment of loan notes issued by Capquest and held by the Institutional Seller and Management Sellers; and (c) the consideration for the shares in Capquest. The parties have agreed that £1.6 million of the Completion Payment will be transferred by AGIHL to a third party escrow account at Completion pending (and subject to) the resolution of ongoing discussions with HMRC in connection with a potential tax liability of Capquest related to deductions for interest on Capquest's existing shareholder debt. The amount held in escrow will be released to the Sellers only if HMRC has provided a confirmation by 31 March 2015 (or such later date as permitted by the Acquisition Agreement provided that such date is no later than 31 December 2015) that HMRC will enter into an agreement with Capquest as a result of which no member of the Capquest group will be liable to pay additional tax for certain prior years as a result of the disallowance of interest deductions accruing on Capquest's existing shareholder debt.

The parties have agreed a locked box mechanism based on the balance sheet of Capquest as at 31 March 2014. Pursuant to the locked box mechanism, AGIHL will take the risk of, and will benefit from, any changes in the financial position of Capquest between 31 March 2014 and Completion. Each Seller is responsible for repaying any value received by that Seller since 31 March 2014 on a pound-for-pound basis. Certain ordinary course payments and transaction-related costs are specifically permitted by the terms of the Acquisition Agreement. However, if certain of these permitted transaction-related costs have increased or decreased between signing and Completion, the Completion Payment will be adjusted accordingly.

3. Conditions to Completion

The Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon approval by Shareholders at the General Meeting. The Acquisition is also conditional upon there having been no breach of certain key pre-completion covenants in relation to Capquest which, taken together, have had a material adverse effect on Capquest.

One of the Capquest entities, Capquest Mortgage Servicing Limited (''**CMS**'') is authorised by the FCA and, therefore, the acquisition of this entity is subject to prior FCA approval. If the FCA does not approve the change of control of CMS before the Shareholder Approval Condition is satisfied, CMS will be transferred to the Institutional Seller and the Acquisition will proceed. Arrow Global will continue to seek FCA approval to the change of control of CMS following the Acquisition and will acquire CMS if such consent is granted. If FCA approval is not received within six months of the date of the Acquisition Agreement (or such later date as permitted by the Acquisition Agreement), CMS will be retained by the Institutional Seller and AGIHL will not acquire CMS.

4. Warranties and liability caps

Each Seller has given customary warranties to AGIHL at signing in relation to: (i) that Seller's title to the shares to be sold by that Seller pursuant to the Acquisition; and (ii) that Seller's capacity and authority to enter into the Acquisition Agreement. The liability of each of the Sellers under the Acquisition Agreement is on an individual and several basis. The Acquisition Agreement sets out customary financial and other limitations in relation to claims under the Acquisition Agreement.

At signing, the Warrantors also provided customary warranties in relation to the Capquest business under the terms of the Warranty Deed. These warranties are subject to significant limitations on the maximum value of any claims and AGIHL may not recover in full from the Warrantors for losses which it may suffer in respect of a breach of those warranties. The claims period under the Warranty Deed is 18 months after Completion (three years in the case of tax claims). Further, no claims may be brought against the Warrantors in respect of matters which occurred more than three years before the signing of the Warranty Deed.

5. Pre-completion covenants

The Management Sellers have given certain customary covenants in relation to the period between signing of the Acquisition Agreement and Completion, including to carry on the Capquest business in the normal course and to refrain from taking certain actions in respect of Capquest's business without the consent of AGIHL. The Institutional Seller also has agreed, in its capacity as shareholder, to ensure that Capquest complies with the pre-completion covenants.

6. Additional funding of Capquest by the Institutional Seller

The Institutional Seller may provide additional funding to Capquest in the period between signing of the Acquisition Agreement and Completion to: (a) fund new portfolio purchases by Capquest provided that the targeted 84-month gross money multiple is at least 1.5 times (''**Portfolio Purchases**''); or (ii) meet the general expenditure requirements of Capquest which would not have required to be funded by Quest Holdings B.V. but for required expenditure for Capquest's Integrated Technology Platform (''**General Expenditure**'').

If funding has been provided by the Institutional Seller to Capquest for Portfolio Purchases, this funding shall be repaid in full at Completion. If funding has been provided for General Expenditure, such funding is repayable only to the extent that it is less than or equal to the reduction in Capquest's net debt between 31 March 2014 and Completion.

On 21 October 2014, Quest Holdings B.V. notified Arrow Global that it is proposing to provide £5.3 million of additional funding to Capquest for General Expenditure on or around 27 October 2014.

7. Post-completion covenants

The Institutional Seller has provided an undertaking that it will not acquire certain competing businesses during the 12-month period following Completion. The Acquisition Agreement also contains a customary two-year non-solicitation covenant from the Institutional Seller with respect to certain senior Capquest employees; the covenants are subject to customary carve-outs.

8. Termination and compensation payments

The Acquisition Agreement will terminate if the Shareholder Approval Condition is not satisfied by the Long Stop Date.

If the Acquisition Agreement is terminated as a result of a failure to satisfy the Shareholder Approval Condition, Arrow Global has agreed to make a compensation payment of £1 million, inclusive of any amounts in respect of VAT, to the Institutional Seller, unless such failure was caused by a breach by the Institutional Seller of its obligations in the Acquisition Agreement.

9. Governing law

The Acquisition Agreement and the Warranty Deed are governed by the laws of England and Wales.

10. Financing arrangements

The consideration for the Acquisition is £158 million on an enterprise value basis. The consideration will be allocated as between the repayment of external debt, the repayment of loan notes issued by Capquest and held by the Institutional Seller and Management Sellers and the consideration for the shares in Capquest.

It is intended that the Completion Payment, together with the fees and expenses associated with the Acquisition, will be funded from a portion of the gross proceeds of the issue by Arrow Global Finance plc of the Notes, which is expected to be completed on 4 November 2014. The proceeds from the issue of Notes are also expected to be used to repay all existing third party indebtedness of Capquest (including Capquest's existing revolving credit facility and term loan) on or shortly following Completion.

Pending Completion, the gross proceeds of the issue of the Notes will be deposited in a segregated escrow account controlled by The Bank of New York Mellon. The escrow agreement will provide that the proceeds of the Notes will be released in connection with Completion to fund the Acquisition. If the Acquisition does not proceed, then all of the Notes will be subject to a special mandatory redemption at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the issue date of the Notes to the date of the special mandatory redemption.

PART VIII
ADDITIONAL INFORMATION

1. Responsibility

Arrow Global Group PLC and the Directors, whose names appear in paragraph 4.1 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Arrow Global and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

Arrow Global Group PLC was incorporated and registered in England and Wales on 14 August 2013 as Arrow Global Group Limited, a private company limited by shares with registered number 08649661. On 26 September 2013, Arrow Global Group PLC re-registered as a public company limited by shares and was renamed Arrow Global Group PLC. The registered office of Arrow Global Group PLC is at Belvedere, 12 Booth Street, Manchester, England M2 4AW.

3. Share capital

The total issued share capital of Arrow Global Group PLC as at 31 October 2014 (being the latest practicable date prior to the publication of this Circular) was £1,744,390.26, comprised of 174,439,026 ordinary shares of £0.01 each.

4. Directors

4.1 Directors

The names and principal functions of the Directors of Arrow Global are as follows:

Name	Position
Jonathan Bloomer	Non-executive Chairman
Tom Drury	Chief Executive Officer
Robert Memmott	Chief Financial Officer
Zachary Lewy	Founder and Executive Director
Sir George Mathewson	Non-executive Director and Senior Independent Director
Robin Phipps	Non-executive Director
Gillian Lesley Key-Vice	Non-executive Director
Iain Cornish	Non-executive Director

4.2 Directors' service contracts and letters of appointment providing for benefits upon termination of employment

Details of executive Directors' service contracts and non-executive Directors' letters of appointment providing for benefits upon termination of employment are set out on pages 51 to 52 of the Arrow Global 2013 Annual Report.

4.3 Directors' interests

As at 31 October 2014 (being the latest practicable date prior to the publication of this Circular), the interests (all of which, unless otherwise stated, are beneficial) of each Director and Senior Manager and (so far as is known to them or could with reasonable diligence be ascertained by them) their connected persons (under the Companies Act 2006) in the issued share capital of Arrow Global which have been notified by each Director to Arrow Global pursuant to the Disclosure and Transparency Rules were as follows:

Name	Number of Arrow Global Shares	Percentage of issued share capital
Jonathan Bloomer	24,391	0.01
Tom Drury	8,775,144	5.03
Robert Memmott	2,989,360[(1)]	1.71
Zachary Lewy	7,450,353	4.27
Sir George Mathewson	2,544,633	1.46
Robin Phipps	24,391	0.01
Gillian Lesley Key-Vice	6,357	0.01
Iain Cornish	0	—

(1) Includes holding of restricted shares under Initial Share Option Plan.

In addition to the interests noted above, as at 31 October 2014 (being the latest practicable date prior to the publication of this Circular), the Directors held the following options in respect of Arrow Global Shares pursuant to the Arrow Global Long Term Incentive Plan:

Name	Date of grant	Exercise price	Earliest exercise	Arrow Global Shares under option
Tom Drury	11 March 2014	£0.00	11 March 2017	199,275
Robert Memmott	11 March 2014	£0.00	11 March 2017	169,082
Zachary Lewy	11 March 2014	£0.00	11 March 2017	157,004

5. Major interests in shares

As at 31 October 2014 (being the latest practicable date prior to the publication of this Circular), the total voting rights of Arrow Global were 174,439,026. Set out in the table below are the names of those persons (other than the Directors) who, so far as Arrow Global is aware, are interested, directly or indirectly, in 3% or more of Arrow Global's total voting rights and issued share capital as at 31 October 2014 (being the latest practicable date prior to the publication of this Circular):

Name of shareholder	Number of Arrow Global Shares	Percentage of issued share capital
Schroder Investment Management	19,986,741	11.46
Old Mutual Global Investors	12,174,874	6.98
Jupiter Asset Management	11,807,311	6.77
Legal & General Investment Management	11,597,303	6.65
SEB Asset Management	9,439,006	5.41
Blackrock	8,334,613	4.78

Save as disclosed above, Arrow Global is not aware of any person who either:

(a) is interested, whether directly or indirectly, in 3% or more of the issued ordinary share capital of Arrow Global; or

(b) holds 3% or more of the voting rights attaching to Arrow Global Shares, held as shareholder or through a direct or indirect holding of financial instruments (within the meaning of DTR 5), or a combination of such holdings.

6. Related party transactions

Save:

(a) as disclosed in the financial information regarding related party transactions as set out:

- in note 21 in the notes to the consolidated financial statements of Arrow Global Guernsey Holdings Limited for the years ended 31 December 2012 and 31 December 2011 on pages 201 to 202 of the Arrow Global Prospectus;

- in note 21 in the notes to the consolidated financial statements of Arrow Global Group PLC for the financial year ended 31 December 2013 on pages 87 to 88 of the Arrow Global 2013 Annual Report; and
- in note 10 in the notes to the consolidated financial statements of Arrow Global Group PLC for the period ended 30 June 2014 on page 20 of the Arrow Global Half Year Results,

each of which are incorporated by reference into this document; and

(b) in respect of an invoice issued to Erudio Student Loans on 22 July 2014 for £1,500 by GKV Limited (owned by director Gillian Key-Vice), in relation to which Arrow Global expects to be charged approximately £315 in due course,

Arrow Global has not entered into any related party transactions during each of the years ended 31 December 2011, 2012 and 2013, and during the period between 1 January 2014 and 31 October 2014 (being the latest practicable date before the publication of this Circular), Arrow Global has not entered into any related party transactions. See Part IX of this Circular for further details on documents incorporated by reference into this Circular.

7. Litigation and other proceedings

7.1 Arrow Global

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arrow Global is aware) during the 12 months prior to the date of this Circular which may have, or have had in the recent past, a significant financial effect on the financial position or profitability of Arrow Global.

On 7 January 2014, a DCA in Portugal filed a claim in the Second Civil Circuit of the Civil Court of Lisbon alleging violations of certain Portuguese laws by Arrow Global (the ''**First Complaint**''). The plaintiff previously acted as a DCA to a Bank of America group entity in relation to a Portuguese portfolio which was subsequently sold to Arrow Global Portugal Limited (''**AGPL**'') in 2010, and the plaintiff's allegations include that Arrow Global's operations, through AGL and AGPL, violate Article 4 of the Portuguese Commercial Companies Code due to, among other things, Arrow Global not having established permanent offices in Portugal, as well as the Portuguese Commercial Registry Code due to Arrow Global's not having registered with the Portuguese commercial registry. The plaintiff has sought a court order requiring Arrow Global to cease its operations in Portugal and dispose of its Portuguese asset portfolio (and therefore it is not possible to quantify this claim). The Board has taken advice from Portuguese legal counsel and believes that it is highly unlikely that this order will be granted.

On 15 April 2014, Arrow Global filed its particulars of defence with the Second Civil Circuit of the Civil Court of Lisbon in response to the First Complaint, seeking dismissal of the claim and costs associated with the litigation.

On 11 November 2013, the plaintiff filed an additional claim (joined with a claim it filed on 17 December 2013) in the Eighth Civil Circuit of the Civil Court of Lisbon (the ''**Second Complaint**''). The Second Complaint alleges that Arrow Global and certain individuals within Arrow Global, as well as various Bank of America entities, the successor DCAs to the plaintiff and current and former employees of the respective organisations, violated applicable Portuguese law (including the Portuguese Civil Code) as a result of the contracts, agreements and operations relating to the purchase and servicing of this portfolio in Portugal, in relation to which the plaintiff was the prior DCA. The plaintiff has sought monetary damages in the amount of €8.4 million, as well as declarations from the court that such contracts and agreements referenced in the Second Complaint were simulated, null and void. Arrow Global has not yet been properly served with the relevant documentation in relation to the Second Complaint but intends to file a response within the relevant period stipulated under Portuguese law once this occurs. The Board believes that both complaints are without merit and Arrow Global intends to defend its position vigorously for itself and for its employees.

7.2 Capquest

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arrow Global is aware) during the 12 months prior to the date of this Circular which may have, or have had in the recent past, a significant financial effect on the financial position or profitability of Capquest.

8. No significant change

8.1 Arrow Global

There has been no significant change in the financial or trading position of Arrow Global since 30 June 2014, being the date to which the half-year financial statements of Arrow Global have been drawn up.

8.2 Capquest

There has been no significant change in the financial or trading position of Capquest since 30 June 2014, being the date to which the most recent unaudited interim financial statements of Capquest have been drawn up.

9. Material contracts

9.1 Arrow Global

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Arrow Global group, either (a) within the two years immediately preceding the date of this Circular which are or may be material; or (b) which contain any provision under which any member of Arrow Global has any obligations or entitlements which are or may be material as at the date of this Circular, save as disclosed below:

Compliance Database Services Agreement

On 18 November 2011, AGL entered into an agreement with Experian Limited pursuant to which Experian established a closed user database for AGL's exclusive use (the ''**Database**'') (the ''**Database Services Agreement**''). Pursuant to the terms of the Database Services Agreement, AGL and Experian agree upon a list of third parties who provide debt collection services to Arrow Global and third party debt managers/advisers who provide services to consumers with AGL-owned or AGL-managed accounts. These third parties are then invited to enter into a contribution agreement with Experian pursuant to which the third parties license certain data to Experian for inclusion in the Database. The provision of this data by third parties is supplied thereafter at a frequency set out in the relevant contribution agreement. Pursuant to the terms of the Database Services Agreement, Experian uses its proprietary technology to validate the name and address matching the account data supplied by third party contributors and collates this information in the Database. Finally, Experian provides AGL with a monthly extract of the Database, matching AGL's existing customer portfolio. The intention is that the Database facilitates the matching of debt owned or managed by Arrow Global or its customers to facilitate FCA-compliant debtor placement and account collection. The Database also assists AGL with the due diligence and verification it undertakes before the purchase of debt or undertaking of debt collection activities.

Under the contribution agreements, all intellectual property in the contributed data remains the property of the contracting contributor (or its licensors). Subject to this, however, all intellectual property in the software, format and structure of the Database is the property of Experian. Pursuant to the contribution agreements, each contributor grants a perpetual, irrevocable, non-exclusive licence to Experian to store, copy, process and combine that data with third party data and use the data for the agreed purposes, as set out in the contribution agreements. These licences survive termination of the relevant contribution agreement. Under the Database Services Agreement, Experian then licenses this contributed data, along with its own output data arising from the Database, to AGL. This licence terminates with the termination of the Database Services Agreement. Under this licence, AGL is able to use the data from the Database to: (i) match debts which are owned or managed by Arrow Global to support FCA-compliant customer placement and account collection strategies and (ii) support the due diligence and verification processes of Arrow Global before the purchase of debts.

The Database Services Agreement does not prevent Experian from creating a similar database for use by a single third party or a group of third parties. Data contributed for such databases, however, must be extracted under separate contribution agreements and cannot be simply replicated from the information collated for the purposes of the Database.

In consideration for setting up the Database, AGL is required by the Database Services Agreement to pay Experian a development fee, split into several tranches, all of which have now been paid. AGL also pays Experian variable monthly transactional fees which fluctuate depending on the number of matches carried out (i.e. the number of individual records, as supplied by AGL, which Experian compares with the data in the Database). If Experian provides a closed user database for two or more third parties, AGL is entitled to pay a reduced amount of transactional fees.

Arrow Global Revolving Credit Facility

Upon completion of the Acquisition, the total commitments under the Arrow Global Revolving Credit Facility will be increased to £100 million. In January 2013, certain entities in the Arrow Global group entered into the Arrow Global Revolving Credit Facility with The Royal Bank of Scotland plc as facility agent (the ''**Agent**''). The Arrow Global Revolving Credit Facility originally provided for £40 million of committed financing, which has subsequently been increased, most recently to £82.5 million (the ''**Total Commitments**'') with effect from 16 September 2014. The Total Commitments are available for utilisation by way of cash revolving loans, and by way of ancillary facilities, from the date of the Arrow Global Revolving Credit Facility, until 29 December 2018, provided that certain customary conditions precedent have been satisfied. Although all the initial conditions precedent have been satisfied, certain customary further conditions precedent must be satisfied as at the date of each utilisation request and each proposed utilisation date. The further conditions precedent require that there is no notice of acceleration of debt outstanding under the Arrow Global Revolving Credit Facility; no default is continuing or would result from the proposed loan; that certain customary representations are true and correct in all material respects at the time of the utilisation request and immediately after the making of the relevant loan; that all fees and expenses due and payable to the facility agent or the finance parties have been paid; and that the financial covenants (described below) have been complied with in respect of the most recent testing period.

The original borrower under the Arrow Global Revolving Credit Facility is AGL. The Arrow Global Revolving Credit Facility is guaranteed by the entities that guarantee the 2020 Notes and will guarantee the Notes, as well as Arrow Global Finance plc. The Arrow Global Revolving Credit Facility benefits from the same security package as the 2020 Notes, which will also secure the Notes.

The Arrow Global Revolving Credit Facility bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 375 basis points per annum, subject to a margin reduction based on the LTV Ratio (as defined below) at each quarter end.

The Arrow Global Revolving Credit Facility contains customary information and negative covenants, subject to certain agreed exceptions and materiality carve-outs. The Arrow Global Revolving Credit Facility also requires Arrow Global Finance plc, each borrower and each guarantor to observe certain customary affirmative covenants, subject to certain agreed exceptions and materiality carve-outs. In this respect, Arrow Global's financial and operating performance is monitored by two financial covenants, which require that:

- the LTV Ratio does not exceed 0.75:1, where ''**LTV Ratio**'' means, in respect of any date of calculation, the aggregate indebtedness of Arrow Global less cash and cash equivalent investments held by Arrow Global as at such date, divided by ''Gross ERC'' (defined as the aggregate amount of ERC projected to be received by members of the Arrow Global group from all portfolio accounts owned by members of the Arrow Global group during the period of 84 months, as calculated by Arrow Global's ERC forecasting model, as at the last day of the month most recently ended before the date of calculation); and
- the SSLTV Ratio does not exceed 0.25:1, where ''**SSLTV Ratio**'' in summary means, in respect of a date of calculation, the aggregate amount of all obligations of members of the Arrow Global group under the Arrow Global Revolving Credit Facility and any hedging agreement at that time, less cash and cash equivalent investments held by Arrow Global at such date, divided by Gross ERC.

These financial covenants are tested quarterly.

Subject to certain conditions, Arrow Global may voluntarily prepay its utilisations and/or permanently cancel all or part of the available commitments under the Arrow Global Revolving Credit Facility by giving prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of £1 million (or its equivalent) and in an integral multiple of £250,000 (or its equivalent)). Amounts repaid may (subject to the terms of the Arrow Global Revolving Credit Facility) be reborrowed. Under certain circumstances, the Arrow Global Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part.

The Arrow Global Revolving Credit Facility also contains a change of control provision.

As at 30 June 2014, £26.9 million was drawn under the Arrow Global Revolving Credit Facility. Between 1 January 2014 and 30 June 2014, the maximum amount drawn under the Arrow Global Revolving Credit Facility was £26.9 million.

Arrow Global intends to continue to drawdown under the Arrow Global Revolving Credit Facility to fund the purchase of further debt portfolios, as opportunities arise.

Purchase Agreement

On 30 October 2014, Arrow Global Finance plc (the ''**Issuer**''), the guarantors of the Notes, and Goldman Sachs International, Lloyds Bank plc and The Royal Bank of Scotland plc (the ''**Initial Purchasers**'') entered into a purchase agreement (the ''**Purchase Agreement**'') under which the Issuer agreed to sell to the Initial Purchasers, and the Initial Purchasers agreed to purchase from the Issuer, the entire principal amount of the Notes.

The Purchase Agreement provides for the obligations of the Initial Purchasers to pay for and accept delivery of the Notes, which are subject to the satisfaction of certain customary conditions, including the absence of a material adverse change in respect of any company in the Arrow Global group or the Arrow Global group as a whole, the accuracy of representations and warranties made to the Initial Purchasers by the Issuer and the guarantors named therein, the issue of certain customary opinions and comfort letters, the absence of any downgrade in the ratings of the Issuer or the notes, the absence of material market disruption or crisis and the execution of certain transaction documents. The Notes were initially offered at an issue price of 97.5%.

The Purchase Agreement also provides that the Issuer and the guarantors named therein will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended (the ''**U.S. Securities Act**''), and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is six months after the date the Notes are issued, to not, without having received the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Notes and the related guarantees.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Notes and the guarantees have not been and will not be registered under the U.S. Securities Act or applicable state securities laws. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to qualified institutional buyers in reliance on Rule 144A, and (ii) outside the United States in offshore transactions in reliance on Regulation S. Terms used above have the meanings given to them by Rule 144A and Regulation S. Any offer or sale of the Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act of 1934, as amended.

In connection with sales outside the United States, the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes or the date the Notes are originally issued. The Initial Purchasers will send to each distributor, dealer or person to whom they sell such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the later of the commencement of the offering of the Notes or the date the Notes are originally issued, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering of the Notes may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about 4 November 2014, which will be three Business Days following the date of pricing of the Notes.

The Issuer has applied to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

9.2 Capquest

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Capquest group, either (a) within the two years immediately preceding the date of this Circular which are or may be material; or (b) which contain any provision under which any member of the Capquest group has any obligations or entitlements which are or may be material as at the date of this Circular, save as disclosed below:

Integrated Technology Platform PSA

On 20 September 2013, Capquest Group Limited entered into a professional services agreement with ININ UK Limited (''**ININ**'') (the ''**Integrated Technology Platform PSA**''). The Integrated Technology Platform PSA provides for the modification and development of ININ's ''Latitude'' software to provide Capquest Group Limited with the Integrated Technology Platform.

The Integrated Technology Platform PSA commences on 20 September 2013 and continues (unless terminated earlier) until all activities detailed in a comprehensive statement of work have been completed.

In consideration for the work undertaken by ININ in relation to the Integrated Technology Platform, Capquest Group Limited is required to pay certain development costs, payable across certain milestones which are set out in the statement of work.

Both ININ and Capquest Group Limited provide standard corporate warranties. ININ also warrants that it has used good industry practice to ensure that the Integrated Technology Platform as delivered to Capquest Group Limited does not include any program designed to disrupt the proper operation of the Capquest Group Limited systems and that the work undertaken by ININ will be provided with reasonable skill and care and in accordance with good industry practice.

Capquest Group Limited may terminate the Integrated Technology Platform PSA and the Integrated Technology Platform LMA (described below) at any point before the date at which Phase 1 elements of the Integrated Technology Platform are made available to Capquest Group Limited's live operating environment on service of not less than five working days' notice to ININ. In addition, as well as customary termination rights for both parties in the event of default, insolvency, the cessation of business and/or a change of control by a competitor of the other party, the Integrated Technology Platform PSA will terminate automatically upon the termination of the Integrated Technology Platform LMA.

Integrated Technology Platform LMA

On 20 September 2013, Capquest Group Limited entered into a master licence and software maintenance agreement with ININ (the ''**Integrated Technology Platform LMA**''). The Integrated Technology Platform LMA provides for the ongoing licensing and maintenance of the Integrated Technology Platform, developed by ININ pursuant to the Integrated Technology Platform PSA.

The Integrated Technology Platform LMA commences on 20 September 2013, continues for an initial annual term and then renews automatically for successive annual terms (subject to termination rights in the agreement).

In consideration for the licensing of the Integrated Technology Platform, Capquest Group Limited is required to pay a single licensing sum, along with maintenance fees for each annual maintenance period during the term of the Integrated Technology Platform LMA.

Capquest Group Limited may choose not to renew the Integrated Technology Platform LMA at the end of the then current term by giving at least 60 days' prior written notice to ININ. In addition to customary termination rights for both parties in the event of default, insolvency, the cessation of business and/or a change of control by a competitor of the other party, the Integrated Technology Platform LMA will terminate automatically if the Integrated Technology Platform PSA is terminated for breach, insolvency or change of control. Where Capquest Group Limited has a right to terminate, it may instead elect to terminate the provision of maintenance services only.

10. Working capital statement

Arrow Global Group PLC is of the opinion that, taking into account the bank facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for the next 12 months from the date of this Circular.

11. Consents

11.1 Sponsor

Goldman Sachs International has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references to it in the form and context in which they appear.

11.2 Joint financial adviser

Jefferies International Limited has given and has not withdrawn its written consent to the inclusion of its name and references to it in the form and context in which they appear.

11.3 Accountants

Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in Part IV(A) of this Circular of its report on the historical consolidated financial information on Capquest, set out in Part IV(B) and the references to its name in the form and context in which it is included.

KPMG LLP has given and has not withdrawn its written consent to the inclusion in Part V(A) of this Circular of its report on the unaudited pro forma financial information of the Enlarged Group, set out in Part V(B).

12. Documents on display

Copies of the following documents may be inspected at Arrow Global's registered office at Belvedere, 12 Booth Street, Manchester M2 4AW and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, during normal business hours on any Business Day from the date of this Circular until the conclusion of the General Meeting:

(A) the Articles of Association of Arrow Global;

(B) the written consents referred to in paragraph 11 above;

(C) the Acquisition Agreement;

(D) the Warranty Deed;

(E) the reports from Ernst & Young LLP and KPMG LLP set out in Parts IV and V of this Circular;

(F) the audited consolidated accounts of Arrow Global for the year ended 31 December 2013;

(G) the service contracts and letters of appointment of the Directors; and

(H) a copy of this Circular.

Dated 3 November 2014.

PART IX
DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the various information incorporated by reference into this Circular, so as to provide the information required pursuant to the Listing Rules. These documents are also available at www.arrowglobalir.net.

Document	Information incorporated by reference	Page number in this document
Arrow Global 2013 Annual Report	Details of executive Directors' service contracts and non-executive Directors' letters of appointment providing for benefits upon termination of employment (pages 51-52)	107
	Details of related party transactions that Arrow Global has entered into for the financial year ended 31 December 2013 (pages 87-88)	109
Arrow Global Half Year Results	Details of related party transactions that Arrow Global has entered into for the period ended 30 June 2014 (page 20)	109
Arrow Global Prospectus	Details of related party transactions that Arrow Global has entered into for the financial years ended 31 December 2012 and 31 December 2011 (pages 201-202)	108

The documents incorporated by reference in this Circular have been incorporated in compliance with Listing Rules 13.1.3 and 13.1.6. The information set out above is incorporated by reference in this Circular and forms part of this Circular, and is available as indicated. Information that is itself incorporated by reference or referred or cross-referred to in these documents is not incorporated by reference into this Circular. Except as set out above, no other portions of these documents are incorporated by reference into this Circular.

DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

"2020 Notes"	means the Issuer's £220,000,000 7.875% senior secured notes due 2020;
"84-Month Gross ERC" and **"120-Month Gross ERC"** (together "**Gross ERC**")	means Arrow Global'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 Arrow Global's proprietary ERC forecasting model, as amended from time to time). 84-Month Gross ERC and 120-Month Gross ERC are calculated as of a point in time assuming no additional purchases are made thereafter;
"Acquisition"	means the proposed acquisition of the entire issued share capital of Quest Topco Limited by Arrow Global on the terms set out in the Acquisition Agreement;
"Acquisition Agreement"	means the agreement entered into among Arrow Global, AGIHL and the Sellers dated 23 September 2014 relating to the Acquisition, further details of which are set out in Part VII of this Circular;
"Adjusted EBITDA"	is defined as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, amortisation of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable and settlement provisions, and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses);
"Agent"	means The Royal Bank of Scotland plc as facility agent under the Arrow Global Revolving Credit Facility;
"AGIHL"	means Arrow Global Investments Holdings Limited, a limited company incorporated in England and Wales with registered number 6568603 whose registered office is at 20-22 Bedford Row, London WC1R 4JS;
"AGL"	means Arrow Global Limited, a limited company incorporated in England and Wales with registered number 5606545 whose registered office is at 20-22 Bedford Row, London WC1R 4JS;
"Annual Report"	means the annual report and accounts of Arrow Global for the financial year ended 31 December 2013, which is available from www.arrowglobalir.net;
"Arrow Global"	means Arrow Global Group PLC and its subsidiaries;
"Arrow Global Revolving Credit Facility"	means the revolving credit facility made available under the credit agreement entered into on 29 January 2013, as amended on 11 April 2013, 6 September 2013, 30 June 2014 and 16 September 2014, and as may be further amended from time to time, among the Issuer, the guarantors and the Agent;

"Arrow Global Shares"	means ordinary shares of £0.01 each in the share capital of Arrow Global;
"Board" or the **"Directors"**	means the directors of Arrow Global whose names are set out in Part VIII of this Circular (or, where the context requires, the directors of Arrow Global Group PLC from time to time);
"Business Day"	means a day (other than a Saturday or a Sunday) on which banks are open for general business in London;
"BCT"	means British Credit Trust;
"Capita" or the **"Registrar"**	means Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
"Capquest"	means Quest Topco Limited and its subsidiaries;
"Capquest Adjusted EBITDA"	means net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of loan portfolios, income taxes paid, working capital adjustments, amortisation of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable/(receivable) and non-recurring items and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses);
"Capquest Management Loan Notes"	means the management loans to Capquest outstanding in the form of loan notes;
"Capquest Shareholder Loan Notes"	means the Institutional Seller loans to Capquest outstanding in the form of loan notes;
"Capquest Term and Revolving Credit Facility"	means the facility made available under the facilities agreement entered into on 7 November 2006, as amended from time to time, among Capquest Group Limited and its subsidiaries, The Royal Bank of Scotland plc, Citibank, N.A. London Branch, Lloyds TSB Bank plc, NAC EuroLoan Advantage 1 Limited, Mercator CLO I plc and Mercator CLO III Limited as lenders and The Royal Bank of Scotland plc as agent and security agent;
"Circular"	means this document;
"CMS"	means Capquest Mortgage Servicing Limited;
"Collection Activity Costs"	means the direct costs of external collections related to purchased loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs and legal costs associated with collections;
"Collection Cost Ratio"	means the ratio of Collection Activity Costs to Core Collections;
"Company"	means Arrow Global Group PLC;
"Completion"	means the completion of the Acquisition;
"Completion Payment"	means the consideration payable upon Completion;
"Conduct Condition"	has the meaning given to it in Part II;
"Core Collections"	means collections on all debt portfolios that Arrow Global or Capquest, as applicable, own at the relevant point in time;

"CREST" . . . . means the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulation 2001;

"CREST Proxy Instruction" . . . . . . means a proxy appointment or instruction made via CREST, authenticated in accordance with Euroclear UK & Ireland Limited's specifications and containing the information set out in the CREST Manual;

"Database" . . . . has the meaning given to it in Part VIII, Section 9.1;

"Database Services Agreement" . . has the meaning given to it in Part VIII, Section 9.1;

"DCA" . . . . means debt collection agency;

"Debt Originators" . . . . means financial institutions or other initial providers of credit to consumers, certain of which choose to sell paying accounts or non-paying accounts receivables to debt purchasers;

"Disclosure and Transparency Rules" or **"DTR"** . . . . means the Disclosure and Transparency Rules of the FCA;

"Effective Interest Rate" or **"EIR"** . means, under IFRS, the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability;

"Enlarged Group" . . . . means Arrow Global as at and from Completion;

"EPS" . . . . means earnings per share;

"ERC" . . . . means estimated remaining collections;

"EV" . . . . means enterprise value;

"FCA" . . . . means the Financial Conduct Authority;

"First Complaint" . . . . has the meaning given to it in Part VIII, Section 7.1;

"Form of Proxy" . . . . means the form of proxy enclosed with this Circular for use by Shareholders in connection with the General Meeting;

"Forward Flow Agreement" . . . . . . means an agreement to sell several portfolios over a period of time at a pre-determined price and quality of debt;

"FOS" . . . . means the UK Financial Ombudsman Service;

"FY 2012" . . . . means Capquest's financial year ended 31 March 2012;

"FY 2013" . . . . means Capquest's financial year ended 31 March 2013;

"FY 2014" . . . . means Capquest's financial year ended 31 March 2014;

"General Meeting" . . . . means the general meeting of Arrow Global Group PLC to consider the Resolution, expected to be held on 26 November 2014, or any adjournment of that meeting;

"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;

"H1 2013" . . . . means the 24 weeks to 20 June 2013;

"HMRC" . . . . means Her Majesty's Revenue & Customs;

"IFRS" . . . . means the International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;

"ININ"	means ININ UK Limited;
"Initial Purchasers"	means each of Goldman Sachs International, Lloyds Bank plc and The Royal Bank of Scotland plc;
"Institutional Seller"	means Quest Holdings B.V., a company incorporated in the Netherlands with registered number 52845044000, whose registered office is at Schipol Boulevard 699, 11189 BM Luchthaven Schipol, Netherlands;
"Integrated Technology Platform"	has the meaning given to it in Part III of this Circular;
"Integrated Technology Platform LMA"	has the meaning given to it in Part VIII, Section 9.2;
"Integrated Technology Platform PSA"	has the meaning given to it in Part VIII, Section 9.2;
"IRR"	means internal rate of return;
"Issuer"	has the meaning given to it in Part VIII, Section 9.1;
"Listing Rules"	means the Listing Rules of the UK Listing Authority;
"Lombard Financing Arrangements"	mean, collectively, the loan agreements that entities in the Capquest group have entered into with Lombard North Central PLC and sale and leaseback agreements that entities in the Capquest Group have entered into with Lombard Technology Services Limited;
"Long Stop Date"	means 26 January 2015;
"LTV Ratio"	has the meaning given to it in Part VIII, Section 9.1;
"Management Sellers"	means certain former and current management shareholders of Capquest;
"Net Core Collections"	means Core Collections less Collection Activity Costs;
"Net Debt"	means the aggregate of all third party financial debt and debt-like items of Capquest (excluding any shareholder debt) less the aggregate of all cash and cash equivalents held by Capquest;
"Net Debt Reduction Amount"	means the amount (if any) by which the Net Debt as at Completion is less than the Net Debt as at 31 March 2014 (as more particularly defined in the Acquisition Agreement);
"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;
"Notes"	has the meaning given to it in Part I, Section 10;
"Notice"	means notice of the General Meeting which is set out at the end of this Circular;
"Offering"	means the offering of the Notes;
"PCB"	means Arrow Global's Proprietary Collections Bureau;
"Portfolio Purchases"	has the meaning given to it in Part VII, Section 6;
"Purchase Agreement"	has the meaning given to it in Part VIII, Section 9.1;

"Quest Topco Limited"	means Quest Topco Limited, a limited company incorporated in England and Wales with registered number 7653295 whose registered office is at Fleet 27, Rye Close, Fleet, Hampshire GU51 2QQ;
"Regulation S"	means Regulation S under the U.S. Securities Act;
"Resolution"	means the resolution to approve the Acquisition to be considered by Shareholders at the General Meeting;
"Return on Equity" or **"RoE"**	means the amount of net income returned as a percentage of shareholders' equity;
"Rule 144A"	means Rule 144A under the U.S. Securities Act;
"Second Complaint"	has the meaning given to it in Part VIII, Section 7.1;
"Sellers"	means the Institutional Seller and the Management Sellers;
"Shareholder"	means a holder, for the time being, of Arrow Global Shares;
"Shareholder Approval Condition"	has the meaning given to it in Part II;
"SSLTV Ratio"	has the meaning given to it in Part VIII, Section 9.1;
"TowerBrook"	means TowerBrook Capital Partners, L.P.;
"Total Commitments"	has the meaning given to it in Part VIII, Section 9.1;
"Transactions"	means the Acquisition and the Offering, together;
"UK"	means the United Kingdom of Great Britain and Northern Ireland;
"UK Listing Authority"	means the FCA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
"U.S. Securities Act"	means the U.S. Securities Act of 1933, as amended;
"Warrantors"	means certain members of Capquest's senior management team; and
"Warranty Deed"	means the warranty deed entered into in connection with the Acquisition Agreement, dated 23 September 2014.

Arrow Global Group PLC
(Registered in England and Wales No. 08649661)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of Arrow Global Group PLC (the ''**Company**'') will be held at River Court, 120 Fleet Street, London EC4A 2BE at 2.00 p.m. on 26 November 2014 for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution.

ORDINARY RESOLUTION

Resolution:

1. THAT the proposed acquisition by the Company (or one of its subsidiaries) of the entire issued share capital of Quest Topco Limited (''**Capquest**'') on the terms and subject to the conditions contained in the acquisition agreement dated 23 September 2014 made between the Company, Arrow Global Investments Holdings Limited, Quest Holdings B.V. and certain former and current management shareholders of Capquest (the ''**Acquisition**'') and summarised in the circular dated 3 November 2014 and the associated and ancillary arrangements related thereto be and are hereby approved, and any and all the directors (or duly authorised committee thereof) be and are hereby authorised to (i) do all such acts and things and execute all such agreements and make such arrangements as may seem to them necessary, expedient or appropriate for the purpose of giving effect to, or otherwise in connection with, the Acquisition and any associated and ancillary arrangements related thereto, and (ii) agree and make such modifications, variations, revisions, waivers or amendments in relation to any of the foregoing (provided that such modifications, variations, revisions, waivers or amendments are not material) as they may in their absolute discretion think necessary, expedient or appropriate.

Dated 3 November 2014

By order of the Board

Stewart Hamilton
Company Secretary

Registered Office:
Belvedere
12 Booth Street
Manchester
England
M2 4AW

Notes:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be an Ordinary Shareholder of the Company. The appointment of the Chairman as proxy on the form of proxy has been included for convenience. If you wish to appoint any other person or persons as proxy or proxies delete the words the ''Chairman of the Meeting'' on the form of proxy and add the name and address of the proxy or proxies appointed. A form of proxy which may be used to make such appointment and give proxy instructions accompanies the Circular. If you do not have a form of proxy and believe that you should have, or if you require additional forms, please contact Capita Asset Services by:

   Telephone: 0871 664 0300 (Calls cost 10 pence per minute plus network extras)
   (from outside the UK: +44 (0) 20 8639 3399)
   Lines are open Monday - Friday, 9.00 a.m. - 5.30 p.m.
   Facsimile: +44 (0) 20 8639 2220
   Email: shareholderenquiries@capita.co.uk

2. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior). To be effective, a form of proxy or other instrument appointing a proxy must be deposited with Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time fixed for the meeting or electronically by visiting www.arrowglobalir.net/investor-information/share-portal. You will be asked to enter the Investor Code shown on your form of proxy or the top of your share certificate and to agree to certain terms and conditions.

3. The return of a completed form of proxy, other such instrument, or any CREST Proxy Instruction (as described in paragraph 10 below) will not prevent you from attending the General Meeting and voting in person if he/she wishes to do so, although your proxy appointment will then automatically be terminated.

4. In the case of a Shareholder which is a corporation, the form of proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.

5. Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

6. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''**Nominated Person**'') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

8. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00 p.m. on 24 November 2014 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

9. As at 31 October 2014 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 174,439,026 ordinary shares, carrying one vote each. Therefore the total number of voting rights in the Company as at 31 October 2014 was 174,439,026.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 26 November 2014 and any

adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a ''**CREST Proxy Instruction**'') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, to be valid, be transmitted so as to be received by Capita Asset Services (Crest ID RA10) by 2.00 p.m. on 24 November 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence; if the company is unable to determine which was last received, none of them shall be treated as valid.
15. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
16. Members may not use any electronic address provided in either this Notice of the General Meeting or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.
17. A copy of the Circular, including this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.arrowglobalir.net.
18. At the General Meeting itself, it is proposed that voting on the Resolution will be taken by poll rather than a show of hands. The results will be released to the London Stock Exchange and will be published on the Company's website www.arrowglobalir.net.
19. Any Shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
20. The documents listed in paragraph 12 of Part VIII of the Circular are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the registered office of the Company until the time of the General Meeting and will also be available for inspection at the place of the General Meeting for at least 15 minutes before the General Meeting until the conclusion of the General Meeting.

Merrill Corporation Ltd, London
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