

Arrow Global Group Results for the period ended 31 March 2023

Group highlights

Strategically strong quarter with the launch of a real estate equity investment strategy and first close of Arrow Real Estate Opportunities (AREO) discretionary fund to complement our flagship Arrow Credit Opportunities (ACO) funds as Arrow grows to be the leading European integrated fund manager.

Building a multi-strategy vertically integrated fund management model with launch of a discretionary real estate equity fund

- ACO 2 €2.75 billion fundraise complete, the largest distressed debt fund and fourth largest debt fund closed globally in the quarter¹
- First close of our discretionary Real Estate Equity Fund (AREO) with capital raised of €100 million (€110 million including Arrow co-invest) with an anchor investor secured in Q1 2023. Additional fundraising is expected during 2023, with significant growth potential
- Continued scaling of investment activity with €209 million originated in Q1 2023 across ACO (Q1 2022: €168 million)
- Delivering strong returns in both our ACO funds with Deal IRR (after servicing costs) of 18% and 20% in ACO 1 and ACO 2 respectively
- Good progress developing our capital-light fee model in adjacent asset classes, such as direct lending. Growing organically to build a bridge lending proposition across our geographies, complementary to the activities of Maslow, which is 49% owned by Arrow and provides development finance in the UK
- Maslow has continued to build its franchise and originated €397 million in Q1 2023, sourced 100% from external LPs

Strong collections performance against ERC

- Strong Q1 2023 collections of £81.5 million representing 117.3% of ERC
- Given the increasing level of real estate and collateral backed portfolio investments, the ERC profile is increasingly “lumpy”. Therefore, despite the strong performance against ERC, collections were £26.6 million lower than the prior year (Q1 2022: £108.1 million)
- Adjusted EBITDA for the period was £72.1 million, with the impact of the ERC profile causing a decrease of £15.9 million on prior year (Q1 2022: £88.0 million)
- Leverage increased by 0.3 times to 4.4 times as at 31 March 2023 (31 December 2022: 4.1 times, 31 March 2022: 4.2 times) with strong progress towards the medium strategic commitment of 3.0 times forecast through the remainder of 2023
- Maintained a healthy liquidity headroom of £223 million as at 31 March 2023 (31 December 2022: £248 million, 31 March 2022: £272 million) and net debt consistent with year-end and no bond maturities until 2026

Divestment of non-core UK platforms and creating an efficient integrated fund manager to drive capital-light income

- On track to complete the divestment of our non-core Capquest and Mars UK platforms to Intrum UK in Q2 2023, along with 50% of the UK wholly owned unsecured back book. If completion had occurred on 31 March 2023, net proceeds would have been £134.9 million
- Acquisition of Eagle Street, a pan-European real estate investment and asset manager focused on the UK, Ireland and other select European markets, for total consideration of £8 million
- Third-party capital light income increased by 17.0% to £41.3 million, with the Integrated Fund Management segment delivering EBITDA of £8.4 million for the period (Q1 2022: £8.2 million), a rise of 3%, despite the exclusion from the underlying result of the UK platforms subject to divestment. EBITDA for the year to March 2023 for the segment was £40 million, a rise of 69% on the year to March 2022
- Continued third-party asset and servicing mandate wins across all our territories, in particularly in Italy, with a strong pipeline ahead

Zach Lewy, Group chief executive officer at Arrow, commented:

“Arrow continues to make excellent progress towards becoming the leading European vertically integrated asset manager. The launch of a real estate equity discretionary fund is a further milestone for the Group as we scale and drive further capital-light revenue streams. We have continued to expand our local platform capabilities with the acquisition of Eagle Street Partners, a real estate asset manager and developer in the UK and Ireland. Our local platforms create a key differentiator enabling the Group to acquire and service investment portfolios to generate strong risk-adjusted returns for our investors and provides the group with the ability to take advantage of the opportunities across several asset classes, including credit, real estate and direct lending.

“Operationally, collections outperformed our ERC, and we continued to win new third-party servicing contracts across all our territories. The divestment of our UK unsecured servicing platforms, to Intrum UK, has regulatory approval, and is on track to conclude in the second quarter, further strengthening our strategic pivot. As we look forward to the rest of the year, we are well placed to deliver sustainable long-term growth and attractive returns across our European markets.”

Group financial highlights	31 March 2023	31 March 2022	Change %
Balance sheet collections (£m)	81.5	108.1	(24.6)
Adjusted EBITDA (£m)	72.1	88.0	(18.1)
Free cash flow (£m)	53.5	76.8	(30.3)
Total income (£m)	75.6	80.4	(5.9)
Third-party integrated fund and asset management income (£m)	41.3	35.3	17.0
Third-party integrated fund and asset management income before adjusting items (£m)	35.2	35.3	(0.3)
(Loss)/profit before tax and adjusting items (£m) ²	(10.4)	0.6	–
(Loss)/profit before tax and after adjusting items (£m)	(14.5)	0.3	–

	31 March 2023	31 December 2022	Change %
Funds Under Management (FUM) (€bn)	7.9	6.2	27.4
Leverage (x)	4.4	4.1	0.3x
84-month ERC (£m) ³	1,598.3	1,545.9	3.4
120-month ERC (£m) ³	1,751.5	1,714.3	2.2
Net debt (£m)	1,387.9	1,365.7	1.6

¹ Source Private Debt Investor

² The results presented exclude adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on pages 17 and 18.

³ ERC for FVTPL assets, such as Arrow's share of ACO 1 and 2, is typically measured on a 'net of servicing and collection costs' basis, as opposed to amortised cost assets which are typically measured gross. As the percentage of FVTPL assets has grown from 14.6% to 32.4%, since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on a net basis.

Overview of group results and segmental commentary

The group completed the €2.75 billion ACO 2 fundraise, which Private Debt Investor has reported as the largest distressed debt fund and fourth largest debt fund closed globally in the quarter. In addition, the launch of a real estate equity investment strategy and first close of our discretionary AREO Fund with capital raised of €100 million (€110 million including Arrow co-invest) represents a significant milestone for the Group. Additional fundraising is expected during 2023, with significant growth potential. Overall, the Group is making significant progress on its transition to being the leading European vertically integrated fund manager. FUM have grown by €3.5 billion from €4.4 billion as at 31 March 2022 and by €1.7 billion from €6.2 billion at 31 December 2022 to €7.9 billion as at 31 March 2023.

The Group is highly focused on the cash performance, and collections have been strong against ERC during the period, at 117.3% or £81.5 million. Despite the current macro-economic backdrop our collections continue to prove resilient with solid performance against our ERC assumptions. A large individual collection of £15.3 million in Q1 2022 and the “lumpy” collections profile from the increased level of real estate or collateral backed investment portfolios resulted in collections reducing 24.6% or £26.6 million against prior year (Q1 2022: £108.1 million). The Group delivered free cash flow of £53.5 million (Q1 2022: £76.8 million). Free cash flow after portfolio investments and investments awaiting deployment increased to £28.9 million (Q1 2022: £26.8 million) with the reduced 10% co-investment in ACO 2 investments, down from 25% in ACO 1. Reflecting the large collection in Q1 2022, Adjusted EBITDA for the period was £72.1 million (Q1 2022: £88.0 million) and leverage increased over the period by 0.3 times to 4.4 times.

The Group continues to invest in our integrated fund manager proposition to ensure continued growth in deployment at attractive returns. The performance of ACO 1 and ACO 2 have continued to be strong with a Deal IRR (after servicing costs) of 18% and 20% for ACO 1 and ACO 2 respectively. The investment enabled origination to grow to €209 million (Q1 2022: €168 million) across ACO. The Group continues to invest in additional fundraising, investing and servicing capabilities given the opportunities to expand our proposition in adjacent asset classes, such as real estate and direct lending. Building the vertically integrated fund manager drives capital-light revenue streams and facilitates de-leveraging. EBITDA, for the year to March 2023, for the Integrated Fund Management segment was £40 million, a rise of 69% on the year to March 2022, demonstrating the strong growth in capital-light revenues as the Group transitions to the integrated fund manager model.

Overall, the underlying loss before tax was £10.4 million (Q1 2022: £0.6 million profit), primarily driven by the higher underlying interest costs of £6.1 million and the divestment of the non-core UK platforms and 50% of the wholly owned UK investment portfolios. The Integrated Fund Management segment EBITDA increased slightly by 3% to £8.4 million (Q1 2022: £8.2 million), despite the exclusion from the underlying result of the UK platforms subject to divestment, the Balance Sheet segment EBITDA decreased £7.8 million to £12.8 million (Q1 2022: £20.6 million) and the Group segment EBITDA remained fairly flat at £(7.2) million (Q1 2022: £(6.9) million). The modest reported increase in the performance of the Integrated Fund Management segment and reduction in the Balance Sheet segment was largely driven by the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK. The platform results, representing the capital-light servicing fees for third parties and the balance sheet assets, and the income and associated costs on 100% of the wholly owned UK portfolio investments subject to the profit share relationship with Intrum UK, from September 2022 to completion are not reported within our underlying results. The results are explained further in the segmental commentary and analysis below.

Segmental commentary

Our reportable operating segments are Integrated Fund Management, Balance Sheet and Group, as discussed below:

Integrated Fund Management

The Integrated Fund Management segment includes the results of our asset management and servicing and fund management activity, through our various platforms, providing capital-light returns.

The Integrated Fund Management segment EBITDA increased slightly by 3% to £8.4 million (Q1 2022: £8.2 million) with the segment revenue reducing £4.4 million to £44.6 million (Q1 2022: £49.1 million). The revenue reduction is driven by the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK, with the platforms trading result from September 2022 through to deal completion of £9.1 million shown in adjusting items, and not reported within our underlying results. This is offset by income growth across other platforms, through increased management fees from the discretionary funds deployed continuing to grow, strong asset management and servicing driven by continued third party contract wins across all territories and expansion our real estate footprint.

The Integrated Fund Management EBITDA margin expanded by 2.1 percentage points from 16.8% in Q1 2022 to 18.9% in Q1 2023, reflecting the operational leverage and efficiency in scaling of our operations.

The Group has continued to scale the investment capabilities, with origination volumes growing to €209 million (Q1 2022: €168 million) across ACO. The Fund Manager has continued to focus on off-market acquisitions, with over 75% of ACO 2 investments being off-market with a continued focus on performing, real estate and cash in court portfolios. Over 90% of ACO 1 is secured on real estate, cash in court and other mixed security and is built from highly granular deployment, with circa 350 individual investments. There has been strong performance versus underwrite, with continuous strong cash performance with over 35% of investments funded by recycled collections. As a result, ACO funds are delivering strong returns with a Deal IRR (after servicing costs) of 18% and 20% for ACO 1 and ACO 2 respectively.

The Group has expanded its origination and asset management capabilities through the acquisition of Eagle Street in Q1 2023, a pan-European real estate investment and asset manager focused on the UK, Ireland and other select European markets, for total consideration of £8 million. The build and investment in such capabilities has facilitated the launch of a real estate equity investment strategy and first close of the discretionary AREO Fund with capital raised of €100 million (€110 million including Arrow co-invest). Additional fundraising is expected during 2023, with significant growth potential. In addition, the Group is growing organically to build a bridge lending proposition across our geographies, which is complementary to the activities of Maslow. Providing development finance in the UK, Maslow is 49% owned by Arrow and, with the bridge lending proposition, is expected to enable Arrow to take advantage of the opportunities to further grow our capital-light fee model in adjacent asset classes, such as direct lending. Maslow has continued to build its franchise and originated £397 million in Q1 2023, sourced 100% from external LPs.

We are on track to complete the divestment of our non-core Capquest and Mars UK platforms to Intrum in Q2 2023 along with 50% of the UK wholly owned unsecured back book, as announced in November 2022. The results of these platforms have been removed from our underlying results, which can be seen on pages 17 to 18.

Balance Sheet

This business includes all the portfolio investments that the Group owns, and the associated income and costs.

The Group is highly focused on the cash performance, and collections have been strong representing 117.3% of ERC during the period at £81.5 million. Despite the current macro-economic backdrop, our collections continue to prove resilient with strong performance against our ERC assumptions. A large individual collection of £15.3 million in Q1 2022 and the “lumpy” collections profile from the increased level of real estate or collateral backed investment portfolios resulted in collections reducing 24.6% or £26.6 million against prior year (Q1 2022: £108.1 million). Net collections (balance sheet cash collections less collection activity costs) were £68.7 million, £44.1 million higher than portfolio purchases (including investments awaiting deployment).

Investment purchases were £33.9 million in Q1 2023 (Q1 2022: £37.3 million) with a strong investment pipeline. Going forward, a greater proportion of portfolio investments will be made through ACO 2, with a 10% co-investment level rather than the 25% level through ACO 1, which will assist cash generation and deleverage.

Segmental Balance Sheet EBITDA decreased by 37.8%, from £20.6 million in Q1 2022 to £12.8 million in Q1 2023. The reduction was largely driven by the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK. The income and associated costs on 100% of the wholly owned UK portfolio investments subject to the profit share relationship with Intrum UK, from September 2022 to completion are not reported within our underlying results. The period-on-period impact on the Balance Sheet EBITDA is £5 million.

Based upon the current ERC (excluding UK portfolios subject to divestment), together with the ERC in relation to the 50% retained wholly owned UK portfolios and the cash realised from the divestment of 50% of the wholly owned UK portfolios to Intrum, the Group is forecast to make strong progress towards its medium term strategic commitment of 3 times leverage through the remainder of 2023.

Group

The Group segment consists of costs not directly associated with the other segments, but relevant to overall oversight and control of the Group's activities.

Segmental Group EBITDA was £7.2 million, consistent with prior year (Q1 2022: £6.9 million). The continued increase in Group overheads absorbed by the fund as the scale of ACO increases, strong cost control focus and the impact of the £20 million annualised cost savings delivered during 2022, have been offset by increased investment in areas such as fund raising as we scale our fund management operations. This investment leaves the business well placed to grow our capital-light fee model in adjacent asset classes, such as real estate and direct lending.

Underlying net interest costs of £25.3 million were £6.1 million higher period-on-period (Q1 2022: £19.3 million), primarily driven by rising interest rates. The Group has substantially mitigated the exposure to interest rate fluctuations with circa 80% of the bonds either fixed or hedged at 31 March 2023.

Results Presentation – Conference call details

A presentation is available on the Company's website <https://bit.ly/3Co0rvO> from 07.00am (UK time).

There will be a conference call for bondholders at 10.00am (UK time) with Arrow Global's management team.

To join, register your details using the registration link below. Once registered, you'll receive a separate email containing your dial in number and PIN.

Registration Register for the call [here](#)

For further information:

Debt investor contact treasury@arrowglobal.net

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Notes:

A glossary of terms can be found at the end of the document.

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. All statements other than statements of historical fact included in this document may be forward looking statements. 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 the 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, the Group 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 and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements, except as required pursuant to applicable law or regulation.

No statement in this report is intended as a profit forecast or estimate for any period. No statement in this report should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.

This report is intended solely to provide information to bondholders to assess the group's strategies and neither the company nor its directors accept liability to any other person, save as would arise under English law. The report should not be relied on by any other party or for any other purpose.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 March 2023

	3 months to 31 March 2023 £000	As re- presented 3 months to 31 March 2022 £000
Continuing operations		
Income from portfolio investments at amortised cost	15,116	28,219
Fair value gains on portfolio investments at FVTPL	8,165	10,857
Impairment gains on portfolio investments	1,201	2,119
Income from portfolio investments - real estate inventories	–	679
Total income from portfolio investments	24,482	41,874
Integrated fund and asset management income	41,334	35,329
Remeasurement of held for sale assets and liabilities ¹	9,681	–
Gain on disposal of subsidiary	–	2,720
Other income	142	478
Total income	75,639	80,401
Operating expenses:		
Collection activity costs and fund management costs	(33,847)	(33,089)
Other operating expenses	(32,642)	(28,867)
Total operating expenses	(66,489)	(61,956)
Operating profit	9,150	18,445
Net finance costs	(25,731)	(19,227)
Share of profit in associate	2,061	1,078
(Loss)/profit before tax¹	(14,520)	296
Taxation credit/(charge) on ordinary activities	2,784	(84)
(Loss)/profit after tax	(11,736)	212
Other comprehensive (loss)/income:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign exchange translation difference arising on revaluation of foreign operations	(770)	(234)
Movement on the hedging reserve	(14)	–
Total comprehensive loss	(12,520)	(22)
(Loss)/profit attributable to:		
Owners of the Company	(11,269)	274
Non-controlling interest	(467)	(62)
	(11,736)	212

¹ The loss before tax of £14,520,000 for Q1 2023 (Q1 2022: £296,000 profit), includes £4,130,000 of net adjusting costs (Q1 2022: £316,000), with an underlying loss before tax of £10,390,000 (Q1 2022: £612,000 underlying profit). For the reconciliation to the condensed consolidated profit and loss, please see the reconciliations on pages 17 and 18.

There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior year. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £2,238,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior year. The total operating expenses impact is £nil. Further information can be found in note 2.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	31 March 2023	31 December 2022	31 March 2022
			£000	£000
Assets				
Cash and cash equivalents		126,453	143,603	155,109
Derivative asset		916	808	72,576
Trade and other receivables		79,801	65,041	–
Portfolio investments – amortised cost	3	380,335	392,182	683,691
Portfolio investments – FVTPL	3	321,406	331,199	312,293
Portfolio investments – real estate inventories	3	54,200	51,463	42,491
Property, plant and equipment		27,018	27,614	16,028
Intangible assets		102,137	104,890	126,656
Deferred tax asset		9,334	4,815	4,290
Investment in associate		66,210	64,150	63,262
Goodwill		706,031	698,879	688,063
Assets held for sale		268,620 ¹	270,986 ¹	–
Total assets		2,142,461	2,155,630	2,164,459
Liabilities				
Bank overdrafts	4	7,997	8,423	6,728
Revolving credit facility	4	177,322	169,104	154,967
Derivative liability		30,461	30,335	25,701
Trade and other payables		160,252	173,446	187,788
Current tax liability		3,073	1,902	2,483
Other borrowings	4	13,580	13,590	2,160
Asset-backed loans	4	–	8,246	30,433
Senior secured notes	4	1,262,905	1,258,358	1,219,812
Deferred tax liability		28,370	27,851	23,987
Liabilities held for sale ¹		43,573 ¹	36,927 ¹	–
Total liabilities		1,727,533	1,728,182	1,654,059
Equity				
Share capital		166,813	166,813	166,813
Share premium		410,859	410,859	410,859
Retained deficit		(167,697)	(156,428)	(71,397)
Hedging reserve		541	556	–
Other reserves		2,060	2,829	717
Total equity attributable to shareholders		412,576	424,629	506,992
Non-controlling interest		2,352	2,819	3,408
Total equity		414,928	427,448	510,400
Total equity and liabilities		2,142,461	2,155,630	2,164,459

¹ As at 31 March 2023 and 31 December 2022, we expected to dispose of the Capquest and Mars UK platforms, as well as disposing of the UK unsecured back book into a profit sharing arrangement. As a result, the balance sheet items of £225,047,000, following impairment of £11,661,000 (31 December 2022: £234,059,000, following impairment of £21,342,000), were moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2023

	Share capital £000	Other equity reserves £000	Total equity attributable to shareholders £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2022	166,813	340,139	506,952	3,470	510,422
Profit/(loss) after tax	–	274	274	(62)	212
Exchange differences	–	(234)	(234)	–	(234)
Total comprehensive income/(loss) for the year	–	40	40	(62)	(22)
Balance at 31 March 2022	166,813	340,179	506,992	3,408	510,400
Loss after tax	–	(85,030)	(85,030)	(289)	(85,319)
Exchange differences	–	2,111	2,111	–	2,111
Net fair value gains – cash flow	–	741	741	–	741
Tax on hedged items	–	(185)	(185)	–	(185)
Total comprehensive loss for the period	–	(82,363)	(82,363)	(289)	(82,652)
Distributions paid to non-controlling interest	–	–	–	(1,818)	(1,818)
Minority interest on acquisition	–	–	–	1,518	1,518
Balance at 31 December 2022	166,813	257,816	424,629	2,819	427,448
Loss after tax	–	(11,269)	(11,269)	(467)	(11,736)
Exchange differences	–	(770)	(770)	–	(770)
Net fair value losses – cash flow	–	(19)	(19)	–	(19)
Tax on hedged items	–	5	5	–	5
Total comprehensive loss for the period	–	(12,053)	(12,053)	(467)	(12,520)
Balance at 31 March 2023	166,813	245,763	412,576	2,352	414,928

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2023

	Period ended 31 March 2023 £000	Period ended 31 March 2022 £000
Net cash flows from operating activities before purchases of portfolio investments	33,286	51,140
Portfolio purchases and movement in investments awaiting deployment	(24,585)	(50,011)
Net cash generated by operating activities	8,701	1,129
Net cash used in investing activities	(10,946)	(2,508)
Net cash flows used in financing activities	(15,217)	(49,162)
Net (decrease)/increase in cash and cash equivalents	(17,462)	(50,541)
Cash and cash equivalents at beginning of period	143,603	202,263
Effect of exchange rates on cash and cash equivalents	312	3,387
Cash and cash equivalents at end of period	126,453	155,109

Included within cash and cash equivalents is £8,393,000 (Q1 2022: £9,240,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for annual or interim financial statements and therefore are not fully compliant with IAS 34 – Interim financial reporting. These quarterly results should be read in conjunction with the Group’s consolidated report and accounts for the year ended 31 December 2022.

The Group’s consolidated report and accounts are prepared in accordance with UK-adopted international accounting standards and in accordance with the requirements of the Companies Act 2006. These financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Sherwood Parentco Limited Group’s consolidated report and accounts for the period ended 31 December 2022, which can be found on the Arrow Global [website](#).

2. Segmental reporting

In line with IFRS 8 Operating Segments, the Group reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet and Group. Details of the principal business categories are as follows:

Integrated Fund Management	<p>Income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management.</p> <p>The combined income from this segment represents the capital-light income of the Group.</p>
Balance Sheet	<p>All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1 and ACO 2, and the associated income and direct costs of such investments.</p>
Group	<p>Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group’s activities.</p>

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the Chief Operating Decision Maker.

The Integrated Fund Management segment charges the Balance Sheet segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

In the prior year, there has been a reclassification between the two operating expenses rows ‘collection activity and fund management costs’ and ‘other operating expenses’. This change was made to better reflect the evolved nature of the Group’s business model and presenting direct costs of the Group’s business lines is deemed to provide more relevant information. As the new segmental reporting was not reported into H1 2022 this is the first time that the Q1 2022 have been reported under this new model segmental structure. As such, we have reclassified £2,238,000 from ‘other operating expenses’ to ‘collection activity and fund management costs’ in the prior year. The total operating expenses impact is £nil.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

2. Segmental reporting (*continued*)

Period ended 31 March 2023

	Integrated Fund Management £000	Balance Sheet £000	Group £000	Intra- segment elimination £000	Adjusting items £000	Total exc. adjusting items 31 March 2023 £000	Total inc. adjusting items 31 March 2023 £000
Total income	44,635	25,620	10	(9,286)	14,660	60,979	75,639
Collection activity costs	(20,593)	(12,777)	52	9,286	(9,815)	(24,032)	(33,847)
Gross margin	24,042	12,843	62	–	4,845	36,947	41,792
Gross margin %	53.9%	50.1%				60.6%	55.3%
Other operating expenses excluding depreciation, amortisation and forex	(15,602)	–	(7,226)	–	(4,722)	(22,828)	(27,550)
EBITDA	8,440	12,843	(7,164)	–	123	14,119	14,242
EBITDA margin %	18.9%	50.1%				23.2%	18.8%
Depreciation and amortisation	(2,087)	–	(745)	–	(3,869)	(2,832)	(6,701)
Foreign exchange translation gain	–	–	1,609	–	–	1,609	1,609
Operating profit/(loss)	6,353	12,843	(6,300)	–	(3,746)	12,896	9,150
Net finance costs	–	–	(25,347)	–	(384)	(25,347)	(25,731)
Share of profit in associate	2,061	–	–	–	–	2,061	2,061
Profit/(loss) before tax	8,414	12,843	(31,647)	–	(4,130)	(10,390)	(14,520)
						<i>Allocate adjusting items</i> <i>(4,130)</i>	–
						<i>Loss before tax including adjusting items</i> <i>(14,520)</i>	<i>(14,520)</i>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

2. Segmental reporting (*continued*)

Period ended 31 March 2022

	As-represented Integrated Fund Management £000	As-represented Balance Sheet £000	As-represented Group £000	As-represented Intra- segment elimination £000	As-represented Adjusting items £000	As-represented Total exc. adjusting items 31 March 2022 £000	As-represented Total inc. adjusting items 31 March 2022 £000
Total income	49,052	43,298	–	(13,372)	1,423	78,978	80,401
Collection activity costs	(23,596)	(22,652)	(213)	13,372	–	(33,089)	(33,089)
Gross margin	25,456	20,646	(213)	–	1,423	45,889	47,312
Gross margin %	51.9%	47.7%				58.1%	58.8%
Other operating expenses excluding depreciation, amortisation and forex	(17,224)	–	(6,721)	–	36	(23,945)	(23,909)
EBITDA	8,232	20,646	(6,934)	–	1,459	21,944	23,403
EBITDA margin %	16.8%	47.7%				27.8%	29.1%
Depreciation and amortisation	(1,959)	–	(664)	–	(1,814)	(2,623)	(4,437)
Foreign exchange translation loss	–	–	(521)	–	–	(521)	(521)
Operating profit/(loss)	6,273	20,646	(8,119)	–	(355)	18,800	18,445
Net finance costs	–	–	(19,266)	–	39	(19,266)	(19,227)
Share of profit in associate	1,078	–	–	–	–	1,078	1,078
Profit/(loss) before tax	7,351	20,646	(27,385)	–	(316)	612	296
						<i>Allocate adjusting items</i>	<i>(316)</i>
						<i>Profit before tax including adjusting items</i>	<i>296</i>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

3. Portfolio investments

The movement in portfolios investments were as follows:

Period ended 31 March 2023

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2023	641,194	331,199	51,463	1,023,856
Portfolios purchased during the period	18,147	15,756	–	33,903
Movement in investments awaiting deployment ¹	–	(9,318)	–	(9,318)
Collections in the period	(57,976)	(21,918)	(1,589)	(81,483)
Income from portfolio investments at amortised cost	15,116	–	–	15,116
Fair value gains on portfolio investments at FVTPL	–	8,165	–	8,165
Income from portfolio investments - real estate inventories	–	–	–	–
Net impairment gains	881	–	320	1,201
Exchange and other movements	(1,403)	(2,478)	4,006	125
As at 31 March 2023 including held for sale	615,959	321,406	54,200	991,565
Portfolios moved to liabilities held for sale ²	(235,624)	–	–	(235,624)
As at 31 March 2023 excluding held for sale	380,335	321,406	54,200	755,941

¹ Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end

² Portfolio investments include £235,624,000 in respect of the Capquest and Mars UK platforms as at 31 March 2023, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £380,335,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

Period ended 31 December 2022

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2022	704,944	302,808	41,029	1,048,781
Portfolios purchased during the year	37,007	129,500	9,207	175,714
Investments awaiting deployment ¹	–	5,305	–	5,305
Collections in the year	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortised cost	97,812	–	–	97,812
Fair value gains on portfolio investments at FVTPL	–	21,351	–	21,351
Income from portfolio investments - real estate inventories	–	–	2,072	2,072
Net impairment gains	8,992	–	138	9,130
Exchange and other movements	26,096	6,843	10,875	43,814
As at 31 December 2022 including held for sale	641,194	331,199	51,463	1,023,856
Portfolios moved to liabilities held for sale ²	(249,012)	–	–	(249,012)
As at 31 December 2022 excluding held for sale	392,182	331,199	51,463	774,844

¹ Investments awaiting deployment relates to cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the year end

² Portfolio investments include £249,012,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £392,182,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

Period ended 31 March 2022

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2022	704,944	302,808	41,029	1,048,781
Portfolios purchased during the period	5,557	31,709	–	37,266
Investments awaiting deployment ¹	–	12,745	–	12,745
Collections in the period	(60,094)	(44,306)	(3,730)	(108,130)
Income from portfolio investments at amortised cost	28,219	–	–	28,219
Fair value gains on portfolio investments at FVTPL	–	10,857	–	10,857
Income from portfolio investments - real estate inventories	–	–	679	679
Net impairment gains	2,010	–	109	2,119
Exchange and other movements	3,055	(1,520)	4,404	5,939
As at 31 March 2022	683,691	312,293	42,491	1,038,475

¹ Investments awaiting deployment relates to cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

4. Borrowings and facilities

	31 March 2023 £000	31 December 2022 £000	31 March 2022 £000
Secured borrowing at amortised cost			
Senior secured notes (net of transaction fees of £20,390,000, 31 December 2022: £21,745,000, 31 March 2022: £23,652,000)	1,262,905	1,258,358	1,219,812
Revolving credit facility (net of transaction fees of £2,876,000, 31 December 2022: £3,109,000, 31 March 2022: £3,808,000)	177,322	169,104	154,967
Asset backed loan (net of transaction fees of £nil, 31 December 2022: £73,000, 31 March 2022: £407,000)	-	8,246	30,433
Bank overdrafts	7,997 ¹	8,423	6,728
Other borrowings – non-recourse facility	13,580	13,590	2,160
Total borrowings	1,461,804	1,457,721	1,414,100
Total borrowings including held for sale			
Amount due for settlement within 12 months	186,370	186,771	187,362
Amount due for settlement after 12 months	1,275,434	1,270,950	1,226,738
	1,461,804	1,457,721	1,414,100

Senior secured notes

On 27 October 2021, the Group successfully placed €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds. The facility has one financial covenant, being a leverage test.

Asset Backed Securitisation

The Group has repaid in full (31 December 2022 balance: £8.3 million) the non-recourse committed asset-backed securitisation term loan during the period (Q1 2022: the Group had one ABS loan).

The loan was secured on UK unsecured assets, paid SONIA plus 3.1% and had a spread adjustment cost of 0.0325%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

During 2020, the AGG Group entered into further arrangements in connection with the non-recourse facility and an additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made.

The Group previously had a loan secured on Portuguese assets, which was fully repaid in January 2022. The Group entered into this second non-recourse amortising loan of €104.7 million during 2020, which was fully drawn at that time. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%.

ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the periods ended 31 March 2023 and 31 March 2022 respectively are shown below:

	31 March 2023	31 March 2022
	£000	£000
Reconciliation of net cash flow to EBITDA		
Net cash flow generated by operating activities	8,701	1,129
Portfolio purchases and movement investments awaiting deployment	24,585	50,011
Income taxes paid	853	1,395
Working capital and other adjustments ¹	27,423	34,401
Share of profit in associate	2,061	1,078
Operating cash adjusting items	8,453	(37)
Adjusted EBITDA	72,076	87,977
Reconciliation of balance sheet cash collections to EBITDA		
Income from portfolio investments including fair value and impairment losses and gains	24,482	41,874
Portfolio amortisation	57,001	66,256
Balance sheet cash collections (includes proceeds from disposal of portfolio investments)	81,483	108,130
Integrated fund and asset management income, gain on disposal of subsidiary and other income	41,476	38,527
Operating expenses	(66,489)	(61,956)
Depreciation and amortisation	6,701	4,437
Foreign exchange (gains)/losses	(1,609)	521
Net profit on disposal and write off intangible assets and property, plant and equipment	–	(3)
Share of profit in associate	2,061	1,078
Profit on disposal of subsidiary	–	(2,720)
Operating adjusting items	8,453	(37)
Adjusted EBITDA	72,076	87,977
Reconciliation operating profit to EBITDA		
(Loss)/profit after tax	(11,736)	212
Net finance costs	25,731	19,227
Share of profit in associate	(2,061)	(1,078)
Tax (credit)/charge on ordinary activities	(2,784)	84
Operating profit	9,150	18,445
Portfolio amortisation	57,001	66,256
Depreciation and amortisation	6,701	4,437
Foreign exchange (gains)/losses	(1,609)	521
Net profit of intangible assets and property, plant and equipment	–	(3)
Share of profit in associate	2,061	1,078
Profit on disposal of subsidiary	–	(2,720)
Profit on reclassification to held for sale	(9,681)	–
Operating adjusting items	8,453	(37)
Adjusted EBITDA	72,076	87,977

For details on adjusted items see pages 17 and 18.

ADDITIONAL INFORMATION *(continued)*

(Loss)/profit before adjusting items

	Period ended 31 March 2023 £000	As re-presented period ended 31 March 2022 £000
Total income	60,979	78,978
Collection activity and fund management costs	(24,032)	(33,089)
Other operating expenses	(24,051)	(27,089)
Total operating expenses	(48,083)	(60,178)
Operating profit	12,896	18,800
Net finance costs	(25,347)	(19,266)
Share of profit in associate	2,061	1,078
(Loss)/profit before tax and adjusting items	(10,390)	612
Taxation charge on underlying activities	2,078	(147)
(Loss)/profit after tax before adjusting items	(8,312)	465
Non-controlling interest	467	62
(Loss)/profit before adjusting items attributable to owners of the company	(7,845)	527
Tax rate on results before adjusting items	20.0%	24.0%

Reconciliation between IFRS profit and profit before adjusting items:

	Period ended 31 Mar 2023 profit before tax £000	Period ended 31 Mar 2023 profit after tax £000	Period ended 31 Mar 2023 profit after tax £000	Period ended 31 Mar 2022 profit before tax £000	Period ended 31 Mar 2022 profit after tax £000	Period ended 31 Mar 2022 profit after tax £000
IFRS reported (loss)/profit	(14,520)	2,784	(11,736)	296	(84)	212
Adjusting items:						
Gain on disposal of subsidiary	–	–	–	(2,720)	–	(2,720)
Other acquisition costs (including amortisation of acquisition intangible assets)	4,664	–	4,664	3,036	–	3,036
Remeasurement of held for sale assets and liabilities	(9,681)	–	(9,681)	–	–	–
Operations held for sale result	9,147	–	9,147	–	–	–
Tax associated with adjusting items	–	(706)	(706)	–	(63)	(63)
(Loss)/profit before adjusting items	(10,390)	2,078	(8,312)	612	(147)	465

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and these items are excluded to get to the profit before adjusted items.

Following a strategic review, in Q3 2022, the Group agreed to divest our non-core UK platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval, and the UK unsecured back book, which will be subject to a 50:50 profit share arrangement with Intrum UK. In line with applicable accounting standards, the assets and liabilities subject to the agreement, including 100% of the UK unsecured assets, have been reclassified to 'assets held for sale and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell. In the period this held to a £0.5 million profit in the statement of comprehensive income (being a £9.7 million remeasurement of held for sale assets and liabilities offset by £9.1 million of operations held for sale result), which has been moved to adjusting items.

ADDITIONAL INFORMATION *(continued)*

Profit/(loss) before adjusting items *(continued)*

The transaction in 2021, of the Arrow Group by TDR, and the acquisition of Details in 2022, created ongoing non-cash acquisition intangible and fair value accounting unwinds in 2023, which are adjusted out of the results, being £4.7 million (2022: £3.0 million).

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together “Whitestar Italy”) on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which was considered non-core to the Group’s operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal. £2.1 million of net profit has been recognised in adjusting items in the prior period in relation to this.

ADDITIONAL INFORMATION *(continued)*

Reconciliation of profit after tax to the free cash flow result

The table below reconciles the reported profit after tax for the period to the free cash flow result.

Period ended 31 March 2023

Income	Reported profit £000	Other items £000	Free cash flow £000	
Total income from portfolio investments	24,482	57,001	81,483	Balance sheet cash collections in the period
Income from integrated fund and asset management income	41,334	–	41,334	Income from integrated fund and asset management income
Remeasurement to held for sale of assets and liabilities	9,681	(9,681)	–	
Other income	142	–	142	Other income
Total income¹	75,639	47,320	122,959	Cash income
Total operating expenses	(66,489)	15,606²	(50,883)	Cash operating expenses
Operating profit	9,150	62,926	72,076	Adjusted EBITDA ⁴
Net financing costs	(25,731)	11,226 ³	(14,505)	Cash financing costs
Share of profit in associate	2,061	(2,061)	–	
(Loss)/profit before tax	(14,520)	72,091	57,571	
Taxation credit/(charge) on ordinary activities	2,784	(3,637)	(853)	Cash taxation
(Loss)/profit after tax	(11,736)	68,454	56,718	
			(3,219)	Capital expenditure
			53,499	Free cash flow⁵

¹ Total income is largely derived from income from portfolio investments plus income from managing debt portfolios for our discretionary funds and other third parties, and income from asset management and servicing, being commission on balance sheet cash collections for third-parties and fee income received. The other items add back loan portfolio amortisation to get to balance sheet cash collections. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from balance sheet cash collections, which are not allocated to income. Amortisation plus income from portfolio investments equates to balance sheet cash collections.

² Includes non-cash items including depreciation and amortisation, foreign exchange gains and losses and adjusting items.

³ Non-cash amortisation of fees and interest and non-recurring refinancing costs.

⁴ Adjusted EBITDA is a key driver to free cash flow. This measure allows us to monitor the operating performance of the Group. See additional information provided on page 16 for detailed reconciliations of Adjusted EBITDA.

⁵ Free cash flow is the Adjusted EBITDA after the effect of capital expenditure and working capital movements.

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

APM	Definition	Why is the measure used?
Adjusted EBITDA	The Adjusted EBITDA figure represents the Group's earnings before interest, tax, depreciation and amortisation (including investment portfolio amortisation), adjusted for any non-cash income or expense items and adjusting items. The comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.	Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group. In addition, the leverage ratio of the Group is calculated as the ratio of secured net debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric, which also features in the Group's banking covenant measures.
Free cash flow	The free cash flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment and purchase of intangible assets. The comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.	Free cash flow provides a measure of how much cash the Group generates across the reporting period which it can utilise on a discretionary basis.
Balance sheet cash collections	Balance sheet cash collections represent cash collections on the Group's existing portfolio investments including portfolio sales and put-backs.	Balance sheet cash collections is a key metric as it represents the Group's most significant cash inflow. It is also a key component of Adjusted EBITDA which is used to calculate the Group's leverage position.
84-month ERC	The 84-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 84-month ERC is particularly important for the Group as it shows the forecast cash inflows over the same period that is used to calculate the future cash flows of the Group's amortised cost portfolio investments.
120-month ERC	The 120-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 120-month ERC is an important metric for the Group as in some cases the collection profile of a particular portfolio can extend beyond 84-months, and as such, the 120-month ERC gives a more holistic view of potential remaining balance sheet cash collections from the Group's portfolio investments.
Leverage	Leverage is calculated as secured net debt over Adjusted EBITDA.	The leverage metric provides an indication of the level of indebtedness of the Group, relative to its underlying cash earnings.

GLOSSARY OF OTHER ITEMS

'ACO 1' is Arrow Credit Opportunities SCSp SICAV-RAIF and related investment vehicles, our first closed fund.

'ACO 2' is our second closed fund, Arrow Credit Opportunities II SCSp, SICAV-RAIF, and related investment vehicles.

'Adjusted EBITDA'. See the glossary of alternative performance measures on page 20 for the definition.

'APM' means alternative performance measure.

'AREO' is our Real Estate Opportunity discretionary fund.

'Capital-light income' income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing activities to third parties and income and costs associated with investment and asset management.

'Deal IRR (after servicing costs)' means the internal rate of return adjusted for actual collections and the latest ERCs. This is post-servicing fee, but pre-management fees, carry/performance fees and other fund level costs.

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

'ERC' means Estimated Remaining Collections. See the glossary of alternative performance measures on page 20 for the definition of 84-month ERC and 120-month ERC.

'Free cashflow' or **'FCF'** means Adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts.

'Funds under management (FUM)' means the value of all fund management assets managed by Arrow Global Group Limited, including ACO 1 and ACO 2, Norfin Investimentos, Europa Investimenti, Saggita and any of Arrow's own capital which it has committed to invest alongside third-parties committed capital. FUM is an important metric used to understand the scale of the Group's fund management activities and how this compares to others in the market.

'FVTPL' – means financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

'FY' means full year being the 12 months to 31 December.

'IFRS' means EU adopted international financial reporting standards.

'Leverage' is secured net debt to Adjusted EBITDA. See the glossary of alternative performance measures on page 20 for more detail.

'Liquidity headroom' is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows, together with headroom on committed facilities.

'NCI' means non-controlling interest.

GLOSSARY OF OTHER ITEMS *(continued)*

‘**Net debt**’ means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investment, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after removing 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 as at 31 March 2023 is as follows:

	31 March 2023 £000	31 December 2022 £000
Cash and cash equivalents	(126,453)	(143,603)
Senior secured notes (pre-transaction fees net off)	1,264,366	1,270,761
Revolving credit facility (pre-transaction fees net off)	180,198	172,213
Asset-backed loans (pre-transaction fees net off)	–	8,296
Secured net debt	1,318,111	1,307,667
Deferred consideration – portfolio investments ¹	25,741	23,433
Deferred and contingent consideration – business acquisitions	3,588	3,197
Senior secured loan notes interest	18,929	9,342
Asset backed loan interest	–	23
Bank overdrafts	7,997	8,423
Other borrowings	13,580	13,590
Net debt	1,387,946	1,365,675

¹ *Deferred consideration – portfolio investments includes £24,993,000 (31 December 2022 £17,123,000) in respect of the Capquest and Mars UK platforms, which for disclosure purposes has been moved to ‘Liabilities held for sale’ on the condensed consolidated statement of financial position.*

‘**Portfolio amortisation**’ represents total balance sheet cash collections plus income from portfolio investments.

‘**Portfolio investments**’ are on the Group’s statement of financial position and represent all debt portfolios that the Group owns at the relevant point in time. Example portfolios comprise of groups of customer accounts or real estate, purchased in a single transaction.

‘**Secured net debt**’ see table in ‘net debt’ definition.