3 March 2016

Arrow Global Group PLC
Preliminary results for the year ended 31 December 2015

Arrow Global Group PLC "the Company" and its subsidiaries (together "the Group"), a leading European purchaser and manager of debt portfolios, is pleased to announce its preliminary results for the year ended 31 December 2015.

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

"2015 was another record year for Arrow Global and another year of delivery on our targets. Adjusted EBITDA was up 51.5% to £153.1 million, net underlying income was up 19.6% to £35.4 million and we delivered a strong ROE of 26.5%. Reflecting this performance, and our confidence in the future, we are proposing a 39.4% increase in the full-year dividend to 7.1p, representing a 35% pay-out ratio.

"We have continued to strengthen the Arrow Global franchise, successfully diversifying the business by asset class, geography and revenue stream. We are a market leader in both UK and Portugal, have increased our investment in the Netherlands and retain our 15% interest in French market leader, MCS. Overall, we invested £216.3 million, including £180.3 million of portfolio acquisitions, and grew ERC by 12.8% to more than £1.2 billion.

"A strong focus on operational excellence and reducing overheads, combined with the growth in our increasingly integrated servicing businesses, means we are well placed to offer our customers the service that best suits their needs. As we continue to grow our service capabilities and actively seek out new strategic partnerships and opportunities, we anticipate servicing revenues of around 15% of Group revenue in 2016.

"We are an increasingly well diversified business, with a strong origination pipeline – starting the year with awarded purchases of £71 million. We therefore remain confident in maintaining portfolio investments at approximately twice our average annual replacement rate of £78 million. This, combined with the continued delivery of the Capquest and Whitestar business cases, will support positive earnings growth in 2016, ROE in the mid-twenties in the medium term and the continuation of our progressive dividend policy."

Highlights

- Final dividend of 5.4p proposed bringing total dividends for 2015 to 7.1p per share; a 35% pay-out and an increase of 39.4% over 2014
- Underlying basic and diluted earnings per share (EPS)[1] of £0.20 (2014: £0.17) delivering underlying return on equity (ROE)[1] of 26.5% (2014: 26.1%)
- Total revenue up 49.5% to £165.5 million (2014: £110.7 million), driven by core collections up 47.1% to £218.5 million (2014: £148.5 million), leading to an increase in adjusted EBITDA up 51.5% to £153.1 million (2014: £101.0 million); adjusted EBITDA ratio 70.0% (2014: 68.0%)
- Profit before tax up 62.8% to £39.3 million (2014: £24.1million) leading to a profit attributable to shareholders up 73.8% to £31.7 million (2014: £18.3 million) and net underlying income up 19.6% to £35.4million (2014: £29.6 million) Over £200 million invested during the year, including organic portfolio purchases of £176.3 million with a face value of £1.5 billion
- Increased total purchased loan portfolios[2] from £477.5 million to £586.3 million with 120-month ERC up 12.8% to £1,224.5 million at 31 December 2015 (2014: £1,085.4 million) and 84-month ERC up 14.6% to £1,028.6 million at 31 December 2015 (2014: £897.3 million)

- Acquisition of Whitestar and Gesphone in Portugal, creating scale and servicing capability across multiple asset classes
- Successfully issued €110 million bond
- Net debt of £588.6m and net debt to adjusted EBITDA ratio of 3.8x, balance sheet liquidity further strengthened with our Revolving Credit Facility (RCF) increased to £180 million in February 2016

Notes:

1. Due to transformation changes to the Group brought about by strategic acquisitions, in order to understand the performance of the Group, underlying measures are disclosed
2. Excluding £23.5 million of portfolios due to be resold. Subsequent to the year end, completion has taken place to sell these assets to the investment partner

A glossary of terms can be found on pages 33 to 36

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Forward looking statement

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and its subsidiaries (the "Group") and the industry in which the Group operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

The chief executive officer's review

Arrow Global achieved another set of record results, welcoming new businesses and colleagues to the Group.

We continued to lay the foundations of further success by increasing both the volume and diversity of the assets we hold, while at the same time, increasing our servicing capabilities.

By focusing on doing the right thing for our customers, we have made significant strides towards achieving our vision of becoming Europe's leading purchaser and manager of debt.

Our proven strategy continues to provide the roadmap for all our activities. We are already a leading player in the UK and Portuguese markets, and we have a 15% interest in the French market leader, MCS, and have increased our asset base in the Netherlands. We have also invested in our servicing capabilities, significantly enhancing our client and customer proposition.

In summary, we are a well diversified business that continues to pursue disciplined growth and remains confident in its ability to deliver growth in operating cash flow and EPS and a ROE percentage in the mid-twenties.

Transforming the customer journey

This year, we developed a new set of values, designed to better reflect the evolving culture of our growing business. Importantly, they outline the behaviours we aspire to when striving to achieve our mission of helping our customers repay their debts in a timely and affordable way.

In 2015, we also implemented a number of new initiatives which will further enhance our customer journey. Our new integrated customer service platform went live, we enhanced our digital offering and we continued to rationalise our servicer panel to create a core group of highly capable and compliant specialist providers.

Improving performance and profitability

During the year, our profit for the year attributable to equity shareholders increased by 73.8% to £31.7 million.

We grew the Group's underlying net income by 19.6% to £35.4 million, delivering an underlying return on equity (ROE) of 26.5%.

We also achieved a record level of organic portfolio investments of £176.3 million, with total portfolio purchases for the year totalling £180.3 million, well in excess of our 2015 replacement rate of £68 million.

2015 is a balanced vintage and we are particularly pleased at investing at an expected average 120-month cash-on-cash multiple of 2.0 times (84-month 1.7 times) from date of purchase. Importantly, 32.3% of purchases by purchase price were in secured assets, more than in any previous year of our Group's history.

Enhancing our servicing and our portfolios

Following the acquisitions of Capquest at the end of 2014 and Whitestar and Gesphone in the first half of 2015, we significantly enhanced our servicing capabilities and during the year our servicing businesses generated £14.7 million of revenue. This is up from £1.9 million in 2014 and we expect servicing revenues to be circa 15% of Group revenue in 2016.

Our new portfolio purchases increased our total purchased loan portfolios by 22.8% to £586.3 million as at 31 December 2015. Our 120-month Estimated Remaining Collection (ERC) increased by 12.8% to £1,224.5 million and our 84-month ERC increased by 14.6% to £1,028.6 million.

In 2015, we also successfully issued a €110 million bond, ensuring we continue to have the right capital structure in place to help us grow.

Strength in four core markets

We now operate and hold significant assets in four core markets, with each of them contributing to our strong results in 2015:

- In the UK, as well as integrating the Capquest business, we successfully migrated the servicing of the Erudio Student Loans portfolio in-house, and continued to benefit from a number of forward-flow purchase agreements
- In Portugal, in addition to the purchase of two servicing businesses, we made significant portfolio purchases, especially in secured assets. We also entered into a strategic origination and servicing partnership with one of our key fund partners, and secured a number of deals from the agreement throughout the year
- In the Netherlands, we continued to build our presence with the purchase of two portfolios
- In France, we saw our first full-year results from our 15% interest in market leader, MCS, and we saw our first positive results from this investment

Addressing regulation. Deepening understanding

We continue to use data and additional research to deepen our understanding of our customers and have completed a new piece of research called Debt Britain, which provides insight into the current debt landscape, as well as making predictions about what will happen as lending increases in-line with improving economic conditions.

In 2014, we saw the change in regulator from the Office of Fair Trading (OFT) to the FCA, and as our new regulator gets to grips with the consumer credit sector, we have continued to see a wave of consolidation reflecting the high cost of meeting regulatory standards.

The year ahead

We will continue to evolve our business model to make sure we offer our customers and clients the service that best suits their needs.

We are a well diversified business with a strong origination pipeline – starting 2016 with awarded purchases of £71 million.

We are confident in maintaining portfolio investments at approximately twice our average annual replacement rate of £78 million. This combined with the continued delivery of the Capquest and Whitestar businesses, supports continued high earnings growth in 2016, and we remain confident of our ability to deliver a medium-term ROE percentage in the mid-twenties and a progressive dividend policy.

Tom Drury

Chief executive officer

Outlook

Looking forward to 2016 and beyond, improving economic and market conditions and developing regulation seem likely to be the main drivers of change in the industry across Europe.

Economic and market conditions

Overview

Market forecasters continue to assert that the growth seen in the European NPL market in recent years shows little sign of abating, and this is supported by independent research from PwC, which suggests that European NPL loan sales may well be up from €46 billion in 2012 to €160 billion in 2015.

Bank restructuring across Europe is also driving consolidation among our clients, as well as in portfolio sales and here, banks are often looking to sell assets which require them to tie up capital that could be deployed more effectively elsewhere.

A recent OC&C Strategy Consultants report published in November 2015 observed that one of the notable trends of the year was the opportunity presented by public sector debt and we believe this is a trend that will continue across Europe as a whole.

The OC&C report also notes a momentum towards forms of Business Process Outsourcing (BPO), which we think will mean many more clients choosing to pursue hybrid models, selling NPL portfolios in some instances and employing servicing solutions in others.

Economic conditions are forecast to continue to improve, albeit at reduced rates to that initially anticipated. As such, we expect to see an increase in consumer and business lending but will continue to monitor the risk from changes in economic and market conditions, especially with respect to any impact on forecast collections. A feature of previous cycles has been that an increase in lending has led to a corresponding rise in NPLs, and we see no reason for this to change.

In the UK, our recent Debt Britain research predicted that by 2020 the level of consumer default will have increased by 17%, mirroring a similar rise in lending over the same period, tied to the economic cycle.

Our approach

At Arrow Global, we are known for seeking to create strong and enduring relationships with our creditors and fund partners.

With a European origination capability, we will continue to look for opportunities in new asset classes and geographies, while at the same time, working hard to build a market leading position in those we already operate.

We will also be looking to enhance our service offering through our well invested in-house servicing platforms in the shape of Capquest and Whitestar.

We have already generated a number of long-term origination and servicing contracts with our fund partners and continue to benefit from joint origination opportunities, continually assessing our funding position to ensure that we maintain a strong balance sheet, which in turn, will provide us with the necessary capital for future investments.

Regulation and compliance

Overview

In the UK, we submitted our FCA authorisation applications in September 2015 as planned and anticipate receiving full authorisation later in 2016 (these timescales align with other firms' experience). This will mark the completion of our migration from regulation by the OFT to that of the FCA, a journey that began in 2013.

We believe that the risk, governance and compliance frameworks that are called for under the FCA regulation will require ongoing investment, and as a consequence, will continue to drive consolidation within the UK industry.

In Europe, the lobbying efforts of the Credit Services Association (CSA) and others have resulted in a generally favourable outcome on the new EU data protection regulation, which will be finalised mid-2016 and implemented in 2018.

Our approach

We are constantly evaluating and evolving risk and compliance activities across the entire Group, regardless of geography, and wherever possible, share best practice.

In the UK, we are continuing to operate under our FCA interim permissions and will work with the regulator as we progress through the authorisation process.

Via our external affairs team, representation on industry bodies, and participation in European initiatives, we are able to monitor developments in debt purchasing and data sharing. Where appropriate, we will join others in consulting on changes to legislation to understand its impact on our clients and customers.

Pricing

Overview

We maintain a positive outlook on NPL loan portfolio supply dynamics in both the UK and mainland Europe. Supply has grown significantly in recent years and all the indicators suggest that this trend will continue, especially in financial services.

The need to employ capital more profitably, and in many cases, build additional capital reserves is not going away. Banks have entered a new era, where the need to manage balance sheets more actively is now the norm.

We have already started to see portfolios coming to market earlier in the cycle and we expect this to carry on being the case, as originating creditors prepare for changes to accountancy standards, notably IFRS 9, and how NPLs are recognised.

Although portfolio pricing remains competitive, especially in the UK NPL auction market, we believe that larger, well capitalised debt purchasers, that continue to invest in their businesses to drive efficiencies and enhance collection strategies, will continue to prosper in what are consolidating markets.

Our approach

We remain focused on a disciplined approach to investment, and in particular, to diversification, by both asset class and geography.

Our Capquest acquisition in 2014, and those of Whitestar and Gesphone in 2015, provide us with a high quality service offering, while also helping us open up new debt purchase markets.

We continue to drive synergy benefits from these acquisitions. Following the completion of our initial Capquest integration work, we updated our forecast for synergy savings in 2016, adding an additional £2 million to the £6.5 million anticipated at the time of acquisition. We are reinvesting this into our UK market proposition.

Our servicing businesses, which require low capital investment, also prove to underpin our earnings growth. We have visibility of servicing contracts lasting five to ten years, providing us with a solid platform to invest from.

Our ability to generate a high proportion of off-market trades - 57.4% of invested capital was off market in 2015 - means that we can continue to be selective in the investments we make, investing for profit and not absolute volume.

The significant investments that we made in the Dutch market in 2015, gave us a final balance of investments by purchase price of 34% in the UK and 66% in mainland Europe respectively. This capacity for operating across multiple geographies enables us to seek investments that allow us to deploy capital in the most profitable manner.

The money multiples we target for our investments will continue to reflect the balance of assets within the portfolio and vintage, for example, secured versus unsecured, paying versus non-paying.

2016 Outlook

As we enter 2016, we will continue to evolve our business model to make sure we offer our clients and customers the service that best suits their needs. As we continue to grow our service capabilities and actively seek out new strategic partnerships and opportunities, we anticipate servicing revenues of around 15% of Group revenue in 2016.

We are a well diversified business, with a strong origination pipeline – starting 2016 with awarded purchases of £71 million.

We are confident in maintaining portfolio investments at approximately twice our average annual replacement rate of £78 million. This, combined with the continued delivery of the Capquest and Whitestar business cases, will support earnings growth in 2016 and we remain confident of our ability to deliver a medium-term ROE percentage in the mid-twenties and a progressive dividend policy.

Delivering on our strategy

Throughout the year, we have remained firmly focused on delivering on our five point strategy.

1. To be a top 3 player in each of our chosen markets, building on our market leading platforms

Our Approach

We continue to enjoy long-term relationships with our creditor partners in both the debt purchase and third-party servicing markets.

A comprehensive compliance and risk management framework is core to our offering. In an industry that continues to consolidate, we benefit from a good reputation for consistency of service. As one of the larger players in the European market, we are seen as a sustainable business and are one of the net beneficiaries of the consolidation process.

We actively participate in industry bodies that help lead change in legislation and best practice. In the UK, our executives hold senior positions in organisations such as the Credit Services Association (CSA), the national association for our industry, and the Steering Committee on Reciprocity (SCOR), which administers the usage of credit data.

Our Performance

- For debt purchase in the UK, we remain on the panels of all the major financial service providers. We have rationalised our servicer panel to ensure greater oversight
- In Portugal, we have established a leading position, acquiring two servicers with more than 8 and 15 years experience respectively, and have set up a strategic origination and servicing contract. The agreement provides for long-term sustainable revenues
- In both the UK and Portugal, we benefit from industry leading in-house servicing capabilities. In Portugal, we are the market leading debt servicing business, with circa €6.8 billion of assets under management, of which circa €3.4 billion are owned
- In the Netherlands, following a small initial investment in 2014, we have also made significant progress. In Q4, we purchased loan portfolios with a face value of approximately €300 million
- In France, we saw positive results from the first full year of our 15% interest in French market leader, MCS
- Across the Group we have 100+ creditor client relationships
- And in 2015, we increased our total purchased loan portfolios from £477.5 million in 2014 to £586.3 million (excluding £23.5 million of portfolios due to be resold) with our 120-month ERC increasing to £1,224.5 million (84-month ERC £1,028.6 million). This increase was driven by organic portfolio purchases of £176.3 million

2. To focus on delivering strong returns through deep understanding of our customers and clients

Our Approach

We purchase portfolios where we believe we have the strongest competitive advantage and which offer the best returns for our investment, and we source attractive portfolio investments from a wide range of leading institutions.

We operate a well-defined underwriting and investment process and have a robust governance structure in place, helping to ensure that we acquire portfolios in line with our risk-adjusted target returns.

The investment process draws on expertise from across the Group. As a business, we have long-term capital in place that provides ongoing funding and allows us to take advantage of opportunities as they arise.

Because of the significant portfolio assets we hold, and the unique data systems at our disposal, when we assess a portfolio, we are able to identify and match a large percentage of its customers. This allows us to price more accurately and supports us in treating customers fairly when we look to collect on the portfolio.

We target a net debt to adjusted EBITDA ratio of 3.5 times and cash interest cover of more than 4 times and a ROE percentage in the mid-twenties.

Our Performance

- Profit attributable to equity shareholders up 73.8% and underlying net income up 19.6% contributing to an underlying basic EPS of 20.3 pence (2014: 17.0 pence)
- Total purchases in 2015 achieved a gross cash-on-cash multiple of 2.0 times over 120-month and 1.7 times over 84-months (2014 purchases: 2.1 times over 120-month and 1.7 times over 84-month)
- Cash generated by operations of £150.2 million (2014: £97.2 million)
- Underlying return on equity of 26.5% (2014: 26.1%)
- Total dividends of 7.1 pence per share (2014: 5.1 pence)

3. To be industry leaders in data and analytics

Our Approach

We are continuously looking to evolve our data assets and models to keep improving our understanding of our customers' individual circumstances. The volume, accuracy and richness of the data we have access to is key. As well as developing our own in-house tools and data sets, we also invest in third party raw data.

Data analytics informs decision making throughout our business. It not only helps inform our initial investment decision, but allows us to ensure the best contact strategy and treatments for our customers. It also makes sure that, when we do use third party servicers, we are placing the customer with the servicer best placed to help them.

We believe that superior data provides a competitive advantage. It allows us to pay a fair price for a portfolio whilst still maintaining our returns.

Our Performance

- The number of records in our Proprietary Collection Bureau (PCB), our unique data matching tool designed in conjunction with Experian, has grown to 22.5 million (2014: 18.5 million)
- Our data driven model is constantly evolving and PCB now works alongside other elements of a wider data warehouse developed after our acquisition of Capquest. All of this feeds into our new integrated IT platform
- For a typical UK financial services portfolio, we are able to match approximately 50% of records. We therefore know or already have a relationship with this proportion of the portfolio
- In Portugal, we now have over 650,000 owned customer accounts. In 2015, match rates on portfolio sales in Portugal reached approximately 30%
- After two significant portfolio purchases in the Netherlands in Q4 2015, we have substantially enhanced our data capabilities in the geography and now hold information on customers across multiple asset classes, including secured, unsecured, commercial real estate, and telco. These represent approximately 40,000 customer accounts

4. To transform the customer journey within our industry and deliver great customer outcomes

Our Approach

We work with our customers, leading debt charities, industry bodies and third party research agencies to help us understand our customers' needs. We aim to establish long-term affordable repayment plans, which help our customers rehabilitate their credit listing and gain access to more affordable mainstream financial products.

Through our data models, we are able to build consolidated customer profiles that reflect customers' current circumstances and invest in leading customer service platforms to ensure that all our customers get the best service.

In the UK, our collections colleagues are rewarded based on the customer outcomes they achieve, rather than the amount they collect.

Our Performance

- 2015 saw further development of our digital capability, with a significant increase in the number of customers choosing to interact with and repay us online
- In the UK, our customer net promoter score (NPS), a measure of customer satisfaction on a scale of 0-9, regularly exceeds 6.5 which is a strong performance given the nature of the relationship
- In the UK, our new fully integrated customer service platform gives us greater flexibility to work across multiple asset classes, performing and non-performing loans. This allows us to develop a true single customer view and assist in making more informed collections decisions
- In the UK, we commissioned our new 'Debt Britain' research, which built on our previous barriers-to-entry study and has highlighted where those in financial difficulty can struggle and the impact debt can have on their lives
- In the Credit Today Debt Collection Awards 2015, where we were named Debt Purchase & Collection Provider of the Year - UK/Europe, the criteria judged included 'positive, appropriate and improving customer outcomes'
- In Portugal, predominantly a litigated collections market, we are piloting a number of initiatives designed to lessen the use of litigation and reduce the stigma
- Every collections colleague receives specialist training in handling vulnerable customers and all collection staff regularly undertake refresher courses

5. To diversify the business

Our Approach

A major part of our strategy is to further diversify the business by investing in new geographies and asset classes, and by adding additional services to our business offering.

We have an established approach to purchasing 'pilot' portfolios in new geographies and asset classes across Europe, so as to understand the market and potential collection capabilities and returns.

Our flexible business model gives us the ability to enter new geographies and asset classes in a controlled and low-risk manner. By partnering with specialist servicers and our fund partners, who often have existing knowledge of the markets, we can diversify our business confident in the knowledge that we have the right strategic relationships in place.

Our Performance

- We have opened up new markets and pioneered new deals. In Portugal, in 2014, we were the first to purchase NPL loan portfolios from a leading domestic Portuguese bank, post credit crisis. Then, in 2015, in partnership with one of our fund partners, we became the first to be involved in the purchase and outsourcing of a major bank's collections operations
- In Portugal, we bought the Whitestar and Gesphone servicing businesses
- In the UK in 2015, we bought a portfolio of secured assets from a challenger bank, and we also acquired more of the Erudio Student Loans portfolio
- We continued to develop forward flow/committed purchasing contracts, with a number of our contracts progressing into 2017 and beyond
- In the Netherlands, we have progressed from a pilot investment phase, completing a number of portfolio investments in Q4 2015, which means we now operate across numerous asset classes in this geography
- Overall, in 2015, we achieved a 34% and 66% split of purchases by purchase price in the UK and mainland Europe respectively
- Across the Group, we grew our servicing revenue from £1.9 million in 2014 to £14.7 million
- Our service contracts provide long-term revenue, with some extending as far as 10 years

Principal risks and uncertainties

At Arrow Global, we have an Enterprise-Wide Risk Management Framework, which sits alongside the strategic business plan and is designed to support the identification, assessment, management and control of the principal risks that threaten the achievement of our business objectives.

The overall Framework is underpinned by our Risk Appetite Statements and a suite of high level risk policies. Risk is governed by the board, executive management and various risk committees, and the Group has a formal three lines of defence model, with third line provided by Deloitte LLP, our internal auditor.

Our principal risks are categorised as strategic, conduct, operational and financial. The disclosures below should not be regarded as a comprehensive list of all the risks and uncertainties facing the Group, but rather provide a summary of some of the key areas that could have the biggest impact.

Strategic risk

The 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

The Group's growth strategy is primarily based on the future purchase of, and collection from, distressed loan portfolios. Changes in the economic, political (including Brexit) or regulatory environment could impact our ability to collect from portfolios, or the amount of debt portfolios that are sold. The Group is also exposed to Eurozone economic uncertainty through its investment in mainland Europe.

Negative attention and news regarding the debt collection industry and/or the Group's collections activity may impact our reputation and therefore the Group's ability to acquire portfolios and customers' willingness to repay the debt that the Group acquires.

Key mitigating actions

Management monitor the economic, political and regulatory environments in which we operate to influence future strategy. In addition, appropriate currency liquidity management and scenario planning is in place.

Strong relationships have been developed with our creditor client base in order to mitigate the risk of reduced debt purchase opportunities in the market, and our reputational risk is managed by meeting all regulatory requirements and jurisdictional industry best practice.

Conduct risk

The risk of inappropriate strategy, systems, behaviour, or processes that leads to poor customer outcomes or impacts market integrity

In the UK, we operate in a highly regulated environment and any action that leads to poor customer outcomes or customer detriment could lead to our inability to secure or maintain FCA authorisation, result in regulatory censure, financial loss and reputational damage to our brand. Poor customer outcomes or customer detriment could arise through the debt collection activities within our in-house operations or the third-party servicer network of collection agencies, whether we are collecting debt which we have acquired or on behalf of clients.

Key mitigating actions

Conduct risk and Treating Customers Fairly (TCF) are at the heart of our business. All employees and third parties acting on our behalf receive mandatory training, including conduct risk, handling vulnerable customers and complaints. We consider customer outcomes when developing our strategy, systems, policy and processes and ensure that our HR framework and Company values support appropriate customer outcomes.

We have a rigorous oversight framework, focused on compliance, independent assurance, performance, and customer outcomes across both our in-house operations and third party 'partner' network, with a continuous programme of reporting and reviews. Governance over conduct risk is provided by the risk committees, principally through the conduct and compliance committee. This committee provides oversight of the Group's processes and procedures, monitoring their effectiveness in fulfilling regulatory obligations and the management of risk that may result in non-compliance and/or poor outcomes for customers. Conduct risk exposures are also managed and monitored against the board's risk appetite.

In non-UK jurisdictions, FCA consumer credit regulation does not apply; however, we always seek to ensure we adhere to all local best practice collections approaches.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including those relating to legal issues and IT security weaknesses

In the UK, we are partly reliant on a panel of outsourced third party partners to manage customer accounts and collect on our behalf. Should these partners experience sustained business interruption or are subject to takeover by an unfriendly competitor, we could suffer financial loss.

The Group relies on IT systems for customer and data management and data analytics. Should these systems experience performance issues or outage through, for example, cyber attack, our customers would be impacted, and we could experience financial loss.

Failure to comply with relevant legal and regulatory requirements through failed internal processes could result in the suspension or termination of our ability to conduct business, and could lead to regulatory censure and financial loss.

There is also a risk of documentation deficiencies in purchased portfolios that are unable to be remediated or mitigated through contract and/or warranties.

Key mitigating actions

We have on going oversight of our partner network, including consideration of their business continuity arrangements. We monitor industry consolidation activity and have a diversified panel to ensure that we are not reliant on any particular third party servicer.

IT systems are regularly tested, backed up and managed through a tight set of quality and security policies, supported by a robust disaster recovery plan. In the UK, we adhere to ISO27001 standards and we practise ITIL-based procedures.

We have a quarterly Risk & Control Self-Assessment (RCSA) process to identify and assess key operational and regulatory risks. We employ industry specialists to monitor the latest regulations and update our internal policies accordingly, and where required, we take external specialist advice. We also engage in regular training and assurance activity to ensure compliance with internal policies.

Due diligence is undertaken on prospective investment purchases to identify potential documentation weaknesses. Our Legal team are involved in all purchases and external legal advice is taken where required.

Financial risk includes

Market risk*: the risk of losses in portfolios due to changes in foreign exchange rates and the level of interest rates*

Funding & Liquidity risk*: the risk that the Group is unable to meet its obligations as they fall due*

Credit risk*: the risk to earnings or capital arising when a customer or counterparty defaults on its contractual obligations, including failure to perform obligations in a timely manner*

Tax risk*: tax compliance risks arise from the complex nature of tax legislation and practice*

Investment risk*: the risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing therefore affecting ERC*

The Group is exposed to a range of financial risks including; market risk as a result of foreign exchange and interest rate fluctuations; funding and liquidity risk as a result of our funding model; credit risk through our use of counterparties; and investment risk through new portfolio purchases.

Key mitigating actions

The Group's overarching financial risk management strategy is governed by a robust policy framework and is overseen by the treasury and tax committee, which is a delegated committee from the board and executive risk committees.

The Group aims to mitigate foreign exchange risk (a market risk) by matching foreign currency assets with foreign currency liabilities. The Group manages remaining exposures to foreign exchange at a Group level principally through the use of forward contracts. Interest rate risk is managed principally using interest rate swaps.

Funding and liquidity risk is managed through matching the maturity of our funding facilities with the maturity of our assets; forecasting funding requirements and applying appropriate stress testing, and ensuring that we maintain a balanced maturity profile of debt facilities. We are highly cash generative and aim to maintain a flexible cost base. Portfolio investment is largely discretionary and this provides us with a large degree of control over working capital.

Counterparty credit risk is managed through regular monitoring of the quality of new and existing counterparties and of our exposure to each. Counterparty risk with debt sellers is managed through warranties. Credit risk is taken on through the purchase of customer debt and is governed by the performance and inventory committee which meets monthly to review collection performance.

Tax risk is addressed through the use of tax specialists who advise the Group on its tax compliance obligations, application of tax legislation, and the transactions and activities undertaken by the Group.

Investment risk is managed through rigorous due diligence and controls to accurately price new investment opportunities. These include executive review through an investment 'gate' process prior to purchase execution. Portfolio performance is regularly monitored by senior management and the risk committees.

Financial Review

2015 was a year of record growth for Arrow Global with a total investment of over £216.3 million, of which £180.3 million represented portfolio acquisitions.

During the year, we made a number of significant portfolio purchases in Portugal and the Netherlands, as well as acquiring the Whitestar and Gesphone servicing businesses in Portugal, extending our growth in mainland Europe (for details see note 13).

Our strategic UK and mainland European purchases continue to provide significant opportunity and a platform for future growth in both existing and new asset classes and geographies.

Key results as of and year to	31 December 2015 £m	31 December 2014 £m
Purchases of loan portfolios	180.3	242.3
Total purchased loan portfolios*	586.3	477.5
Core collections	218.5	148.5
Collection cost ratio (%)	23.9%	23.0%
Total revenue	165.5	110.7
Adjusted EBITDA	153.1	101.0
Adjusted EBITDA ratio	70.0%	68.0%
Profit before tax	39.3	24.1
Profit attributable to shareholders	31.7	18.3
Underlying net income	35.4	29.6
84-month ERC	1,028.6	897.3
120-month ERC	1,224.5	1,085.4
Net debt	588.6	439.7
Underlying basic and diluted EPS (£)	0.20	0.17
Underlying ROE (%)	26.5%	26.1%
Net assets	145.4	121.9

A glossary of terms can be found on pages 33 to 36.
*excluding £23.5 million of portfolios due to be resold

Purchased loan portfolios
During 2015, we acquired debt portfolios (including those through acquisitions) with a face value of £1,505.8 million for a purchase price of £180.3 million equating to an average purchase price of 12p per £1. For the year to 31 December 2015, the 120-month gross cash-on-cash multiple for this vintage was 2.0 times (84-month: 1.7 times) from the date of purchase. Of the purchase price invested 32.3% related to secured portfolios.

These portfolios acquired, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £586.3 million as at 31 December 2015 (2014: £477.5 million). The balance excludes a £23.5 million portfolio of assets which has been acquired at the year end, and will shortly be resold to an investment partner.

As at 31 December 2015, the total face value of acquired purchased portfolios was £14.2 billion (2014: £12.7 billion) across 8.6 million customer accounts.

ERC overview

Our 84-month ERC – the expected collections from our back book – after taking into account movement in foreign exchange rates and portfolio put backs, has increased by 14.6% from £897.3 million as at 31 December 2014 to £1,028.6 million, (120-month ERC 12.8% increase to £1,224.5 million) (31 December 2014: £1,085.4 million).

The ERC is underpinned by paying accounts that have a current face value of £1.5 billion, which represents 1.4 times 84-month ERC cover (1.2 times 120-month ERC cover). As at 31 December 2015, we estimate the amount we would need to invest over the next 12 months to maintain our current 120-month ERC level is circa £78 million.

The gross cash-on-cash money multiple over all portfolios is expected to be 1.9 times on an 84-month basis from the date of purchase. Recent vintages reflect a higher proportion of paying accounts and secured assets and, therefore a lower gross cash-on-cash money multiple.

Revenue

Total revenue for the period was £165.5 million, an increase of 49.5% from total revenue in 2014 of £110.7 million. This was largely due to an increase in income from purchased loan portfolios of £41.9 million, reflecting the increased size of the portfolio assets. There was also a £12.8 million increase in income from asset management, due to a full year of results from our UK collections specialist, Capquest, and the acquisition of our Portuguese collections specialist, Whitestar, in April 2015.

Income from asset management in 2015 was 8.9% of total revenue, and we expect this to increase to approximately 15% in 2016.

Cash flow

Core collections
Core collections increased to £218.5 million (2014: £148.5 million), reflecting the increase in our portfolio asset base. During the period, collections in Portugal returned to their run rate pre court closures, albeit more slowly than expected. In addition, Portuguese collections were affected by exchange rate movements. During the period, there was a higher than anticipated portfolio putback claim, which we are progressing with the creditor and have reflected in the ERC.

As at 31 December 2015, we have cumulatively collected 102% of our original underwriting forecast on a constant exchange rate basis, reflecting the success of our data driven approach to origination and underwriting. During the year, cash collections came from over 7.5 million individual payments, with an average UK monthly payment of circa £27.65, reflecting our focus on working with customers to create long-term sustainable payment plans.

Collection costs
We continue to use our data capabilities and the benefits of our outsourced model to maintain cost collection efficiency. During the year, there was an increase in the collection cost ratio to 23.9% (2014: 23.0%), reflecting additional collection related costs associated with Portugal and asset management and additional staff costs incurred for the set up and training on the Erudio migration.

Cash generated by operations increased from £97.2 million in 2014 to £150.2 million in 2015. The key driver for operating cash flow is adjusted EBITDA. During the year, adjusted EBITDA increased by £52.0 million (51.5%) to £153.1 million (2014: £101.0 million). This was mainly driven by an increase in core collections net of collection costs. The adjusted EBITDA ratio was 70.0% (2014: 68.0%), this ratio has improved reflecting the successful integration of Capquest and Whitestar acquisitions.

Profit attributable to shareholders
Profit attributable to equity shareholders increased 73.8% from £18.3 million to £31.7 million for the year ended 31 December 2015. This was largely driven by increased operational profit of £28.3 million, offset by an increase in finance costs of £14.2 million. The latter was largely due to the introduction of the €110 million bond following the acquisition of Capquest in November 2014. We saw positive results of £1.2 million from the first full year of our 15% interest in French market leader, MCS.

During the year, non-recurring items of £4.3 million were incurred, with an associated tax impact of £0.7 million. The main non-recurring items were £1.5 million arising on the Portuguese strategic corporate acquisitions, £1.4 million due to IPO related staff costs and £1.5 million due to servicer migration and Capquest integration. See note 7 for further information.

After taking account of the non-recurring items discussed above, underlying net income increased 19.6% from £29.6 million to £35.4 million for the year ended 31 December 2015.

Funding, net debt and net assets

In 2015, we successfully increased our RCF to £165 million, provided by five banks, to support business growth and balance sheet liquidity. This has subsequently increased to £180 million in February 2016. The RCF was drawn by £75 million as at 31 December 2015. As at 31 December 2015, we had cash and RCF resources of £100.2 million available and cash interest cover of 4.9 times (2014: 5.4 times). Successful issuance of the €110 million bond in September 2015, is providing additional RCF headroom. We continue to assess the additional funding options as required and subject to market conditions.

Net debt at 31 December 2015 was £588.6 million, being 3.8 times adjusted EBITDA and a net debt/84 month ERC loan to value ratio of 57.2% and a secured loan to value ratio of 51.8%, which is significantly below our financial covenants of 75%. The drivers of the increase in net debt of £148.3 million from 31 December 2014 were the acquisitions of Whitestar and Gesphone and significant portfolio purchases in the last two months of 2015.

Net assets increased to £145.4 million during the year, mostly reflecting the retained profit of the year offset by the declared dividends of £8.9 million.

Shareholder returns

Underlying basic and diluted EPS for the year was 20.3p (31 December 2014: 17.0p), representing an increase of 19.7%.

The underlying ROE was 26.5% (2014: 26.1%).

A final dividend of 5.4p is proposed, bringing the total dividends for the year to 7.1p, an increase of 39.4% on 2014. See note 5.

Consolidated statement of comprehensive income
For the year ended 31 December 2015

		Year ended 31 December 2015 underlying £000	Non-recurring items 2015 £000	Year ended 31 December 2015 including non-recurring £000	Year ended 31 December 2014 underlying £000	Non-recurring items 2014 £000	Year ended 31 December 2014 including non-recurring £000
Continuing operations	Note						
Revenue							
Income from purchased loan portfolios	9	150,238	-	150,238	107,984	-	107,984
Profit on portfolio sales		503	-	503	825	-	825
Total revenue from portfolios		150,741	-	150,741	108,809	-	108,809
Income from asset management		14,713		14,713	1,933	-	1,933
Total revenue		**165,454**	**-**	**165,454**	**110,742**	**-**	**110,742**
Operating expenses							
Collection activity costs		(52,303)	-	(52,303)	(34,150)	-	(34,150)
Professional fees and services		(2,397)	-	(2,397)	(1,737)	-	(1,737)
Recurring other operating expenses		(31,808)	-	(31,808)	(16,484)	-	(16,484)
Non-recurring other operating expenses							
Costs arising from business acquisitions		-	*(1,491)*	*(1,491)*	-	*(6,026)*	*(6,026)*
Company integration		-	*(1,452)*	*(1,452)*	-	-	-
IPO related costs		-	*(1,366)*	*(1,366)*	-	*(1,760)*	*(1,760)*
Settlement provisions		-	-	-	-	*(4,205)*	*(4,205)*
Total other operating expenses		**(31,808)**	**(4,309)**	**(36,117)**	**(16,484)**	**(11,991)**	**(28,475)**
Total operating expenses		**(86,508)**	**(4,309)**	**(90,817)**	**(52,371)**	**(11,991)**	**(64,362)**
Operating profit		**78,946**	**(4,309)**	**74,637**	**58,371**	**(11,991)**	**46,380**
Finance Income		152	-	152	344	-	344
Recurring finance costs		(36,760)	-	(36,760)	(21,753)	-	(21,753)
Non-recurring finance costs							
Bond related costs		-	-	-	-	*(705)*	*(705)*
Settlement provisions		-	-	-	-	*(143)*	*(143)*
Total finance costs	3	**(36,760)**	**-**	**(36,760)**	**(21,753)**	**(848)**	**(22,601)**
Share of profit in associates net of tax		1,243	-	1,243	-	-	-
Profit before tax		**43,581**	**(4,309)**	**39,272**	**36,962**	**(12,839)**	**24,123**
Taxation charge on ordinary activities	6	(8,180)	657	(7,523)	(7,355)	1,503	(5,852)
Profit for the year attributable to equity shareholders		**35,401**	**(3,652)**	**31,749**	**29,607**	**(11,336)**	**18,271**
Other comprehensive income:							
Items that may be reclassified in to profit or loss:							
Foreign exchange translation difference arising on revaluation of foreign operations		34	-	34	(250)	-	(250)
Hedging movement		(615)	-	(615)	(687)	-	(687)
Total comprehensive income for the year attributable to equity shareholders		**34,820**	**(3,652)**	**31,168**	**28,670**	**(11,336)**	**17,334**
Basic EPS (£)	4	**0.20**	**-**	**0.18**	**0.17**	**-**	**0.10**
Diluted EPS (£)	4	**0.20**	**-**	**0.18**	**0.17**	**-**	**0.10**

Consolidated balance sheet

As at 31 December 2015

Assets	**Note**	**31 December 2015 £000**	**31 December 2014 £000**
Non-current assets			
Goodwill	8	79,490	47,623
Other intangible assets		20,643	11,043
Property, plant and equipment		3,649	2,881
Investment in associates		12,158	11,419
Loan notes	9	862	1,378
Deferred tax asset		639	300
Total non-current assets		**117,441**	**74,644**
Current assets			
Cash and cash equivalents		10,183	14,542
Other receivables		34,781	16,569
Purchased loan portfolios	9	609,793	477,513
Total current assets		**654,757**	**508,624**
Total assets		**772,198**	**583,268**
Equity			
Share capital		1,744	1,744
Share premium		347,436	347,436
Retained earnings		76, 916	51,479
Hedging reserve		(1,302)	(687)
Other reserves		(279,438)	(278,098)
Total equity attributable to shareholders		**145,356**	**121,874**
Liabilities			
Non-current liabilities			
Senior secured notes	12	447,545	378,564
Trade and other payables	10	7,648	-
Deferred tax liability		4,396	2,852
Total non-current liabilities		**459,589**	**381,416**
Current liabilities			
Trade and other payables	10	83,906	33,058
Derivative liability		1,281	1,872
Current tax liability		3,755	2,355
Revolving credit facility	12	71,479	35,404
Senior secured notes	12	6,832	7,289
Total current liabilities		**167,253**	**79,978**
Total liabilities		**626,842**	**461,394**
Total equity and liabilities		**772,198**	**583,268**

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve* £000	Translation reserve* £000	Merger reserve* £000	Total £000
Balance at 1 January 2014	**1,744**	**347,436**	**33,841**	**–**	**(562)**	**(325)**	**(276,961)**	**105,173**
Profit for the year	–	–	18,271	–	–	–	–	18,271
Exchange differences	–	–	–	–	–	(250)	–	(250)
Net fair value losses – cash flow hedges	–	–	–	(859)	–	–	–	(859)
Tax on hedged items	–	–	–	172	–	–	–	172
Total comprehensive income for the year	–	–	18,271	(687)	–	(250)	–	17,334
Share-based payments	–	–	2,328	–	–	–	–	2,328
Dividend paid	–	–	(2,961)	–	–	–	–	(2,961)
Balance at 31 December 2014	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**
Profit for the year	–	–	31,749	–	–	–	–	31,749
Exchange differences	–	–	–	–	–	34	–	34
Net fair value losses – cash flow hedges	–	–	–	(729)	–	–	–	(729)
Tax on hedged items	–	–	–	114	–	–	–	114
Total comprehensive income for the year	–	–	31,749	(615)	–	34	–	31,168
Repurchase of own shares	–	–	–	–	(1,374)	–	–	(1,374)
Share-based payments	–	–	2,577	–	–	–	–	2,577
Dividend paid	–	–	(8,889)	–	–	–	–	(8,889)
Balance at 31 December 2015	**1,744**	**347,436**	**76,916**	**(1,302)**	**(1,936)**	**(541)**	**(276,961)**	**145,356**

*Other reserves total £279,438,000 deficit (2014: £278,098,000 deficit)

Translation reserve

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

Merger reserve

The merger reserve represents the reserve generated upon consolidation of the Group following the Group reconstruction as part of the IPO where Arrow Global became the parent Company.

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2015, the Company held 392,484 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.2% of the Company share capital at 31 December 2015.

Consolidated statement of cash flows
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Net cash used in operating activities	**14**	**(56,294)**	**(52,431)**
Investing activities			
Purchase of property, plant and equipment		(920)	(279)
Purchase of intangible assets		(8,618)	(851)
Dividends received from associates		658	–
Acquisition of associate		-	(11,419)
Acquisition of subsidiary, net of cash acquired		(15,581)	(97,121)
Net cash used in by investing activities		**(24,461)**	**(109,670)**
Financing activities			
Net proceeds from additional loans		35,835	27,097
Proceeds from senior notes (net of fees)		81,560	168,333
Repayment of interest on senior notes		(27,365)	(17,325)
Repurchase of own shares		(1,374)	-
Repayment of other interest		-	(718)
Repayment of bank loan		-	(42,579)
Receipt of loan notes		579	-
Bank fees paid		(4,304)	(2,790)
Payment of dividends		(8,889)	(2,961)
Net cash flow generated by/ (used in) financing activities		**76,042**	**129,057**
Net (decrease)/ increase in cash and cash equivalents		**(4,713)**	**(33,044)**
Cash and cash equivalents at beginning of year		**14,542**	**47,520**
Effect of exchange rates on cash and cash equivalents		354	66
Cash and cash equivalents at end of year		**10,183**	**14,542**

1. Statutory information

This document does not constitute the Group's statutory accounts for the years ended 31 December 2014 or 31 December 2015 but is derived from those accounts. Statutory accounts for 31 December 2014 have been delivered to the Registrar of Companies, and those for 2015 will be delivered to the Registrar of Companies following the Group's annual general meeting.

The auditors have reported on the 2014 and 2015 accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The annual report 2015, including the auditor's report, can be obtained free of charge on request to the Group at Belvedere, 12 Booth Street, Manchester, M2 4AW or, alternatively, can be downloaded at www.arrowglobal.net from 22 April 2016. The annual report 2014 is already available via these routes.

The financial statements of the Group have been prepared under the historical cost convention. The accounting policies are the same as those given in the annual report and accounts for the year ended 31 December 2015. The financial information included in this preliminary announcement is based on the Group's annual report and accounts for the year ended 31 December 2015, which are prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with IFRSs adopted by the European Union.

The annual report and accounts for the year ended 31 December 2015 will be posted to shareholders in April 2016. The annual general meeting will take place on 26 May 2016.

The Group has one operating segment in line with the reporting in the Annual Reports and the carrying value of assets and liabilities is in line with their fair value.

2. General information

Arrow Global Group Plc is a company incorporated in England and Wales and is the ultimate parent company of the Group. The financial statements are presented in pounds sterling and rounded to the nearest thousand.

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

The Group's financial statements for the year ended 31 December 2015 have been prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. The accounting policies have been applied consistently in the current and prior periods.

3. Finance costs

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Finance costs		
Interest and similar charges on bank loans	8,991	3,168
Interest on senior secured notes	27,032	18,134
Other interest	737	856
Total interest costs	**36,760**	**22,158**
Fair value gains on interest rate swaps	-	443
Total finance costs including non-recurring items	**36,760**	**22,601**
Non-recurring finance costs	-	(848)
Total finance costs	**36,760**	**21,753**

Non-recurring items 2014 related to interest incurred on a historic HMRC VAT settlement and the interest payable on issuance of the €225 million floating rate notes between the date of issuance and the purchase of the Capquest Group. See note 7 for further information.

4. Earnings per share (EPS)

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Basic/diluted EPS		
Underlying profit for the year attributable to equity shareholders	35,401	29,607
Profit for the year attributable to equity shareholders including non-recurring items	31,749	18,271
Weighted average ordinary shares	174,046	174,284
Potential exercise of share options	3,794	2,708
Weighted average ordinary shares (diluted)	177,840	176,992
Underlying basic earnings per share (£)	**0.20**	**0.17**
Basic earnings per share including non-recurring items (£)	**0.18**	**0.10**
Underlying diluted earnings per share (£)	**0.20**	**0.17**
Diluted earnings per share including non-recurring items (£)	**0.18**	**0.10**

5. Dividend

A dividend of £8,889,000 has been included in these financial statements, being the declared dividends in the period of the 2014 final dividend of 3.4p per share and the 2015 interim dividend of 1.7p per share. A final dividend has been proposed of 5.4 pence (£9,420,000) taking the total declared and proposed dividends for the year to 7.1 pence (£12,385,000), being 35% of profit after tax attributable to shareholders. The proposed final dividend is subject to approval at the annual general meeting and has not yet been included as a liability in these financial statements.

The 2015 interim dividend was 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.

The ex-dividend date for the final dividend is 9 June 2016, with a record date of 10 June 2016 and a payment date of 7 July 2016. Shareholders will have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a dividend reinvestment plan.

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 year ended 31 December 2015 is lower than the standard rate of corporation tax in the UK at 20.25% (2014: 21.49%). The differences are as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit before tax	**39,272**	**24,123**
Tax charge at standard UK corporation tax rate	7,952	5,185
Adjustment in respect of prior years	(862)	(651)
Expenses not deductible for tax purposes	473	1,309
Share in profit in associates reported net of tax	(252)	-
Differences in corporate tax rates	23	6
Differences on hedging arrangements	18	-
Differing overseas tax rates	171	3
Tax charge	**7,523**	**5,852**
Effective tax rate relating to continuing operations	**19.2%**	**24.3%**
Standard UK corporation rate for the year	**20.25%**	**21.49%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Lower**	**Higher**

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Tax charge for the year consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit for the year	8,691	7,085
Adjustment in respect of prior years	(642)	(543)
Total current tax charge	**8,049**	**6,542**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	(329)	(631)
Adjustment in respect of prior years	(220)	(108)
Differences in tax rates	23	49
Total tax charge	**7,523**	**5,852**

Deferred tax

The Group has not recognised a deferred tax asset in respect of £28,168,000 (2014: £25,728,000) of tax losses carried forward, due to uncertainties over the future utilisation of the losses including the future profitability of the relevant subsidiaries. These losses may be available for offset against future profits and have no expiry date.

The Finance (No. 2) Act 2015, which was substantively enacted in October 2015, included provisions to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. 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 generally been calculated using a rate of 18% in these accounts.

Non-recurring tax

We have identified non-recurring items in the year amounting to £4,309,000 (2014: £12,839,000), with a £657,000 (2014: £1,503,000) associated tax impact.

7. Non-recurring items

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Costs arising from business operations	1,491	6,026
IPO related costs	1,366	1,760
Company integration	1,452	4,205
Total non-recurring items	**4,309**	**11,991**

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

In the year to 31 December 2015, £1.5 million of costs were incurred relating to the completion of two strategic Portuguese entity acquisitions, Gesphone and Whitestar. The majority of these costs related to fees incurred for legal advice and due diligence on both acquisitions. £1.4 million of staff costs were incurred as a result of the share option charges in relation to the share options issued as part of the IPO in 2013. As these options vested in October 2015, these have been recognised as non-recurring items since the IPO. £1.5 million of costs have been incurred due to Capquest integration, that relate to the termination of debt servicing contracts, as the Group moves from an outsourced model to a partially insourced model, and redundancy costs that relate to removal of duplicate roles as the Group combines operating and finance functions.

In the year to 31 December 2014, costs incurred due to the acquisition of Capquest group amounted to £6,026,000, being fees incurred of £5,452,000 and specific staff costs including £374,000 redundancy costs, as a direct result of the acquisition due to duplication of senior roles and £200,000 related bonuses. £1,760,000 related to remaining IPO related share issuance charges. In other operating expenses were £4,205,000 of non-recurring costs, made up of £2,210,000 in relation to a historic VAT settlement and £1,995,000 of non-recurring contract settlements, £1,645,000 of which was directly due to the Capquest acquisition, terminating a duplicate servicing contract.

8. Goodwill

	£000
Cost	
At 1 January 2014	4,277
Goodwill on acquisition of subsidiary	45,655
At 31 December 2014	49,932
Goodwill on acquisition of subsidiary	30,920
Exchange rate differences	947
At 31 December 2015	**81,799**
Amortisation and impairment	
At 31 December 2014 and 31 December 2015	**2,309**
Net book value	
At 31 December 2015	**79,490**
At 31 December 2014	47,623

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to three aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). In relation to goodwill, the three CGUs identified are the Capquest group, comprising of all group companies within the acquired group, Portugal, comprising of all the Group companies acquired in the Whitestar and Gesphone acquisitions, and Arrow Global Receivables Management Limited ("AGRML"). Both the Capquest group and Portugal CGUs, represent the cash flows generated principally from collections on acquired purchased loan portfolios and management of third party debt, and the AGRML CGU represents the cash flows generated principally from collections on purchased loan portfolios.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows.

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Capquest Group	45,608	45,655
Portugal	31,914	-
AGRML	1,968	1,968
	79,490	47,623

The movement in the Capquest Group goodwill of £47,000 from 2014 to 2015 was due to a provision for a VAT claim no longer being required, offset by an adjustment to remove a duplicated balance.

An impairment review was carried out at 31 December 2015 that resulted in no impairment to goodwill. The goodwill was assessed to be appropriately stated. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash collections net of direct collection costs, and allowable forecast synergies.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital ('WACC'), and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs, such as currency, regulatory, and economic risks. The different operations in the CGUs were also considered and a risk factor applied to the Portuguese CGU. As a result of applying the various risk factors noted above to the Group's WACC, a market participant rate of 6.07% was determined for the AGRML and Capquest CGUs, and a rate of 7.62% was determined for the Portuguese CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive the forecast collections and cost figures. As at 31 December 2015, the five-year forecast includes assumed growth based on portfolio purchases per annum across the Group increasing to a run rate of £240 million in 2019. These assumptions are in keeping with the directors' prudent expectations of future growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGUs carrying value. The CGUs would become impaired based on an unlevered post tax cash flow noted below, or based on an increase in the discount rate noted below.

Impairment in each CGU, would happen with -	**- a cashflow reduction of -**	**- a discount rate increase of -**
Capquest Group	23%	4%
Portugal	69%	17%
AGRML	18%	5%

9. Financial assets

	Year ended 31 December 2015 £000	**Year ended 31 December 2014 £000**
Non current:		
Purchased loan portfolios	464,996	377,900
Loan notes	862	1,378
	465,858	**379,278**
Current:		
Purchased loan portfolios	121,278	99,613
Purchased loan portfolios due to be resold *	23,519	-
Total	**610,655**	**478,891**

* This relates to a portfolio of assets, which has been acquired at the year end, and will shortly be resold to an investment partner. These are separately disclosed from other purchased loan portfolios, as commitment has been received from an investment partner to complete their acquisition from us. Subsequent to the year end, completion has taken place to sell these assets to the investment partner.

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2015, the carrying amount of the purchased loan portfolio asset was £609,793,000 (2014: £477,513,000).

The movements in purchased loan portfolio assets were as follows:

	Year ended 31 December 2015 £000	**Year ended 31 December 2014 £000**
As at the year brought forward	477,513	273,932
Portfolios acquired during the year *	177,716	143,220
Purchased loan portfolios to be resold	23,519	-
Portfolios acquired through acquisition of a subsidiary	3,970	104,038
Collections in the year	(218,515)	(148,547)
Income from purchased loan portfolios	150,238	107,984
Exchange loss on purchased loan portfolios	(5,151)	(3,939)
Disposal of purchased loan portfolios	503	825
As at the year end	**609,793**	**477,513**

* Inclusive of capitalised portfolio expenditure of £1,406,000 (2014: £4,882,000)

10. Trade and other payables

Current	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Trade payables	9,408	6,873
Deferred consideration	42,501	11,928
Deferred consideration on portfolio to be resold*	23,519	-
Taxation and social security	121	324
Other liabilities and accruals	8,357	13,933
	83,906	**33,058**

* This relates to the deferred consideration on a portfolio of assets, which has been acquired at the year end, and will shortly be resold to an investment partner. These are separately disclosed from other purchased loan portfolios, as commitment has been received from an investment partner to complete their acquisition from us. Subsequent to the year end, completion has taken place to sell these assets to the investment partner.

Non-current	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Deferred consideration	7,648	-
	7,648	**-**

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014, a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay and a UK Employment Appeal Tribunal decided that, from 1 July 2015, commission payments should be included in the calculation. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are capped at two years.

Deferred consideration is split between deferred consideration in relation to acquisitions of subsidiaries of £21,926,000 (2014: £nil) and deferred consideration in relation to loan portfolios of £51,742,000 (2014: £11,928,000).

11. Related party transactions

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

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

Summary of transactions

Key management, defined as permanent members of the executive committee, received the following compensation during the year.

Remuneration	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Salaries and performance related bonus	2,487	1,998
Pension-related benefits	160	134
	2,647	**2,132**

Non-executive director, Iain Cornish, was appointed Chairman of Shawbrook Bank during the year. Shawbrook bank is part of the consortium of our revolving credit facility lenders.

During the year there were no other related party transactions other than discussed above.

During 2014 until the end of her term as non-executive director, Gillian Key-Vice, through her company GKV Limited, charged the Group £3,401 in relation to consultancy services provided on Group projects.

12. Borrowings and facilities

External borrowings comprise the £220 million fixed rate senior secured notes due 2020, the €335 million floating rate senior secured notes due 2021 and the £165 million revolving credit facility.

Secured borrowing at amortised cost	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Senior secured notes (net of transaction fees of £19,286,000, 2014: £17,506,000)	447,545	378,564
Revolving credit facility (net of transaction fees of £3,521,000, 2014: £3,595,000)	71,479	35,404
Senior secured notes interest	6,832	7,289
	525,856	**421,257**
Total borrowings:		
Amount due for settlement within 12 months	**78,311**	**42,693**
Amount due for settlement after 12 months	**447,545**	**378,564**

Senior secured notes

On 28 September 2015, the Group increased the outstanding amount of its 5.25% over three-month EURIBOR floating rate senior secured notes ('the euro senior notes') by €110 million, bring the total amount outstanding to €335 million. The Group issued the original €225 million tranche of its floating rate senior secured notes at a margin of 5.25% over three-month EURIBOR on 4 November 2014. Interest is paid quarterly in arrears. Derivative contracts have been used to fix the floating rate margin of the euro senior notes for the period through to November 2017. The euro senior notes can be redeemed in full or in part on or after 1 November 2017 at the Group's option. Prior to 1 November 2017, the Group may redeem, at its option, some or all of the euro senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

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

On 29 January 2013, the Group issued £220 million senior secured notes at a fixed rate of 7.875% due 2020 (the 'sterling senior notes'). Interest is paid bi-annually. The sterling senior notes can be redeemed in full or in part on or after 1 March 2016 at the Group's option. Prior to 1 March 2016, the Group may redeem, at its option, some or all of the sterling senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

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

Revolving credit facility

On 31 March 2015, the Group amended its revolving credit facility with The Royal Bank of Scotland Plc acting as security agent for a syndicate of participating financial institutions. The commitments under the facility were increased from £100 million to £140 million. On 22 June 2015, the commitments under the facility were further increased to £165 million. The RCF was drawn by £75 million as at 31 December 2015. On the 9 February 2016 the revolving credit facility was increased from £165 million to £180 million.

The revolving credit facility is secured by the same assets as the euro and sterling senior notes and ranks super senior to these. The assets that are secured are those of the Arrow Global Guernsey Holdings Limited group.

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

13. Acquisition of subsidiary undertaking

Gesphone

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

Goodwill of €4,475,000 (£3,209,000) was created as a result of this acquisition. The primary reasons for the acquisition, which makes up the goodwill, were to create scale and servicing capability across multiple asset classes, and to strengthen the Group's position as market leader in Portugal. A large element of Gesphone's prior trade was with Arrow Global, and therefore the majority of the income earned by Gesphone is now intragroup income.

In the period from acquisition to 31 December 2015, Gesphone contributed revenue of £1, 512,000 and operating profit of £674,000 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2015, Group total revenue would have been an estimated £166,374,000 and operating profit would have been an estimated £74,990,000.

Effect of the acquisition

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

	Total £000
Purchased loan portfolios	3,970
Property, plant and equipment	75
Other assets	7
Investments	14
Deferred tax asset	2
Trade and other receivables	115
Cash and cash equivalents	1,916
Trade and other payables	(1,150)
Bank loans	(1,560)
Deferred tax liability	(732)
	2,657
Goodwill on acquisition	3,209
	5,866
Consideration:	
Cash	4,517
Contingent consideration	1,349
	5,866

Whitestar

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

Goodwill of €38,709,000 (£27,756,000) was created as a result of this acquisition. The primary reasons for the acquisition, which makes up the goodwill, were to create scale and servicing capability across multiple asset classes, and to strengthen the Group's position as market leader in Portugal.

In the period from acquisition to 31 December 2015, Whitestar contributed revenue of £9,379,000 and operating profit of £912,000 to the consolidated results for the period. If the acquisition had occurred on the 1 January 2015, Group total revenue would have been an estimated £169, 320,000 and operating profit would have been an estimated £74,814,000.

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

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

	Total £000
Property, plant and equipment	778
Intangible assets	4,205
Other assets	1
Deferred tax asset	8
Trade and other receivables	1,907
Cash and cash equivalents	1,307
Trade and other payables	(601)
Deferred tax liability	(1,098)
	6,507
Goodwill on acquisition	27,756
	34,263
Consideration:	
Cash	14,287
Deferred consideration	19,976
	34,263

The fair value adjustment on the intangible assets arises from the fair value of existing customer relationships. An associated deferred tax liability is created being 29.5% of the fair value adjustment, the rate of Portuguese tax and has been disclosed as a non-recurring cost.

Acquisition expenses
The Group incurred acquisition expenses of £1,491,000 in relation to the acquisitions of Gesphone and Whitestar, which has been charged to the statement of comprehensive income and included within other operating expenses.

Measurement period
Whilst the Group believes the acquisition accounting fair value adjustments to be complete, IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were not in existence at the acquisition date. If any additional material changes are required within this measurement period, these will be reflected in the 2016 half year results of the Group.

Prior year acquisition
On 28 November 2014, the Group acquired 100% of the ordinary share capital of Quest Topco Limited and settled secured loan notes at the point of acquisition for £104,574,000, satisfied with cash and a deferred payment, with the additional requirement to repay outstanding loans and other costs post acquisition of £55,000,000. The deferred payment has subsequently been paid in full. Quest Topco Limited and subsidiaries, "the Capquest group", have a similar principal activity as the Group being the acquisition and management of an underperforming portfolio of loans and servicing of debt in relation to third party contracts.

Goodwill of £45,608,000 was created as part of this acquisition. The primary reasons for the acquisition, which make up the goodwill, were to strengthen market position, reinforce the business model, diversify origination sources, enhance data capabilities, achieve strong synergies and the deal was considered financially attractive for shareholders. Synergies arise from overhead cost savings through removal of overlapping and duplicated activities, operating cost savings through better management of collection resources and greater customer insight from collections operations expected. Included in goodwill are certain intangible assets including the anticipated impact of the primary reasons for the acquisition above that cannot be individually separated and reliably measured due to their nature.

In the one month from acquisition to 31 December 2014, the Capquest group contributed revenue of £2,514,000 and operating profit of £738,000 to the consolidated results for the year. If the acquisition had occurred on the first day of 1 January 2014, Group total revenue would have been an estimated

£137,122,000 and operating profit would have been an estimated £41,900,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2014.

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

	Total
	£000
Purchased loan portfolios	104,038
Goodwill	-
Intangible assets	9,570
Property, plant and equipment	2,612
Cash and cash equivalents	7,286
Other receivables	1,433
Trade and other payables	(10,540)
Loans and unsercured loan notes	(54,690)
Deferred tax liability	(743)
	58,966
Goodwill on acquisition	45,608
	104,574
Consideration:	
Cash	102,974
Deferred consideration	1,600
	104,574

The fair value adjustment of £3,800,000 on the portfolio asset acquired arises from a difference between carrying value and management's assessment of fair value.

Goodwill of £24,732,000 previously recognised in the acquired Group is not an identifiable asset when applying acquisition accounting and therefore, has been written off through the fair value adjustments accordingly.

The Capquest Group undertook a review of plant, property and equipment on 28 November 2014, and £131,000 of assets were written off post acquisition.

Other receivables in the acquired entities comprise gross contracted amounts of £1,670,000. There is doubt over the collectability of £237,000 of this amount, being those in excess of 90 days outstanding.

In the one year measurement period, an adjustment to remove a duplicated balance and costs associated with a VAT claim amounted to £2,322,000.

The fair value adjustments created a deferred tax liability of £743,000. The Company previously adjusted its numbers on 1 April 2012 from UK GAAP to EU IFRS and a deferred tax liability arising on the difference to the fair value of the portfolio assets at this point was not recorded, this amounted to £1,088,000 at acquisition and has been included in the fair value adjustments above. Also, a deferred tax asset of £558,000 in relation to losses not previously recognised has been included.

Acquisition expenses
The Group incurred acquisition expenses of £5,402,000 in relation to the acquisition, which has been charged to the statement of comprehensive income and included within other operating expenses and has been disclosed as a non-recurring cost.

14. Notes to the cash flow statement

Cash flows from operating activities	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Profit before tax	39,272	24,123
Adjusted for:		
Collections in the year*	218,515	148,547
Income from purchased loan portfolios*	(150,238)	(107,984)
Profit on disposal of purchased loan portfolios	(503)	(825)
Loss on disposal of property, plant, equipment and intangibles	-	143
Amortisation of legal acquisition fees	4,395	1,501
Share in profit in associate	(1,243)	-
Depreciation and amortisation	4,176	1,090
Interest payable	32,090	20,313
Foreign exchange (gains)/ losses	(946)	894
Loss on fair values on derivatives	123	457
Equity settled share-based payment expenses	2,577	2,328
Operating cash flows before movement in working capital	**148,218**	**90,587**
(Increase)/ decrease in other receivables	(16,285)	5,006
Increase in trade and other payables	18,226	1,646
Cash generated by operations	**150,159**	**97,239**
Income taxes and overseas taxation paid	(6,624)	(7,039)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**143,535**	**90,200**
Purchase of purchased loan portfolios	(176,310)	(142,631)
Purchase of portfolios for resale	(23,519)	-
Net cash (used in)/ generated by operating activities	**(56,294)**	**(52,431)**

*amortisation is the net of collections in the year and income from purchased loan portfolios

15. Post balance sheet events note

On the 9 February 2016, the revolving credit facility was increased from £165 million to £180 million.

On 24 February 2016, the Group resold a portfolio of assets, held for £23.5 million, to an investment partner. No gain or loss arose on the transaction. The portfolio has been separately disclosed within the accounts.

On 29 February 2016, one of the Group's subsidiaries AGHL Portugal Investments Holdings S.A. ("AGHL"), purchased the share capital of Redrock Capital Partners SA. The total fair value of the purchase consideration was £2.9m. Due to the limited time available between the acquisition and the approval of these financial statements, the Group is still in the process of establishing the fair value of the assets and liabilities acquired. However, the acquisition does not have a material impact on the Group's balance sheet.

Glossary

'Adjusted EBITDA' means profit for the year attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The adjusted EBITDA reconciliations for the year to 31 December 2015 are shown below:

Reconciliation of net cash flow to EBITDA	**31 December 2015 £000**	**31 December 2014 £000**
Net cash flow used in operating activities	(56,294)	(52,431)
Purchases of loan portfolios	176,310	142,631
Purchases of loan portfolios to be resold	23,519	-
Income taxes paid	6,624	7,039
Working capital adjustments	(1,942)	(6,652)
Amortisation of acquisition and bank facility fee	303	278
Gain on disposal of property, plant, equipment and intangibles	-	(143)
Effect of exchange rates on cash and cash equivalents	354	66
Share on profit from associates	1,243	-
Non-recurring items	2,943	10,232
Adjusted EBITDA	**153,060**	**101,020**
Reconciliation of core collections to EBITDA	**£000**	**£000**
Income from loan portfolios	150,238	107,984
Portfolio amortisation	68,277	40,563
Core collections (includes proceeds from disposal of purchased loan portfolios)	**218,515**	**148,547**
Other income	14,713	1,933
Operating expenses	(90,817)	(64,362)
Depreciation and amortisation	4,176	1,090
Foreign exchange (gains)/losses	(592)	975
Amortisation of acquisition and bank facility fees	303	278
Share of profit on associate	1,243	-
Share based payments	1,210	568
Non-recurring items	4,309	11,991
Adjusted EBITDA	**153,060**	**101,020**
Reconciliation of operating profit to EBITDA	**£000**	**£000**
Profit for the period attributable to equity shareholders	31,749	18,271
Underlying finance income and costs	36,608	21,409
Taxation charge on ordinary activities	7,523	5,852
Share of profit on associate	(1,243)	-
Non-recurring items	-	848
Operating profit	**74,637**	**46,380**
Portfolio amortisation	68,277	40,563
Depreciation and amortisation	4,176	1,090
Foreign exchange (gains)/losses	(592)	975
Profit on disposal of purchased loan portfolios	(503)	(825)
Amortisation of acquisition and bank facility fees	303	278
Share based payments	1,210	568
Share of profit on associate	1,243	-
Non-recurring items	4,309	11,991
Adjusted EBITDA	**153,060**	**101,020**

Glossary

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

'CGU' means cash generating unit.

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

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

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

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

'CSA' means Credit Services Association.

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

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

'DSBP' means the Arrow Global deferred share bonus plan.

'EBITDA' means earnings before interest, taxation, depreciation and amortisation.

'EBT' means employee benefit trust.

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

'EPS' means earnings per share.

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

'ERC Rollover' relates to additional cash flows from rolling the asset life on all portfolios to 7 years from the date of ERC, including the impact of any foreign exchange movement and the impact of reforecast in the period.

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

'FCA' means the Financial Conduct Authority.

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

Glossary

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

'IFRS' means international financial reporting standards.

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

'IPO' means initial public offering.

'ISOP' means the initial share option plan.

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

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

'LTIP' means the Arrow Global long-term incentive plan.

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

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of loan portfolios, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after taking out of the Group's assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt for the year ended 31 December 2015 is as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Cash and cash equivalents	(10,183)	(14,542)
Senior secured notes (pre transaction fees net off)	466,832	396,070
Senior secured notes interest	6,832	7,289
Revolving credit facility (pre transaction fees net off)	75,000	38,999
Deferred consideration	50,149	11,928
Net debt	**588,630**	**439,744**

'Net promoter score' means a measure of customer satisfaction on a scale of 0-9.

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

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

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

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

'Purchased loan portfolios' see 'existing portfolios'.

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

'PwC' means PricewaterhouseCoopers.

Glossary

'RCF' means revolving credit facility.

'Replacement rate' means the level of purchases needed during the subsequent year to maintain the current level of ERC

'ROE' means the return on equity.

'SID' means the senior independent director of the Group.

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

'SME' means small and medium sized enterprises.

'Secured loan to value' or 'secured LTV ratio' represents the ratio of 84-month ERC to secured debt (net debt as defined above excluding deferred consideration and interest on the senior secured notes and including the fair value of foreign currency contracts and interest rate swaps.)

'TCF' means the treating customers fairly FCA initiative.

'TSR' means total shareholder return.

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

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

Shareholder information

Financial calendar for 2015

Announcement of 2015 full-year results	3 March 2016
Announcement of the 3 months to 31 March 2016 results	11 May 2016
Annual general meeting	26 May 2016
Ex-dividend date for 2015 final dividend	9 June 2016
Record date for 2015 final dividend	10 June 2016
Payment date of 2015 final dividend	7 July 2016
Announcement of 2016 half-yearly results	31 August 2016
Announcement of the 9 months to 30 September 2016 results	9 November 2016
Full-year end	31 December 2016