Arrow Global Group PLC

Results for the nine months ended
30 September 2016

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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 results for the nine months ended 30 September 2016 ("Q3 2016").

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

"Arrow Global continues to expand its European footprint and client offering across attractive markets where the Group is targeting leadership positions. This coupled with a high-quality and diversified investment portfolio, has enabled us to achieve another strong set of results.

"Total revenue for the period increased to £164.4 million, up 37.0% compared to the same period last year. Adjusted EBITDA increased 55.5% to £161.5 million and underlying net income increased 23.7% to £29.1 million. Following the successful integration of our Vesting Finance business, asset management revenues increased to £31.0 million (2015: £9.2 million).

"During the period, we saw good opportunities to invest and increased organic portfolio loan acquisitions for the year to £119.3 million, of which 51% were in mainland Europe. This excludes the Netherlands deal we announced in September that will see us co-invest €25 million in underlying loan assets of €1.7 billion from RNHB Hypotheekbank, which we expect to complete later in the year.

"In Q3 we achieved a material improvement in our funding, refinancing our £220 million bond with a coupon reduction of 2.75%. At the same time we reduced the cost of our revolving credit facility by 100bps and extended the availability to July 2021. As part of these activities we incurred pre-tax, non-recurring finance costs of £18.0 million, of which £8.7 million is cash. The Group's overall cost of debt is now just 5%.

"As European banks continue to delever, we see a strong pipeline of opportunities, a trend that we expect to persist. Including the anticipated completion of the RNHB Hypotheekbank deal, we have a pipeline of over £38 million of portfolio purchases which have already been awarded for the rest of the year.

"Our portfolio purchases year-to-date, the good visibility on our pipeline and the continued strong performance of our enlarged asset management business, continue to lay the foundation for future earnings growth and means we are on track to deliver overall full-year earnings in line with our expectations."

Highlights

- Total revenue up 37.0% to £164.4 million (Q3 2015: £120.0 million), driven by core collections up 38.9% to £216.1 million (Q3 2015: £155.5 million) and income from asset management up 236.6% to £31.0 million, leading to an increase in Adjusted EBITDA up 55.5% to £161.5 million (Q3 2015: £103.9 million)
- Profit attributable to shareholders of £11.5 million (Q3 2015: £20.4 million), including £17.6 million net non-recurring costs

- Underlying net income of £29.1 million (Q3 2015: £23.5 million), representing growth of 23.7%
- Interim dividend of 2.7p per share (H1 2015: 1.7p)
- Increased total purchased loan portfolios to £696.8 million (31 December 2015: £609.8 million) with 120-month ERC up 14.7% to £1,404.6 million (31 December 2015: £1,224.5 million) and 84-month ERC up 15.7% to £1,189.6 million (31 December 2015: £1,028.6 million)
- £154.6 million invested during the period, including organic portfolio purchases of £119.3 million
- Net debt £766.0 million and Net Debt to LTM Adjusted EBITDA ratio[1] of 3.6x (31 December 2015: 3.8x)
- Material improvement in our funding, refinancing our £220 million fixed rate notes with coupon reduction of 2.75% and extended the maturity of the RCF on a reduced cost basis. As part of these activities we incurred pre-tax, non-recurring finance costs of £18.0 million, of which £8.7 million is cash
- Agreed terms to take ownership of an additional specialist servicing capability and enter into a five-year servicing agreement in the Netherlands to acquire the platform and loan book which comes from the real estate financing activities of RNHB Hypotheekbank

09 November 2016

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 14 to 15

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

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There will be a conference call for investors today at 2pm (UK time). Details of how to register for the call can be found at:

http://www.arrowglobalir.net/files/file/download/id/331

About Arrow Global – for further information please visit the company website:
www.arrowglobalir.net

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. 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 nine months to 30 September 2016

The Group continues to maintain a focused strategy designed to help it achieve its vision of becoming Europe's leading purchaser and manager of debt. We recently updated our strategic thinking to reflect the size of the Group and the market opportunity we see. Our five core strategic pillars are:

- To be a leading player in our chosen markets, partnering with both primary financial institutions and leading credit funds
- To build a diversified risk-weighted investment portfolio delivering strong returns
- To transform the customer journey within our industry and deliver great customer outcomes
- To be the best operators in our markets based on having the best people, technology and data
- To attract and retain the best talent

The acquisition of InVesting B.V. ("Vesting Finance") in May and the subsequent announcement regarding our agreement to co-invest in the assets and servicing capabilities of RNHB Hypotheekbank (September), have seen us enhance our mainland Europe capabilities significantly. Coupled with strong organic portfolio purchases, we continue to grow and diversify our business by geography, asset class and revenue stream.

In the Netherlands, we have already seen significant momentum from the purchase of Vesting Finance and are well advanced in our integration of the business into our wider Group framework and operating model.

Our platform acquisitions over the last 18 months in both the Netherlands and Portugal have grown our origination and servicing capabilities significantly. The balance of portfolio purchases to 30 September 2016 (including the Vesting Finance acquisition) are reflective of this (38% UK, 28% Portugal, 34% Netherlands).

During the period we achieved a material improvement in our funding, refinancing our £220 million fixed rate note with a coupon reduction of 2.75%. At the same time we extended the maturity of the RCF on a reduced cost basis. As part of these activities we incurred pre-tax, non-recurring finance costs of £18.0 million, of which £8.7 million is cash. The Group's overall cost of debt is now just 5%, with no debt facility maturing for almost five years.

Key results

As of and period to	Nine months ended 30-Sept-16 £m	Nine months ended 30-Sept-15 £m	Twelve months ended 31-Dec-15 £m
Purchases of loan portfolios	154.6	97.1	180.3
Total purchased loan portfolios	696.8	526.7	586.3*
Core collections	216.1	155.5	218.5
Total revenue	164.4	120.0	165.5
Adjusted EBITDA	161.5	103.9	153.1
Profit before tax	14.2	25.9	39.3
Profit attributable to shareholders	11.5	20.4	31.7
Underlying net income	29.1	23.5	35.4
84-month ERC	1,189.6	954.9	1,028.6
120-month ERC	1,404.6	1,150.8	1,224.5
Net debt	766.0	524.2	588.6
Net assets	152.3	134.6	145.4

**Excluding £23.5 million of portfolios due to be resold*

A glossary of terms can be found on pages 14 to 15

Purchased loan portfolios

We acquired debt portfolios with a face value of £1,166.5 million for a purchase price of £154.6 million (including £35.3 million from the Vesting Finance acquisition), equating to an average purchase price of 13.3p per £1. Of the purchase price invested, 39% related to secured portfolios.

The balance sheet value of our purchased loan portfolios increased by 14.3% to £696.8 million as at 30 September 2016 (31 December 2015: £609.8 million). Significant drivers for this were total portfolios acquired including costs of £156.8 million, net of amortisation £83.3 million. See note 1 for the full reconciliation.

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 15.7% from £1,028.6 million as at 31 December 2015 to £1,189.6 million. The 120-month ERC 14.7% increase to £1,404.6 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 September 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 £164.4 million, an increase of 37.0% from Q3 2015 (£120.0 million). £22.6 million of the increase reflected the enlarged size of the portfolio assets. £21.8 million of the increase was attributable to income from asset management. The latter was due to a full period of results for Whitestar and the acquisition of Vesting Finance in May 2016.

Cash flow

Core collections

Core collections increased to £216.1 million (Q3 2015: £155.5 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 September 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

Reflective of our enlarged business, collections costs increased by 33.7% to £51.5 million (Q3 2015: £38.6 million).

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

Adjusted EBITDA increased by £57.6 million (55.5%) to £161.5 million (Q3 2015: £103.9 million).

Profit attributable to shareholders

Profit attributable to equity shareholders decreased 43.8% from £20.4 million for the period to 30 September 2015 to £11.5 million for the period to 30 September 2016 due to net non-recurring items of £17.6 million. Non-recurring items of £18.0 million arose on refinancing the £220 million fixed rate note and the Group's RCF and £3.3 million arose on the strategic corporate acquisitions of Vesting Finance and Redrock Capital Partners, S.A. ("Redrock"). Non-recurring items had a tax impact of £3.7 million. The cash impact of the financing and operating expenses non-recurring items in the period was £12.0 million.

After taking account of the non-recurring items above, underlying net income increased 23.7% from £23.5 million for Q3 2015 to £29.1 million for Q3 2016. This was largely driven by increased operational profit of £13.7 million and profit from associates of £1.1 million, offset by an increase in net underlying finance costs of £8.6 million. The latter was largely due to the issuance of €230 million floating rate notes which funded the acquisition of Vesting Finance in May 2016 and increasing balance sheet liquidity in the run up to the Brexit vote.

Net assets, funding and net debt

Net assets increased £7.0 million during the period, mostly reflecting the retained profit for the period of £11.5 million and translation movements of £7.8 million, offset by the final 2015 approved dividend and 2016 interim dividend totalling £14.1 million.

As at 30 September 2016, we had cash and RCF resources of £144.1 million available. Net debt at 30 September 2016 increased by £177.4 million to £766.0 million (31 December 2015: £588.6 million), driven by the acquisitions of Vesting Finance 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 3.6 times. Cash interest cover has improved to 5.4 times (31 December 2015: 4.9 times). Net debt/84-month ERC loan to value ratio is 64.4% (31 December 2015: 57.2%) and the secured loan to value ratio is 62.6% (31 December 2015: 51.8%), which is significantly below our financial covenants of 75%.

On 29 July 2016, we refinanced our £180 million multi-currency RCF, 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 31 July 2021. The cancellation of the previous RCF has resulted in a non-cash pre-tax cost of approximately £3 million, relating to writing-off previous transaction fees, this has been 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 2016 S&P upgraded the Group's credit rating to BB- from B+ and the Group's Notes credit rating from BB- to BB.

On 1 September 2016, we refinanced our £220 million fixed rate note, reducing its coupon from 7.875% to 5.125% decreasing the Group's overall cost of debt to 5%.

Shareholder returns

In accordance with our dividend policy, an interim dividend of 2.7p per share (H1 2015: 1.7p) was paid on 13 October 2016. This dividend has been accrued into our results.

Recent developments

In October, we announced that Robin Phipps would be stepping down from the Board as a non-executive director of the Company with effect from 27 October 2016. Lan Tu replaces Robin Phipps as chair of the remuneration committee.

Outlook

Analysis by PwC suggests there is €1 trillion of NPLs held by European banks. The anticipated associated deleveraging will provide a continued availability of loan portfolios.

A November PwC report has identified that €74.5 billion of loan portfolios had already transacted across Europe in the nine-months to 30 September 2016 and that a further €81.5 billion is already in transit, with the total transacted portfolios for 2016 expected to be around €125 billion. This corresponds with our own experience where we have a strong pipeline with over £38 million of portfolio purchases already awarded for the rest of the year (including the co-investment of the secured loan portfolio from RNHB Hypotheekbank where the transaction is expected to complete later in 2016).

Our portfolio purchases year-to-date, the good visibility on our pipeline and the continued strong performance of our enlarged asset management business, continue to lay the foundation for future earnings growth and means we are on track to deliver overall full-year earnings in line with our expectations.

Unaudited Consolidated Statement Of Comprehensive Income

For the nine and three months ended 30 September 2016

	Unaudited Nine months ended 30 Sept 2016 £000	Unaudited Nine months ended 30 Sept 2015 £000	Unaudited Three months ended 30 Sept 2016 £000	Unaudited Three months ended 30 Sept 2015 £000
Continuing operations				
Revenue				
Income from purchased loan portfolios	132,783	110,277	49,101	38,112
Profit on portfolio sales	610	503	-	369
Total revenue from portfolios	133,393	110,780	49,101	38,481
Income from asset management	30,967	9,201	13,743	4,815
Total revenue	**164,360**	**119,981**	**62,844**	**43,296**
Operating expenses				
Collection activity costs	(51,549)	(38,554)	(20,895)	(14,906)
Professional fees and services	(4,985)	(2,178)	(1,719)	(514)
Recurring other operating expenses	(39,469)	(24,075)	(15,687)	(8,481)
Non-recurring other operating expenses	*(3,260)*	*(3,807)*	*(529)*	*(1,027)*
Total other operating expenses	(42,729)	(27,882)	(16,216)	(9,508)
Total operating expenses	**(99,263)**	**(68,614)**	**(38,830)**	**(24,928)**
Operating profit	**65,097**	**51,367**	**24,014**	**18,368**
Finance income	783	122	-	38
Recurring finance costs	(35,513)	(26,219)	(12,804)	(9,105)
Non-recurring finance costs	*(17,994)*	-	*(17,994)*	-
Share of profit in associate	1,779	667	439	200
Profit before tax	**14,152**	**25,937**	**(6,345)**	**9,501**
Recurring taxation charge on ordinary activities	(6,324)	(6,268)	(2,166)	(2,205)
Tax on non-recurring items	*3,660*	*771*	*3,489*	208
Taxation charge on ordinary activities	(2,664)	(5,497)	1,323	(1,997)
Profit/ (loss) for the period	**11,488**	**20,440**	**(5,022)**	**7,504**
Other comprehensive income:				
FX translation difference arising on revaluation of foreign operations	7,800	(83)	2,314	224
Hedging movement	(576)	(272)	832	(556)
Total comprehensive income for the period attributable	**18,712**	**20,085**	**(1,876)**	**7,172**
Profit/ (loss) attributable to:				
Owners of the company	11,457	20,440	(5,041)	7,504
Non-controlling interest	31	-	19	-
	11,488	**20,440**	**(5,022)**	**7,504**
Total comprehensive income/ (loss) attributable to:				
Owners of the company	18,681	20,085	(1,895)	7,172
Non-controlling interest	31	-	19	-
	18,712	**20,085**	**(1,876)**	**7,172**
Underlying net income	***29,051***	***23,476***	***9,993***	***8,323***

Unaudited Consolidated Balance Sheet
As at 30 September 2016

Assets	*Notes*	Unaudited 30 September 2016 £000	31 December 2015 £000	Unaudited 30 September 2015 £000
Non-current assets				
Goodwill		128,150	79,490	79,141
Intangible assets		41,289	20,643	20,432
Property, plant & equipment		3,860	3,649	2,777
Loan notes	1	-	862	1,131
Investments in associates		16,787	12,158	11,582
Deferred tax asset		3,337	639	472
Total non-current assets		**193,423**	**117,441**	**115,535**
Current assets				
Cash and cash equivalents		22,432	10,183	28,476
Other receivables		48,871	34,781	22,536
Derivative asset		7,006	-	1,281
Purchased loan portfolios	1	696,809	609,793	526,715
Total current assets		**775,118**	**654,757**	**579,008**
Total assets		**968,541**	**772,198**	**694,543**
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		76,238	76,916	65,239
Hedging reserve		(1,878)	(1,302)	(959)
Other reserves		(271,638)	(279,438)	(278,850)
Total equity attributable to shareholders		**151,902**	**145,356**	**134,610**
Non-controlling interest		425	-	-
Total equity		**152,327**	**145,356**	**134,610**
Liabilities				
Non-current liabilities				
Senior secured notes	2	687,172	447,545	448,744
Trade and other payables		-	7,648	7,802
Deferred tax liability		13,655	4,396	4,019
Total non-current liabilities		**700,827**	**459,589**	**460,565**
Current liabilities				
Trade and other payables		53,113	83,906	52,247
Current tax liability		4,986	3,755	3,650
Derivative liability		-	1,281	858
Revolving credit facility	2	41,385	71,479	40,160
Senior secured notes	2	2,577	6,832	2,453
Bank overdrafts		13,326	-	-
Total current liabilities		**115,387**	**167,253**	**99,368**
Total liabilities		**816,214**	**626,842**	**559,933**
Total equity and liabilities		**968,541**	**772,198**	**694,543**

Unaudited Consolidated Statement Of Changes In Equity
For the nine months ended 30 September 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	-	-	20,440	-	-	-	-	20,440	-	20,440
Exchange differences	-	-	-	-	-	(83)	-	(83)	-	(83)
Net fair value gains cash flow hedges	-	-	-	(326)	-	-	-	(326)	-	(326)
Tax on hedged items	-	-	-	54	-	-	-	54	-	54)
Total comprehensive income for the period	**-**	**-**	**20,440**	**(272)**	**-**	**(83)**	**-**	**20,085**	**-**	**20,085**
Share-based payments	-	-	2,210	-	-	-	-	2,210	-	2,210
Repurchase of own shares	-	-	-	-	(669)	-	-	(669)	-	(669)
Dividend paid	-	-	(8,890)	-	-	-	-	(8,890)	-	(8,890)
Balance at 30 September 2015 (unaudited)	**1,744**	**347,436**	**65,239**	**(959)**	**(1,231)**	**(658)**	**(276,961)**	**134,610**	**-**	**134,610**
Profit for the period	-	-	11,309	-	-	-	-	11,309	-	11,309
Exchange differences	-	-	-	-	-	117	-	117	-	117
Net fair value gains/(losses) cash flow hedges	-	-	-	(403)	-	-	-	(403)	-	(1,086)
Tax on hedged items	-	-	-	60	-	-	-	60	-	60
Total comprehensive income for the period	**-**	**-**	**11,309**	**(343)**	**-**	**117**	**-**	**11,083**	**-**	**11,083**
Share-based payments	-	-	367	-	-	-	-	367	-	1,307
Repurchase of own shares	-	-	-	-	(705)	-	-	(705)	-	(705)
Dividend paid	-	-	1	-	-	-	-	1	-	1
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	-	-	11,457	-	-	-	-	11,457	31	11,488
Exchange differences	-	-	-	-	-	7,800	-	7,800	-	7,800
Net fair value gains/(losses) cash flow hedges	-	-	-	(625)	-	-	-	(625)	-	(625)
Tax on hedged items	-	-	-	49	-	-	-	49	-	49
Total comprehensive income for the period	**-**	**-**	**11,457**	**(576)**	**-**	**7,800**	**-**	**18,681**	**31**	**18,712**
Non-controlling interest on acquisition	-	-	-	-	-	-	-	-	394	394
Share-based payments	-	-	1,988	-	-	-	-	1,988	-	1,988
Dividend paid and proposed	-	-	(14,123)	-	-	-	-	(14,123)	-	(14,123)
Balance at 30 September 2016 (unaudited)	**1,744**	**347,436**	**76,238**	**(1,878)**	**(1,936)**	**7,259**	**(276,961)**	**151,902**	**425**	**152,327**

*Other reserves total £271,638,000 deficit (December 2015: £279,438,000 deficit; September 2015: £278,850,000 deficit)

Translation reserve

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

Merger reserve

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

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group.

Unaudited Consolidated Statement of Cash Flows
For the nine months ended 30 September 2016

	Nine months ended 30 September 2016 £000	Nine months ended 30 September 2015 £000
Net cash flows from operating activities before purchases of loan portfolios and loan notes	124,118	101,849
Purchases of purchased loan portfolios	(119,303)	(94,395)
Net cash generated by/ used in operating activities	**4,815**	**7,454**
Net cash used in investing activities	**(86,623)**	**(43,367)**
Net cash flows generated by financing activities	**93,885**	**49,493**
Net increase in cash and cash equivalents	**12,077**	**13,580**
Cash and cash equivalents at beginning of period	10,183	14,542
Effect of exchange rates on cash and cash equivalents	172	354
Cash and cash equivalents at end of period	**22,432**	**28,476**

Notes

1. Financial assets

	Nine months ended 30 September 2016 £000	Year Ended 31 December 2015 £000	Nine months ended 30 September 2015 £000
Non Current:			
Purchased loan portfolios	537,641	464,996	415,633
Loan notes	-	862	1,131
	537,641	**465,858**	**416,764**
Current:			
Purchased loan portfolios	159,168	121,278	111,082
Purchased loan portfolios (resold)/ due to be resold	-	23,519	-
Total	**696,809**	**610,655**	**527,846**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 September 2016, the carrying amount of the purchased loan portfolio asset was £696,809,000 (31 December 2015: £609,793,000; 30 September 2015: £526,715,000).

The movements in purchased loan portfolio assets were as follows:

	Nine months ended 30 September 2016 £000	Year Ended 31 December 2015 £000	Nine months ended 30 September 2015 £000
As at the period brought forward	609,793	477,513	477,513
Portfolios acquired during the period *	121,414	177,716	94,395
Purchased loan portfolios to be resold	(23,519)	23,519	-
Portfolios acquired through acquisition of a subsidiary	35,343	3,970	3,970
Collections in the period	(216,051)	(218,515)	(155,490)
Income from purchased loan portfolios	132,783	150,238	110,277
Exchange gain/ (loss) on purchased loan portfolios	36,436	(5,151)	(4,453)
Profit on disposal of purchased loan portfolios	610	503	503
As at the period end	**696,809**	**609,793**	**526,715**

* inclusive of capitalised portfolio expenditure of £2,111,000 (31 December 2015: £1,406,000, 30 September 2015: £1,228,000)

2. Borrowings

Secured borrowing at amortised cost	30 September 2016 £000	31 December 2015 £000	30 September 2015 £000
Senior secured notes (net of transaction fees of £21,202,000, December 2015: £19,286,000; 30 September 2015: £19,643,000)	687,172	447,545	448,744
Revolving credit facility (net of transaction fees of £3,615,000, December 2015 £3,521,000; 30 September 2015: £3,840,000)	41,385	71,479	40,160
Senior secured notes interest	2,577	6,832	2,453
Bank overdrafts	13,326	-	-
	744,460	**525,856**	**491,357**
Total borrowings			
Amount due for settlement within 12 months	**57,288**	**78,311**	**42,613**
Amount due for settlement after 12 months	**687,172**	**447,545**	**448,744**

3. Non-recurring items

	30 September 2016 £000	30 September 2015 £000
Other operating expenses	3,260	-
Finance costs	17,994	2,780
Total non-recurring items	**21,254**	**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.

Other operating expenses

In the period to 30 September 2016, £3.3 million of costs were incurred relating to the completion of two strategic entity acquisitions, Vesting Finance 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.

Finance costs

In the period to 30 September 2016, £18.0 million of non-recurring costs were incurred in relation to refinancing the Group’s RCF and 2020 Senior Secured Notes. Upon cancellation of the Group’s existing RCF, £3.0 million of non-recurring costs were incurred in relation to writing off previous transaction fees. Upon redemption of the Group’s 2020 Senior Secured Notes, £15.0 million of non-recurring costs were incurred, of which £8.7 million was a cash cost related to the call premium and £6.3 million was a non-cash cost related to the write-off of transaction fees.

Total non-recurring items had an associate tax impact of £3,660,000 (30 September 2015: £771,000).

Glossary

"Adjusted EBITDA" means profit for the year attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The adjusted EBITDA reconciliations for the periods ended 30 September 2016 and 30 September 2015 are shown below:

	Nine months ended 30 September 2016	**Nine months ended 30 September 2015**
Reconciliation of Net Cash Flow to EBITDA	**£000**	**£000**
Net cash flow generated by operating activities	4,815	7,454
Purchases of loan portfolios	119,303	94,395
Income taxes paid	2,495	5,550
Working capital adjustments	29,444	(7,258)
Amortisation of acquisition fees	207	208
Foreign exchange losses	172	354
Share of profit in associates	1,779	667
Non-recurring items	3,260	2,503
Adjusted EBITDA	**161,475**	**103,873**
Reconciliation of Core Collections to EBITDA	**£000**	**£000**
Income from loan portfolios	132,783	110,277
Portfolio amortisation	83,268	45,213
Core collections	**216,051**	**155,490**
Other income	30,967	9,201
Operating expenses	(99,263)	(68,628)
Depreciation and amortisation	6,099	2,930
Foreign exchange losses/ (gains)	387	(707)
Amortisation of acquisition fees	207	208
Share-based payments	1,988	905
Share of profit in associate	1,779	667
Non-recurring items	3,260	3,807
Adjusted EBITDA	**161,475**	**103,873**
Reconciliation of Operating Profit to EBITDA	**£000**	**£000**
Profit for the period	11,488	20,440
Underlying finance income and costs	34,730	26,083
Taxation charge on ordinary activities	2,664	5,497
Share of profit in associate	(1,779)	(667)
Non-recurring finance costs	17,994	-
Operating profit	**65,097**	**51,353**
Portfolio amortisation	83,268	45,213
Profit on disposal of purchased loan portfolios	(610)	(503)
Depreciation and amortisation	6,099	2,930
Foreign exchange losses/ (gains)	387	(707)
Amortisation of acquisition fees	207	208
Share-based payments	1,988	905
Share of profit in associate	1,779	667
Non-recurring operating expenses	3,260	3,807
Adjusted EBITDA	**161,475**	**103,878**

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

"Core collections" or "core cash collections" mean cash collections on the Group's existing portfolios including ordinary course portfolio sales and put backs

Glossary *(Continued)*

"EBITDA" means earnings before interest, taxation, depreciation and amortisation

"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

"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

"Net debt" means the sum of the senior secured notes excluding transaction fees, interest thereon, and amounts outstanding under the RCF, 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 RCF. The breakdown of net debt for 30 September 2016 and 31 December 2015 is as follows:

	30 September 2016	**31 December 2015**
	£000	**£000**
Cash and cash equivalents	(22,432)	(10,813)
Senior secured notes (pre transaction fees net off)	708,374	446,832
Senior secured notes interest	2,577	6,832
Revolving credit facility (pre transaction fees net off)	45,000	75,000
Bank overdrafts	13,326	-
Deferred consideration	19,157	50,149
Net debt	**766,002**	**588,630**

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

"Purchased loan portfolios" see **"existing portfolios"**

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

"RCF" means revolving credit facility

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