31 August 2016

Arrow Global Group PLC
Interim results for the six months to 30 June 2016

Arrow Global Group PLC ((“the Company”) and its subsidiaries (together “the Group”)), a leading European purchaser and manager of debt portfolios, is pleased to announce its interim results for the six months to 30 June 2016 (“H1 2016”).

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

“Arrow Global has been pursuing a consistent and proven strategy over many years. This has seen us deliver profitable growth in the UK, while continuing to expand at pace internationally and add capital-light servicing revenues to the business. Today’s numbers for the first half of 2016 are very much consistent with these themes.

“In May, we acquired the Dutch and Belgian business, InVesting, for an enterprise value of €100m, aligned to our strategy of being a leading player in each of our chosen markets.

“During H1, we also invested £96.0 million in organic portfolio acquisitions, of which 43.5% were in mainland Europe. Purchases continued to be in line with target returns, with an expected 120-month gross cash-on-cash multiple for this vintage of 2.0 times.

“With our new acquisition performing well, total revenue for the half increased to £101.5 million, up 32.4% compared to the same period last year, while Adjusted EBITDA increased 60.3% to £105.3 million, and underlying net income by 25.8% to £19.1 million. Over the period, asset management revenues increased to £17.2 million and this business is expected to contribute to circa 25% of group revenues on a run rate basis.

“This strong performance saw us achieve increased underlying basic EPS of 10.9p, up 25.8%, and strong LTM RoE of 27.4%. In line with our dividend policy, today we are confirming an interim dividend of 2.7p.

“While we are mindful of the macroeconomic uncertainty prevailing in the UK and more generally, we remain highly confident that our business has strong foundations. Our underlying assets are underpinned by affordable repayment plans across a broad range of consumers, where we have historically seen limited cash flow sensitivity to macroeconomic variables. At the same time, we also have a number of operating levers that should drive continued performance improvements.

“From a financing perspective, we deliberately increased funding ahead of the UK EU Referendum, successfully issuing a €230 million bond, the funds from which were used to finance the InVesting acquisition and repay outstanding amounts under the RCF. As at the end of June, we had £158 million of undrawn funds in our RCF which provides continued liquidity for further investment. In July we successfully refinanced this RCF on more favourable terms, further reducing the Group’s average cost of debt and extending the average maturity.

“In August, we were delighted to receive our full FCA authorisations, an important milestone for the Group and core to delivering on our strategy. During H1, we also reached the point where all of our core UK panel of servicers received their full FCA authorisation.

"Overall, we see no changes in our opportunity for profitable investment across our business. While we are alert to the macroeconomic uncertainty, we expect full-year earnings to be in line with our expectations and remain confident in our continued growth over the years ahead."

Highlights

- Profit before tax up 24.7% to £20.5 million (H1 2015: £16.4 million) leading to a profit attributable to shareholders up 27.5% to £16.5 million (H1 2015: £12.9 million).
- Basic and diluted earnings per share (EPS) of £0.09 (H1 2015: £0.07). Underlying basic and diluted earnings per share (EPS) [1] of £0.11 (H1 2015: £0.09) delivering an LTM underlying return on equity (ROE)[1] of 27.4% (31 December 2015: 26.5%)
- Interim dividend of 2.7p per share (H1 2015: 1.7p)
- Total revenue up 32.4% to £101.5 million (H1 2015: £76.7 million), driven by core collections up 38.0% to £138.8 million (H1 2015: £100.6 million) and income from asset management up 292.7% to £17.2 million, leading to an increase in Adjusted EBITDA up 60.3% to £105.3 million (H1 2015: £65.7 million)
- Increased total purchased loan portfolios to £692.0 million (31 December 2015: £609.8 million) with 120-month ERC up 15.7% to £1,417.2 million (31 December 2015: £1,224.5 million) and 84-month ERC up 16.7% to £1,200.0 million (31 December 2015: £1,028.6 million).
- £131.4 million invested during the period, including organic portfolio purchases of £96.0 million
- Acquisition of InVesting B.V. ("InVesting"), a leading consumer debt purchaser and collections provider with operations in the Netherlands and Belgium for an enterprise value of circa €100 million
- Successfully issued €230 million seven-year Floating Rate Notes to finance the InVesting acquisition, repay outstanding amounts under our RCF and provide funds for future investments
- Successfully refinanced £180 million multi-currency RCF with a reduced margin of 2.75%, a reduction of 100bps
- S&P upgrade of the Group's credit rating to BB- from B+ and the Group's Notes credit rating from BB- to BB
- Net debt £739.1 million and Net Debt to LTM Adjusted EBITDA ratio of 3.8x (31 December 2015: 3.8x)
- Full Financial Conduct Authority (FCA) authorisation received in August

Notes:

[1] Due to transformation changes to the Group brought about by the strategic acquisitions, in order to understand the performance of the Group, underlying measures are disclosed

A glossary of terms can be found on pages 30 to 33

More details explaining the business can be found in the Annual Report & Accounts 2015 which can be found on the Company website at www.arrowglobalir.net.

For further information:

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Forward looking statements

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

Business and financial review of the period to 30 June 2016

Aligned to our strategy of being a leading player in each of our chosen markets, in May we fully financed the acquisition of Netherlands and Belgian consumer debt purchaser and collector, InVesting. The acquisition included portfolios with an estimated 120-month ERC of €107 million.

InVesting's focus is on portfolio purchase, asset management and outsourced collections provision. It offers several additional services including debt factoring, FOCUM, a business information provider, and AcheterBetalen, a leading open invoice payment provider for online post payment solutions. This investment drives further growth in our asset management business. During the period across the group we achieved 17.0% of total revenue from asset management (30 June 2015: 5.7%), with an expected run rate of approximately 25%.

In H1 2016, we strengthened both our Board and senior management team. In March, we appointed Maria Luís Albuquerque to the Board as a non-executive director. In April, we appointed in-country CEOs in the UK, Portugal and the Netherlands, to our senior management team with responsibility for all of Arrow Global's assets and operations in these geographies.

In line with our dividend policy, the interim dividend will be 2.7p per share (30 June 2015: 1.7p), being 50% of the 2015 final dividend.

Key results

As of and period to	6 months ended 30-June-16 £m	6 months ended 30-June-15 £m	12 months ended 31-Dec-15 £m
Purchases of loan portfolios	131.4	75.4	180.3
Total purchased loan portfolios	692.0	515.8	586.3*
Core collections	138.8	100.6	218.5
Total revenue	101.5	76.7	165.5
Adjusted EBITDA	105.3	65.7	153.1
Profit before tax	20.5	16.4	39.3
Profit attributable to shareholders	16.5	12.9	31.7
Underlying net income	19.1	15.2	35.4
84-month ERC	1,200.0	942.0	1,028.6
120-month ERC	1,417.2	1,134.2	1,224.5
Net debt	739.1	507.7	588.6
Basic and diluted EPS (£)	0.09	0.07	0.18
Underlying basic and diluted EPS (£)	0.11	0.09	0.20
LTM underlying ROE (%)	27.4%	25.5%	26.5%
Net assets	158.2	129.5	145.4

* excluding £23.5 million of portfolios due to be resold

A glossary of terms can be found on pages 30 to 33.

Purchased loan portfolios

We acquired debt portfolios with a face value of £1,050.2 million for a purchase price of £131.4 million (including £35.3 million from the Investing acquisition), equating to an average purchase price of 12.5p per £1. The 120-month gross cash-on-cash multiple for this vintage is expected to be 2.0 times (84-month: 1.7 times) from the date of purchase. Of the purchase price invested 45.0% related to secured portfolios.

The balance sheet value of our purchased loan portfolios increased by 13.5% to £692.0 million as at 30 June 2016 (31 December 2015: £609.8 million). The primary drivers for this were portfolios acquired of £131.4 million, net of amortisation £55.2 million. Other movements included the disposal of assets held for resale of £23.5 million and foreign exchanges movements of £26.5 million.

ERC overview

Our 84-month ERC – the expected collections from portfolios already acquired – after taking into account movement in foreign exchange rates, has increased by 16.7% from £1,028.6 million as at 31 December 2015 to £1,200.0 million, (120-month ERC 15.7% increase to £1,417.2 million (31 December 2015: £1,224.5 million)).

The ERC is underpinned by paying accounts that have a current face value of £1.7 billion (31 December 2015: £1.5 billion), which represents 1.4 times 84-month ERC cover and 1.2 times 120-month ERC cover (31 December 2015: 1.4 times and 1.2 times accordingly). As at 30 June 2016, we estimate the amount we would need to invest over the next 12 months to maintain our current 120-month ERC level is approximately £100 million.

Revenue

Total revenue for the period was £101.5 million, an increase of 32.4% from 2015 of £76.7 million. £12.0 million of the increase reflected the enlarged size of the portfolio assets and £12.8 million of the increase was income from asset management. The latter was due to a full period of results for Whitestar and the acquisition of InVesting in May 2016.

Cash flow

Core collections

Core collections increased to £138.8 million (H1 2015: £100.6 million), reflecting the increase in our portfolio asset base. Core collections are in line with our ERC forecast. Strong performance of the 2015 and 2016 vintage has mitigated disruption of collections in Portugal, driven by moving from third party servicers to our in-house operation.

As at 30 June 2016, 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.

Collection costs

Collections costs increased by 27.2% to £30.7 million (30 June 2015: £24.1 million).

During the period we completed the rationalisation of our UK panel and the associated migration of the accounts in-house, delivering the full benefit of the Capquest acquisition synergies.

During H1 2016, Adjusted EBITDA increased by £39.6 million (60.3%) to £105.3 million (H1 2015: £65.7 million). Cash generated by operations increased from £61.2 million in H1 2015 to £95.7 million in H1 2016. This was mainly driven by an increase in core collections net of collection costs.

Profit attributable to shareholders

Profit attributable to equity shareholders increased 27.5% from £12.9 million at 30 June 2015 to £16.5 million for the period ended 30 June 2016. This was largely driven by increased operational profit of £8.1 million, including £1.8 million from the InVesting acquisition, offset by an increase in net finance costs of £4.9 million. The latter was largely due to the issuance of €230 million Floating Rate Notes funding the acquisition of InVesting in May 2016 and increasing balance sheet liquidity in the run up to the Brexit vote.

We saw positive results of £1.3 million from our 15% interest in French market leader, MCS.

During the period, non-recurring items of £2.7 million were incurred, with an associated tax impact of £0.2 million. These arose on the strategic corporate acquisitions of InVesting and Redrock Capital Partners, S.A. ("Redrock").

After taking account of the non-recurring items discussed above, underlying net income increased 25.8% from £15.2 million at H1 2015 to £19.1 million for H1 2016.

Net assets, funding and net debt

Net assets increased £12.9 million during the period, mostly reflecting the retained profit for the period of £16.5 million and translation movements of £5.5 million, offset by the final 2015 approved dividend of £9.4 million.

In February 2016, we successfully increased our RCF to £180 million. In April, we issued €230 million senior Floating Rate Notes used to fund the InVesting acquisition and provide additional RCF headroom. As at 30 June 2016, we had cash and RCF resources of £170.0 million available. We continue to assess additional funding options as required, subject to market conditions.

Net debt at 30 June 2016 was £739.1 million (31 December 2015: £588.6 million). The drivers of the increase in net debt of £150.5 million from 31 December 2015 were the acquisitions of InVesting and Redrock and organic portfolio purchases.

All credit ratios remain within policy parameters. The net debt to LTM Adjusted EBITDA ratio has been maintained at 3.8 times. Cash interest cover has improved to 5.3 times (30 December 2015: 4.9 times). Net debt/84-month ERC loan to value ratio is 61.6% (31 December 2015: 57.2%) and the secured loan to value ratio is 58.5% (31 December 2015: 51.8%), which is significantly below our financial covenants of 75%.

On 29 July, we refinanced our £180 million multi-currency revolving credit facility, provided by four banks. The new facility has a margin of 2.75%, a reduction of 100bps from the previous facility. The commitment fee has also been reduced by 54bps. The new facility has an extended maturity of 30 November 2019 with a committed option of further extension to 31 July 2021. The cancellation of the previous RCF will result in a non-cash pre-tax cost of approximately £3 million, relating to writing off previous transaction fees, this will be treated as a non-recurring item in the group accounts.

As a reflection of our ability to continue to expand our franchise whilst maintaining our key credit ratios, on 1 August S&P upgraded the Group's credit rating to BB- from B+ and the Group's Notes credit rating from BB- to BB.

Shareholder returns

Basic EPS for the period ended 30 June 2016 was 9.5p (30 June 2015: 7.4p), representing an increase of 27.5%. Underlying basic EPS for the period ended 30 June 2016 was 10.9p (30 June 2015: 8.7p), representing an increase of 25.8%.

In accordance with our dividend policy, the interim dividend will be 2.7p per share (H1 2015: 1.7p), being 50% of the 2015 final dividend.

Recent Developments

In July we became a registered firm of the Lending Standards Board (LSB). We are now one of only a small number in our industry to achieve this. The LSB works with registered firms to promote fair lending practices and oversees adherence to the recently launched Standards of Lending Practice.

In August, our key UK trading subsidiaries received their full FCA authorisations. This marked the successful completion of the application process following the submission of our application to the regulator during our Q3 2015 landing slot.

During the period, we also reached the point where all of our core UK panel of servicers received their full FCA authorisation.

Outlook

Against the backdrop of the recent Brexit vote we will continue to monitor market and wider economic changes closely. We have operations based in the geographies in which we operate. We are licensed in our own right in these markets and as such are not reliant on the UK's ongoing membership of the EU. Prior to the Brexit vote we took the opportunity to raise €230 million Floating Rate Notes at a rate of EURIBOR plus 4.75% to finance the InVesting acquisition, repay outstanding amounts under our RCF and provide firepower for future investments. The timing of this capital raising exercise was designed to secure longer term funding ahead of potential market volatility. The cost of holding additional liquidity has a negative impact on funding costs.

As part of today's H1 reporting, in our analyst and investor presentations we have completed an analysis of repayment behavior against the backdrop of uncertain UK macroeconomic conditions – for more information visit www.arrowglobalir.net. It looks to understand the impact on our customers' repayment behavior through the 2008 recession. The analysis illustrates any potential impact on ERC is within tolerances.

With organic portfolio purchases for the remainder of 2016 of over £29 million already awarded, coupled with the continued strong performance of our asset management businesses, we expect overall full-year earnings to be in line with our expectations and we remain confident in our continued growth.

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, financial, operational and conduct. 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.

Risk	Definition	Effect on the Group	Mitigating actions
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 in the UK or Eurozone could impact our ability to collect from portfolios, or competitively purchase and invest in line with our company objectives. 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.	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 through our governance activities and by operating in accordance with all regulatory requirements and jurisdictional industry best practice.
Financial risk	***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'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.

Risk	Definition	Effect on the Group	Mitigating actions
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*	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. 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. There is also a risk of data quality and documentation deficiencies in purchased portfolios that require remediation post-purchase. The effectiveness of this remediation activity potentially affects our credit risk and/or quality of customer outcomes. We choose to outsource the management of some customer accounts to third party partners who collect on our behalf and we are also dependent upon third party firms with whom customers engage to manage their debt or insolvency. Should these third parties experience sustained business interruption, subject to takeover by an unfriendly competitor or fraudulent activity, or fail to secure regulatory authorisation, we could suffer financial loss and/or potential detriment to customers.	Operational risk is managed in line with our operational risk policy, which sets out the framework and processes for managing this risk type. We have a quarterly Risk & Control Self-Assessment (RCSA) process to identify and assess key operational and regulatory risks. Key risk areas are governed by a suite of policies approved by the board or executives to ensure standards are appropriately set across the Group. 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. IT systems are regularly tested, backed up and managed through a set of quality and security policies, supported by disaster recovery and business continuity plans. Due diligence is undertaken on prospective investment purchases to identify potential data quality and documentation weaknesses, with governance through our investment 'gate' process. Our Legal team are involved in all purchases and external legal advice is taken where required, with contractual terms and warranties to used to provide protection against legacy conduct issues. In the UK, 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.
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 a breach of FCA regulations, resulting in 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. 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.	Conduct risk and Treating Customers Fairly (TCF) are at the heart of our business. All employees and third parties acting on our behalf in the UK 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 operational risk 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.

Directors’ responsibilities statement in respect of the interim results

We confirm that to the best of our knowledge:

the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

the interim management report includes a fair review of the information required by:

DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Name	**Function**
Jonathan Bloomer	Non-executive chairman
Tom Drury	Group chief executive officer
Rob Memmott	Group chief financial officer
Iain Cornish	Non-executive director and senior independent director
Robin Phipps	Non-executive director
Lan Tu	Non-executive director
Maria Luís Albuquerque	Non-executive director

The interim results were approved on 31 August 2016 by the board of directors and are signed on its behalf by:

Robert Memmott Group Chief Financial Officer

Independent review report to Arrow Global Group PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Richard Gabbertas
for and on behalf of KPMG LLP

1 St Peter's Square
Manchester
M2 3AE

31 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2016

	Note	Unaudited six months ended 30 June 2016 £000	Unaudited six months ended 30 June 2015 £000
Continuing operations	Note		
Revenue			
Income from purchased loan portfolios	10	83,682	72,165
Profit on portfolio sales	10	610	134
Total revenue from portfolios		**84,292**	**72,299**
Income from asset management		17,224	4,386
Total revenue		**101,516**	**76,685**
Operating expenses			
Collection activity costs		(30,654)	(24,098)
Professional fees and services		(3,266)	(1,688)
Recurring other operating expenses		(23,782)	(15,134)
Non-recurring other operating expenses	7	*(2,731)*	*(2,780)*
Total other operating expenses	**8**	**(26,513)**	**(17,914)**
Total operating expenses		**(60,433)**	**(43,700)**
Operating profit		**41,083**	**32,985**
Finance income		783	84
Finance costs		(22,709)	(17,100)
Share of profit in associates		1,340	467
Profit before tax		**20,497**	**16,436**
Taxation charge on ordinary activities excluding non-recurring items		**(4,158)**	**(4,063)**
Tax on non-recurring items		*171*	*563*
Taxation charge on ordinary activities	**6**	**(3,987)**	**(3,500)**
Profit for the period		**16,510**	**12,936**
Other comprehensive income:			
Foreign exchange translation difference arising on revaluation of foreign operations		5,486	(307)
Hedging movement		(1,408)	284
Other comprehensive income for the period net of tax		**4,078**	**(23)**
Total comprehensive income for the period		**20,588**	**12,913**
Profit attributable to:			
Owners of the Company		16,498	12,936
Non-controlling interest		12	-
		16,510	**12,936**
Total comprehensive income attributable to:			
Owners of the Company		20,576	12,913
Non-controlling interest		12	-
		20,588	**12,913**
Basic and diluted EPS (£)	4	**0.09**	**0.07**
Underlying net income		***19,058***	***15,153***

CONSOLIDATED BALANCE SHEET
As at 30 June 2016

	Notes	Unaudited 30 June 2016 £000	31 December 2015 £000	Unaudited 30 June 2015 £000
Assets				
Non-current assets				
Goodwill	9	125,359	79,490	79,343
Other intangible assets		42,258	20,643	17,244
Property, plant and equipment		2,655	3,649	3,128
Investment in associates		15,834	12,158	11,380
Loan notes	10	-	862	1,040
Deferred tax asset		4,095	639	478
Total non-current assets		**190,201**	**117,441**	**112,613**
Current assets				
Cash and cash equivalents		20,662	10,183	14,581
Other receivables		44,382	34,781	20,045
Derivative asset		6,738	-	-
Purchased loan portfolios	10	691,959	609,793	515,819
Total current assets		**763,741**	**654,757**	**550,445**
Total assets		**953,942**	**772,198**	**663,058**
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		85,323	76,916	59,759
Hedging reserve		(2,710)	(1,302)	(403)
Other reserves		(273,952)	(279,438)	(279,074)
Total equity attributable to shareholders		**157,841**	**145,356**	**129,462**
Non-controlling interest		406	-	-
Total equity		**158,247**	**145,356**	**129,462**
Liabilities				
Non-current liabilities				
Senior secured notes	13	668,146	447,545	361,186
Trade and other payables	11	-	7,648	7,138
Deferred tax liability		13,596	4,396	3,837
Total non-current liabilities		**681,742**	**459,589**	**372,161**
Current liabilities				
Trade and other payables	11	68,912	83,906	38,190
Derivative liability		-	1,281	835
Current tax liability		8,744	3,755	4,199
Revolving credit facility	13	18,914	71,479	111,814
Senior secured notes	13	8,735	6,832	6,397
Bank overdrafts	13	8,648	-	-
Total current liabilities		**113,953**	**167,253**	**161,435**
Total liabilities		**795,695**	**626,842**	**533,596**
Total equity and liabilities		**953,942**	**772,198**	**663,058**

The interim results were approved on 31 August 2016 by the board of directors and are signed on its behalf by:

Robert Memmott Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016

	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve* £000	Translation reserve* £000	Merger reserve* £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2015	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**	**-**	**121,874**
Profit for the period	-	-	12,936	-	-	-	-	12,936	-	12,936
Exchange differences	-	-	-	-	-	(307)	-	(307)	-	(307)
Net fair value gains cash flow hedges	-	-	-	357	-	-	-	357	-	357
Tax on hedged items	-	-	-	(73)	-	-	-	(73)	-	(73)
Total comprehensive income for the period	**-**	**-**	**12,936**	**284**	**-**	**(307)**	**-**	**12,913**	**-**	**12,913**
Share-based payments	-	-	1,270	-	-	-	-	1,270	-	1,270
Repurchase of own shares	-	-	-	-	(669)	-	-	(669)	-	(669)
Dividend paid	-	-	(5,926)	-	-	-	-	(5,926)	-	(5,926)
Balance at 30 June 2015 (unaudited)	**1,744**	**347,436**	**59,759**	**(403)**	**(1,231)**	**(882)**	**(276,961)**	**129,462**	**-**	**129,462**
Profit for the period	-	-	18,813	-	-	-	-	18,813	-	18,813
Exchange differences	-	-	-	-	-	341	-	341	-	341
Net fair value gains/(losses) cash flow hedges	-	-	-	(1,086)	-	-	-	(1,086)	-	(1,086)
Tax on hedged items	-	-	-	187	-	-	-	187	-	187
Total comprehensive income for the period	**-**	**-**	**18,813**	**(899)**	**-**	**341**	**-**	**18,255**	**-**	**18,255**
Share-based payments	-	-	1,307	-	-	-	-	1,307	-	1,307
Repurchase of own shares	-	-	-	-	(705)	-	-	(705)	-	(705)
Dividend paid	-	-	(2,963)	-	-	-	-	(2,963)	-	(2,963)
Balance at 31 December 2015	**1,744**	**347,436**	**76,916**	**(1,302)**	**(1,936)**	**(541)**	**(276,961)**	**145,356**	**-**	**145,356**
Profit for the period	-	-	16,498	-	-	-	-	16,498	12	16,510
Exchange differences	-	-	-	-	-	5,486	-	5,486	-	5,486
Net fair value gains/(losses) cash flow hedges	-	-	-	(1,679)	-	-	-	(1,679)	-	(1,679)
Tax on hedged items	-	-	-	271	-	-	-	271	-	271
Total comprehensive income for the period	**-**	**-**	**16,498**	**(1,408)**	**-**	**5,486**	**-**	**20,576**	**12**	**20,588**
Non-controlling interest on acquisition	-	-	-	-	-	-	-	-	394	394
Share-based payments	-	-	1,324	-	-	-	-	1,324	-	1,324
Dividend paid	-	-	(9,415)	-	-	-	-	(9,415)	-	(9,415)
Balance at 30 June 2016 (unaudited)	**1,744**	**347,436**	**85,323**	**(2,710)**	**(1,936)**	**4,945**	**(276,961)**	**157,841**	**406**	**158,247**

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 30 June 2016 the Group held 86,658 ordinary shares of 1p each, held in an employee benefit trust. This represents less than 0.1% of the Company share capital at 30 June 2016.

* Other reserves total £273,952,000 deficit (31 December 2015: £279,438,000 deficit, 30 June 2015: £279,074,000 deficit)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2016

	Note	Unaudited period ended 30 June 2016 £000	Unaudited period ended 30 June 2015 £000
Net cash used in operating activities	15	**(622)**	**(14,556)**
Investing activities			
Purchase of property, plant and equipment		(1,598)	(327)
Purchase of intangible assets		(3,453)	(2,730)
Dividends received from associates		-	658
Investment in associates		(1,305)	-
Acquisition of subsidiary, net of cash acquired		(62,465)	(36,838)
Acquisition of subsidiary, deferred consideration		(16,068)	-
Net cash used in investing activities		**(84,889)**	**(39,237)**
Financing activities			
(Repayment)/ Proceeds from additional loans		(53,000)	76,000
Proceeds from senior notes (net of fees)		175,153	-
Repayment of interest on senior notes		(15,266)	(13,684)
Proceeds of loan notes		938	-
Repayment of bank loan		-	(250)
Bank fees paid		(2,227)	(1,997)
Bank interest received		89	4
Repurchase of own shares		-	(669)
Payment of dividends		(9,415)	(5,926)
Settlement of deferred consideration interest		(594)	-
Net cash flow generated by financing activities		**95,678**	**53,478**
Net increase (decrease) in cash and cash equivalents		**10,167**	**(315)**
Cash and cash equivalents at beginning of period		10,183	14,542
Effect of exchange rates on cash and cash equivalents		312	354
Cash and cash equivalents at end of period		**20,662**	**14,581**

Notes

1. Statutory Information

Arrow Global Group PLC (the "Company") is a company domiciled in the United Kingdom. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (the "Group"). Through its subsidiary companies, the Group acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. In addition, the Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables.

This condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for a full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

The annual financial statements of the Group are prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the interim financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 December 2015.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online at www.arrowglobalir.net.

The comparative figures for the financial year ended 31 December 2015 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was

(i) unqualified

(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and

(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The interim financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and the amortised cost value of portfolio assets. The accounting policies are the same as those given in the annual report and accounts for the period ended 31 December 2015.

The statements were approved by the board of directors on 31 August 2016.

After making appropriate enquires, the directors have a reasonable expectation that the Company and the Group will be able to continue in operational existence for the foreseeable future, owing to the fact that forecasts show sufficient resources are available throughout the period under review. Thus, they continue to adopt the going concern basis of accounting in preparing the interim results.

2. Adoption of new standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2016:

- Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)
- Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)
- Equity method in separate financial statements (amendments to IAS 27)
- Annual improvements to IFRSs 2012-2014 cycle
- Disclosure initiative (amendments to IAS 1)

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

3. Accounting policies, critical accounting judgements and estimates

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing the interim financial statements, the accounting policies, areas of judgement, estimation and assumption were the same as those applied in the consolidated financial statements of the Group as at and for the year ended 31 December 2015 and also the following critical accounting estimate in relation to the InVesting and Redrock acquisitions, except as detailed in note 2 above:

Fair value of acquisition balance sheet and carrying value of goodwill

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

The fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition.

4. Earnings per share

	Period Ended 30 June 2016 £000	Period Ended 30 June 2015 £000
Basic/diluted earnings per share		
Underlying profit for the period attributable to equity shareholders	19,058	15,153
Profit for the period attributable to equity shareholders including non-recurring items	16,498	12,936
Weighted average ordinary shares	**174,047**	**174,047**
Potential exercise of share options	**4,453**	**3,793**
Weighted average ordinary shares (diluted)	**178,500**	**177,840**
Underlying basic and diluted earnings per share (£)	**0.11**	**0.09**
Basic earnings per share including non-recurring items (£)	**0.09**	**0.07**
Underlying diluted earnings per share (£)	**0.11**	**0.09**
Diluted earnings per share including non-recurring items (£)	**0.09**	**0.07**

5. Dividend

A dividend of £9,415,000 has been included in these interim results, being the final 2015 dividend of 5.4p per share.

The interim dividend will be 2.7p per share (30 June 2015: 1.7p), in accordance with our policy, being 50% of the 2015 final dividend. The dividend is payable on 13 October 2016 to shareholders who are on the register as at 16 September 2016. The ex-dividend date is 15 September 2016. The interim dividend has not been recognised as a liability in these interim financial statements.

6. Tax

The Group's effective consolidated tax rate for the six months ended 30 June 2016 was 19.45% (30 June 2015: 21.29%).

Non-recurring tax

We have identified non-recurring items in the period to 30 June 2016 amounting to £2,731,000 (30 June 2015: £2,780,000) with a £171,000 (30 June 2015: £563,000) associated tax impact.

7. Non-recurring items

	Period Ended 30 June 2016 £000	Period Ended 30 June 2015 £000
Other operating expenses	2,731	2,780
Total non-recurring items	**2,731**	**2,780**

Non-recurring items include items that, by virtue of their size and nature (i.e. outside of the normal operating activities of the Group), are not considered to be representative of the on going performance of the Group.

In the period to 30 June 2016, £2.7 million of costs were incurred relating to the completion of two strategic entity acquisitions, InVesting in the Netherlands and Redrock in Portugal.

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

8. Other operating expenses

Other operating expenses has been arrived at after charging/ (crediting):

	Period Ended 30 June 2016 £000	Period Ended 30 June 2015 £000
Foreign exchange losses/ (gains)	594	(1,057)
Depreciation and amortisation	3,564	1,633

9. Goodwill

Cost	£000
At 30 June 2015	81,652
Goodwill on acquisition of subsidiary	(1,337)
Exchange rate differences	1,484
At 31 December 2015	81,799
Goodwill on acquisition of subsidiaries	39,420
Exchange rate differences	6,449
At 30 June 2016	**127,668**
Impairment:	
At 30 June 2015, 31 December 2015 and 30 June 2016	**2,309**
NBV:	
At 30 June 2016	**125,359**
At 31 December 2015	**79,490**
At 30 June 2015	**79,343**

The goodwill on acquisition of subsidiaries arose from the acquisitions of InVesting B.V. £36,870,000 and Redrock Capital Partners, S.A. £2,550,000. For more details see note 14.

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.), recognising all of the Whitestar results at the date of the initial consideration as full voting control and economic interest had passed. We increased our holding to 75% of the shares for a further payment of €19,256,000 on 1 April 2016.

10. Financial assets

	30 June 2016 £000	31 December 2015 £000	30 June 2015 £000
Non Current:			
Purchased loan portfolios	538,128	464,996	408,598
Loan notes	-	862	1,040
	538,128	**465,858**	**409,638**
Current:			
Purchased loan portfolios	153,831	121,278	107,221
Purchased loan portfolios (resold)/ due to be resold	-	23,519	-
Total	**691,959**	**610,655**	**516,859**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 June 2016, the carrying amount of the purchased loan portfolio assets was £691,959,000 (31 December 2015: £609,793,000).

The movements in purchased loan portfolio assets were as follows:

	Period Ended 30 June 2016 £000	Year Ended 31 December 2015 £000	Period Ended 30 June 2015 £000
As at the period brought forward	609,793	477,513	477,513
Portfolios acquired during the period *	98,347	177,716	72,589
Purchased loan notes (resold)/ to be resold	(23,519)	23,519	-
Portfolios acquired through acquisition of subsidiaries	35,343	3,970	3,970
Collections in the period	(138,839)	(218,515)	(100,635)
Income from purchased loan portfolios	83,682	150,238	72,165
Exchange gain/ (loss) on purchased loan portfolios	26,542	(5,151)	(9,917)
Profit on disposal of purchased loan portfolios	610	503	134
As at the period end	**691,959**	**609,793**	**515,819**

* inclusive of capitalised portfolio expenditure of £2,383,000 (31 December 2015:, £1,406,000, 30 June 2015: £1,163,000)

For more details on the portfolios acquired through acquisition of subsidiaries see note 14.

11. Trade and other payables

Current	30 June 2016 £000	31 December 2015 £000	30 June 2015 £000
Trade payables	8,910	9,408	6,214
Deferred consideration	28,942	42,501	14,950
Deferred consideration on portfolio to be resold	-	23,519	-
Taxation and social security	197	121	226
Other liabilities and accruals	30,863	8,357	16,800
	68,912	**83,906**	**38,190**

Non-current	30 June 2016 £000	31 December 2015 £000	30 June 2015 £000
Deferred consideration	-	7,648	7,138
	-	**7,648**	**7,138**

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

12. Related party transactions

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

Remuneration	30 June 2016 £000	31 December 2015 £000	30 June 2015 £000
Salaries and performance related bonus	1,002	2,487	704
Pension-related benefits	87	160	79
	1,089	**2,647**	**783**

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

13. Borrowings and Facilities

Secured borrowing at amortised cost	30 June 2016 £000	31 December 2015 £000	30 June 2015 £000
Senior secured notes (net of transaction fees of £23,316,000, 31 December 2015: £19,286,000, 30 June 2015: £17,622,000)	668,146	447,545	361,186
Revolving credit facility (net of transaction fees of £3,086,000, 31 December 2015: £3,521,000, 30 June 2015: £4,111,000)	18,914	71,479	111,814
Senior secured notes interest	8,735	6,832	6,397
Bank overdrafts	8,648	-	-
	704,443	**525,856**	**479,397**
Total borrowings			
Amount due for settlement within 12 months	**36,297**	**78,311**	**118,211**
Amount due for settlement after 12 months	**668,146**	**447,545**	**361,186**

Senior secured notes

On 21 April 2016, the Group issued €230 million seven-year Floating Rate Notes, bearing an interest rate of EURIBOR plus 4.75% per year (Euro FRN). Interest is paid quarterly in arrears. The euro senior notes can be redeemed in full or in part on or after 1 May 2019 at the Group's option. Prior to 1 May 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.

Revolving credit facility

On 29 July 2016, the Group refinanced its existing revolving credit facility. The Group's existing revolving credit facility was cancelled and replaced with a new £180 million multi-currency facility. The new revolving credit facility is provided by a syndicate of four participating financial institutions that provide commitments totalling £180 million. The facility has an expiry date of 30 November 2019, with a further committed extension option to 31 July 2021. For more information see Note 18, post balance sheet events.

The new revolving credit facility has a margin of 2.75% per annum over the relevant base rate. Group is required to pay a commitment fee at a rate of 35% of the 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 consolidated Arrow Global Guernsey Holdings Limited group of companies.

The cancellation of the existing revolving credit facility will result in a non-cash pre-tax cost of approximately £3 million, relating to writing off previous transaction fees; this will be treated as a non-recurring item in the group accounts.

Bank overdraft

Upon completion of the InVesting B.V. acquisition, the Group maintained the €20 million overdraft facility provided to the InVesting Group by a Dutch bank. The overdraft has a renewal date of 31 December 2016. The balance on this facility at 30 June 2016 was £6,979,000. The facility is secured on the assets of the InVesting Group.

14. Acquisitions of subsidiary undertakings

InVesting

On 4 May 2016, the Group acquired 100% of the ordinary share capital of InVesting B.V. (subsequently renamed Arrow Global Investments Holdings Benelux B.V.). InVesting has a similar principal activity as the Group, is a leading consumer debt purchaser and third party collections provider with operations both in the Netherlands and Belgium.

The Group paid cash consideration of €76,964,000 (£60,649,000) and contingent consideration of €270,000 (£213,000), with an additional requirement to repay outstanding loans and other costs of €12,280,000 (£9,677,000). The contingent consideration is payable on the one year anniversary of the transaction and has been included at its fair value, at the amount contractually agreed. The contingent consideration is based on the previous shareholders fulfilling their service responsibilities for 12 months post acquisition; management deem this to be highly probable at the reporting date. Included within the opening net assets are debt liabilities of £18,412,000, comprising an overdraft with a facility limit of €20 million, drawn at the acquisition date to the value €11,084,000 (£8,735,000) and an intercompany loan of €12,280,000 (£9,677,000) from an entity of the previous Group. Further to this an intercompany loan of €12,280,000 (£9,677,000) was created between Arrow Global Investments Holdings Limited and Investing.

Goodwill of €46,788,000 (£36,870,000) was created as a result of this acquisition. The primary reasons for the acquisition were to create scale and servicing capability across multiple asset classes and to create a market leader within the Benelux market.

In the period from acquisition to 30 June 2016, InVesting contributed revenue of £8,884,000 and profit of £1,425,600 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2016, Group total revenue would have been an estimated £116,124,000 and profit would have been an estimated £17,735,000.

Effect of the acquisition

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

	Total £000
Purchased loan portfolios	35,343
Other intangible assets	16,388
Property, plant and equipment	582
Deferred tax asset	2,893
Other receivables	10,775
Cash and cash equivalents	696
Trade and other payables	(24,126)
Bank overdraft	(8,735)
Deferred tax liability	(9,276)
Current tax liability	(154)
	24,386
Minority interest	(394)
	23,992
Goodwill on acquisition	36,870
	60,862
Consideration:	
Cash	60,649
Contingent consideration	213
	60,862

Goodwill of £5,410,000 previously recognised in Investing is not an identifiable asset when applying acquisition accounting and has therefore been written off through fair value adjustments accordingly.

A fair value adjustment of £16,879,000 arose on purchased loan portfolios being a difference between the carrying value and management's assessment of fair value. A fair value adjustment of £13,850,000 on the intangible asset acquired arose from fair value of existing customer relationships. An associated deferred tax liability of 25.8% of the fair value adjustment is recognised on these two fair value adjustments.

A fair value adjustment of £400,000 arose to reduce the deferred tax asset, reflecting the uncertainty over the amounts and timing of historical tax losses.

Other receivables in the acquired entities comprise gross contracted amounts of £3,675,000. There is doubt over the recoverability of £47,000 of this amount, being a specific provision against an overdue amount.

The minority interest was recorded at fair value at the acquisition date.

Redrock

On 29 February 2016, the Group acquired 100% of the ordinary share capital of Redrock Capital Partners, S.A. satisfied with cash of €3,200,000 (£2,515,000), together with deferred consideration of €454,000 (£357,000) being a total consideration of €3,654,000 (£2,872,000). The deferred consideration is payable on the one year anniversary of the transaction and has been included at its fair value, being the gross amount contractually agreed. Redrock has a similar principal activity as

the Group being the management and servicing of non-performing debt portfolios on behalf of third party clients and the Group in Portugal.

Goodwill of €3,244,000 (£2,550,000) was created as a result of this acquisition. The primary reasons for the acquisition, which makes up the goodwill, were to enable further synergy gains within the Portuguese CGU from a combination of lower servicing costs and more control over owned loan portfolios. This also allows focus on low valuation collections.

In the period from acquisition to 30 June 2016, Redrock contributed revenue of £86,000 and profit of £19,000 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2016, Group total revenue would have been £101,546,000 and profit would have been £16,529,000.

Effect of the acquisition

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

	Total £000
Other intangible assets	407
Deferred tax asset	28
Other receivables	417
Cash and cash equivalents	3
Trade and other payables	(399)
Deferred tax liability	(134)
	322
Goodwill on acquisition	2,550
	2,872
Consideration:	
Cash	2,515
Deferred consideration	357
	2,872

A fair value adjustment of £407,000 on intangible asset acquired arose from the fair value of existing customer relationships. A fair value adjustment of £95,000 to reduce the opening value of plant, property and equipment to nil arose following the relocation of the Redrock offices in March 2016. An associated deferred tax liability of 33.0% of the fair value adjustment is recognised on these fair value adjustments.

Other receivables in the acquired entities comprise gross contracted amounts of £315,000. There are no provisions for overdue amounts.

Acquisition expenses

The Group incurred non-recurring acquisition expenses of £2,731,000 in relation to the acquisitions of InVesting and Redrock, 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 in existence at the acquisition date. If any additional material changes to the Redrock or InVesting acquisition figures are required within this measurement period, these will be reflected in the 2016 Annual Report and Accounts.

The valuation techniques and inputs used in the measurement of fair value of material assets acquired are consistent with prior acquisitions as described in our 31 December 2015 financial statements.

15. Notes to the cash flow statement

	Period ended 30 June 2016	Period ended 30 June 2015
Cash flows from operating activities	**£000**	**£000**
Profit before tax	20,497	16,436
Adjusted for:		
Collections in the period*	138,839	100,635
Income from purchased loan portfolios*	(83,682)	(72,165)
Profit on disposal of purchased loan portfolios	(610)	(134)
Share of profit from associates	(1,340)	(467)
Amortisation of legal acquisition fees on portfolios and finance costs	2,604	1,994
Depreciation and amortisation	3,564	1,633
Interest payable	19,322	15,022
Foreign exchange losses/ (gains)	282	(1,411)
Share-based payment expenses	1,324	1,270
Operating cash flows before movement in working capital	**100,800**	**62,813**
Increase in other receivables	1,535	(3,354)
Increase in trade and other payables	(6,685)	1,755
Cash generated by operations	**95,650**	**61,214**
Income taxes and overseas taxation paid	(308)	(3,181)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**95,342**	**58,033**
Purchases of purchased loan portfolios	(95,964)	(72,589)
Net cash used in operating activities	**(622)**	**(14,556)**

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

16. Share based payments

The following awards were made in 2016.

Share incentive plan scheme (SIP)

In 2016, the Group offered to all UK employees the opportunity to participate in the SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment to receive the shares.

Long-term incentive plan (LTIP)

In 2016, nil cost share options and conditional awards were granted to eligible employees based on a maximum of 150% of base salary. The LTIP awards vest at the end of three years, subject to the achievement of performance conditions. On the same date, UK tax qualifying options were granted as part of the LTIP awards ("CSOP options"). Each CSOP option is subject to the same performance targets as apply to the nil cost option part of the awards.

Each CSOP Option is subject to the same performance targets as apply to the nil-cost option part of the awards. If a CSOP Option is exercised at a gain, the number of shares that may be delivered under the above associated nil-cost option under the LTIP will be reduced at exercise by the same

value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP Option.

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

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

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

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

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

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

Restricted share award and deferred bonus share awards

A restricted share award was made in May 2016, which vest on 1 May 2018. Deferred share bonus awards were made in April 2016, which vest on 8 April 2019. All are subject to continuity of employment.

Grant information for the period

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

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – LTIP	Equity	1,563,299	3 years	08 April 2019
Equity settled award – LTIP	Equity	176,053	3 years	08 April 2019
Equity settled award – restricted	Equity	272,638	2 years	1 May 2018
Equity settled award – SIP	Equity	39,005	3 years rolling	May – June 2019
Equity settled award – Deferred	Equity	121,922	3 years	8 April 2019

There was a conditional award of 22,950 shares which vested on 31 May 2016.

The weighted average fair value of options granted during the period was £2.28. The majority of options granted to date are nil cost options.

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

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

	30 June 2016
SIP	
Expected life of options (years)	3
Share prices at date of grant	£2.57
LTIP, restricted and deferred awards	
Expected life of options (years)	2-3
Share prices at date of grant	£2.57 and £2.67
Expected share price volatility (%)	31.85%
Risk free interest rate (%)	0.19%

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

	30 June 2016
	£000
Equity settled share based payment expense spread across vesting period	338
Total equity settled share based payment expense recognised in the statement of comprehensive income	**338**

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

The basis of measures used to measure executive remuneration can be seen in the Annual Report & Accounts 2015 on the Company website at www.arrowglobalir.net.

17. Financial instruments

Fair value estimation

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

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

Valuation models

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

Financial instruments measured at fair value – fair value hierarchy

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

Level 2	30 June 2016	31 December 2015
	£000	£000
Foreign currency contracts	9,003	(71)
Interest rate swaps	(2,265)	1,352
Total liabilities	**6,738**	**1,281**

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

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2015.

Financial instruments not measured at fair value – fair value hierarchy

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

Level 3	30 June 2016	31 December 2015
	£000	£000
Assets		
Purchased loan portfolios	691,959	609,793
Loan notes	-	862
Total assets	**691,959**	**610,655**

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

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

Treasury related risk management

The treasury function enters into derivative transactions, principally interest rate swap, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options. No written options were entered into during the period (2015: £nil).

18. Post balance sheet events

On 29 July 2016, the Group refinanced its existing revolving credit facility. The Group's existing revolving credit facility was cancelled and replaced with a new £180 million multi-currency facility.

The cancellation of the existing revolving credit facility will result in a non-cash pre-tax cost of approximately £3 million, relating to writing off previous transaction fees, this will be treated as a non-recurring item in the group accounts.

Glossary

'Adjusted EBITDA' means profit for the period attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The adjusted EBITDA reconciliations for the period to 30 June 2016 are shown below:

Reconciliation of net cash flow to adjusted EBITDA	**Period ended 30 June 2016 £000**	**Period ended 30 June 2015 £000**
Net cash flow used in operating activities	(622)	(14,556)
Purchases of loan portfolios	95,964	72,589
Income taxes paid	308	3,181
Working capital adjustments	5,150	1,599
Share of profits in associates	1,340	467
Amortisation of acquisition fees	139	139
Effect of exchange rates on cash and cash equivalents	312	354
Non-recurring items	2,731	1,911
Adjusted EBITDA	**105,322**	**65,684**
Reconciliation of core collections to EBITDA	**£000**	**£000**
Income from loan portfolios	83,682	72,165
Portfolio amortisation	55,157	28,470
Core collections (includes proceeds from disposal of purchased loan portfolios)	**138,839**	**100,635**
Other income	17,224	4,386
Operating expenses	(60,433)	(43,700)
Depreciation and amortisation	3,564	1,633
Foreign exchange losses/ (gains)	594	(1,057)
Amortisation of acquisition fees	139	139
Share based payments	1,324	401
Share of profit in associates	1,340	467
Non-recurring items	2,731	2,780
Adjusted EBITDA	**105,322**	**65,684**
Reconciliation of operating profit to EBITDA	**£000**	**£000**
Profit for the period	16,510	12,936
Underlying finance income and costs	21,926	17,016
Taxation charge on ordinary activities	3,987	3,500
Share of profit in associates	(1,340)	(467)
Operating profit	**41,083**	**32,985**
Portfolio amortisation	55,157	28,470
Depreciation and amortisation	3,564	1,633
Foreign exchange losses/ (gains)	594	(1,057)
Profit on disposal of purchased loan portfolios	(610)	(134)
Amortisation of acquisition fees	139	139
Share based payments	1,324	401
Share of profit in associates	1,340	467
Non-recurring items	2,731	2,780
Adjusted EBITDA	**105,322**	**65,684**

Glossary *(continued)*

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

'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.

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

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

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

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

'EPS' means earning per share

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

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

'FCA' means Financial Conduct Authority.

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

'**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 EU international financial reporting standards.

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

'IPO' means initial public offering.

'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.

Glossary *(continued)*

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

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

'LTM' means Last Twelve Months and is calculated by the addition of the consolidated financial data for the year ended 31 December 2015 and the consolidated interim financial data for H1 2016, and the subtraction of the consolidated interim financial data for H1 2015.

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of loan portfolios, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after taking out of the Group's assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt for the period ended 30 June 2016 is as follows:

	30 June 2016 £000	30 Dec 2015 £000
Cash and cash equivalents	(20,662)	(10,183)
Senior secured notes (pre transaction fees net off)	691,462	466,832
Senior secured notes interest	8,735	6,832
Revolving credit facility (pre transaction fees net off)	22,000	75,000
Bank overdraft	8,648	-
Deferred consideration	28,942	50,149
Net debt	**739,125**	**588,630**

'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.

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

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

'Purchases of loan portfolios resold/ to be resold' relates to a portfolio of assets, which has been acquired at the period 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.

'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.

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

'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).

Glossary *(continued)*

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

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