31 August 2017

Arrow Global Group PLC
Interim results for the six months to 30 June 2017

Arrow Global Group PLC (the "Company") and its subsidiaries (together the "Group"), a leading European credit management services provider, is pleased to announce its results for the six months ended 30 June 2017 ("H1 2017").

Highlights

Growth

- Strong organic portfolio purchases up 30.3% to £125.1 million (H1 2016: £96.0 million)
- Revenue growth of 47.6% supported by 11.3% increase in core collections and 98.6% increase in Asset Management income from H1 2016
- Completion of the acquisition of Zenith Service S.p.A. in Italy
- Agreed terms to acquire Mars Capital, expanding UK secured servicing capabilities and entering the Irish market

Operational excellence

- Overall collections performance at 103% of original underwriting forecasts, underlining the continued quality of data and analytics
- Launch of a group-wide One Arrow programme to support future growth. This will invest in centres of excellence for our group capabilities, operational processes and platforms focussed on enhancing the customer journey and increasing productivity
- Further investment in legal collection costs enhances the value of the back book and drives additional ERC

Financial excellence

- 84 month ERC increased to £1,478.5 million (31 December 2016: £1,339.1 million).
- Increase in capital-light Asset Management revenues to 22.8% of total revenue (H1 2016: 16.9%)
- Successfully raised €400 million senior secured floating rate notes due 2025, at a coupon of E+2.875%, reducing the Group's weighted average cost of debt to 3.9% (31 December 2016: 4.9%) and average debt facility maturity of 6.8 years as at 30 June 2017 (31 December 2016: 5.9 years)

Strong returns

- Underlying profit after tax up 35.5% to £25.8 million (H1 16: £19.1 million)
- Underlying basic earnings per share (EPS) increased 35.8% to 14.8p (H1 2016: 10.9p)
- Statutory profit after tax down to £3.7m (H1 16: £16.5m), reflecting the impact of post-tax costs associated with the refinancing in March 2017 of £22.1 million
- Underlying LTM Return on Equity (ROE) of 32.8% (H1 2016: 27.4%)
- Interim dividend of 3.2p per share (H1 2016: 2.7p), up 18.5%

Lee Rochford, Group Chief Executive Officer, commented:

“Arrow has delivered another period of strong, profitable growth. Revenues grew 47.6% to £149.8 million with underlying profit after tax up 35.5% to £25.8 million. Our returns-focused mindset continues to yield results with underlying Return on Equity increased to 32.8%. We are pleased to announce an interim dividend of 3.2p, up 18.5%.

We continue to implement our active diversification strategy. Our capital-light asset management revenues have approximately doubled, and our portfolio investments are nicely balanced across geographies, asset classes and vintages.

Our entry into Italy is progressing well, and, we have announced today our intention to acquire Mars Capital. This will add significantly to our UK secured servicing capabilities, and provide a low-cost strategic entry into Ireland, a new market for the Group. In H2, we expect to complete the sale of our 15% interest in MCS Groupe, which will deliver an excellent return to shareholders and enable us to redeploy capital in faster growing markets.

Our pan-European market position, scale and unique origination capabilities continue to underpin our outlook for growth. We now address over €1 trillion of market opportunity, with leading platforms and are investing to ensure Arrow Global has leading capabilities in the industry.

A strong pipeline in all of our core markets gives us confidence to meet our earnings expectations for the year and in delivering a medium-term underlying ROE percentage in the mid-twenties, high-teen EPS growth and a progressive dividend policy.”

Notes:
A glossary of terms can be found on pages 39 to 42.

More details explaining the business can be found in the Annual Report & Accounts 2016 which is available on the Company’s 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 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 six months to 30 June 2017

The Group has built on its strong momentum and has continued to expand its European footprint and client offering across its attractive markets. This, coupled with our continued drive to generate a high quality and diversified income, has enabled us to deliver a strong first-half financial performance.

Key results

	30 June 2017 £m IFRS	30 June 2017 £m Adjustments	30 June 2017 £m Underlying	30 June 2016 £m IFRS	30 June 2016 £m Adjustments	30 June 2016 £m Underlying
Profit before tax	4.9	27.4	32.3	20.5	2.7	23.2
Taxation	(1.2)	(5.3)	(6.5)	(4.0)	(0.1)	(4.1)
Profit after tax	3.7	22.1	25.8	16.5	2.6	19.1
Basic EPS (p)	2.1		14.8	9.4		10.9
Diluted EPS (p)	2.1		14.4	9.2		10.6
Closing net assets	164.0		164.0	158.2		158.2
Average net assets	159.6		159.6	143.7		143.7
LTM ROE %	8.5		32.8	24.6		27.4
Core collections	-		154.5	-		138.8
Adjusted EBITDA	-		101.8	-		104.0
Organic purchases of loan portfolios and notes	-		125.1	-		96.0
Total purchased loan portfolios and notes	-		901.7	-		692.0
84-month ERC	-		1,478.5	-		1,200.0
120-month ERC	-		1,708.8			1,417.2

IFRS, cash metrics and underlying results are important to understand the key drivers of the business. The additional information on pages 36 to 38 have been prepared to aid this understanding, which helps to support the commentary of the financial review for the period.

Business Model

Our business model provides a compelling proposition in four distinct ways:

- **High growth** – a highly visible runway of significant long-term growth, underpinned by our unique origination capabilities, geographic reach and diversified offerings.
- **Operational excellence** – a focus on securing the right outcomes for our customers in an efficient manner, leveraging our data, scale and track-record to drive competitive advantage.
- **Financial excellence** – a rigorous focus on robust underwriting, selective portfolio bidding and cost management, geared towards delivering sustainable profitability.
- **Strong returns** – a high-return business model, enabling future growth and capital distribution.

High growth

According to PwC's May 2017 report on the European NPL market, despite huge transaction volumes, European financial institutions continue to hold around €2.1 trillion of non-core loans, split broadly equally between performing and non- performing assets.

Against this backdrop, PwC suggest that transactions completed or in progress in 2017 have already reached over €50 billion and believe that, for third year in a row, transaction volumes could exceed €100 billion in 2017.

In our core markets of the UK, Portugal, the Netherlands, Italy, and from today, Ireland, outstanding NPLs amounted to approximately €500 billion (end-2016), with an equivalent value of non-core assets. Banks still need to divest non-performing loans and non-core assets because of both capital and regulatory requirements, resulting in long-term structural growth opportunities for Arrow Global. We have a pan-European footprint and benefit from diversified asset class capabilities and revenue sources.

Completion of the Zenith Service acquisition in Italy

On 28 April we completed the acquisition of Zenith Service S.p.A, a leading master servicing business with operations in Milan and Rome.

We are pleased with progress since completion. We have committed to purchasing two small portfolios in Italy for a consideration of €10 million. Both exemplify the rationale for acquiring Zenith and the opportunities now open to Arrow Global in Italy. One portfolio was master serviced by Zenith, thereby offering good visibility into past performance and quality, while the second was with a long-term partner of Zenith and who has worked regularly with them.

Moreover, Zenith's core business has benefitted from Arrow Global's network of institutional fund relationships. Assets under management are up from c€14.8 billion, at the beginning of the year, to over €17 billion as at 30 June 2017.

Mars Capital, UK and Ireland

Today we have also announced the proposed acquisition of Mars Capital Finance Limited from Oaktree Capital Management ("Oaktree") for an enterprise value of £15.5 million.

The transaction strengthens our asset management capabilities and reinforces our leading position in the UK, while providing a strategic entry into Ireland. This is a new market for the Group that offers a €59 billion NPL opportunity with significant debt purchasing and servicing potential.

Mars Capital provides servicing for mortgages covering 1st / 2nd lien residential, buy-to-let and SME commercial mortgages, and provides full-loan lifecycle servicing, from loan origination support to late stage recoveries, with particular focus on managing distressed mortgage NPLs.

We are also pleased to announce a strategic partnership with Oaktree, a leading global asset manager with over USD$100 billion under management. This will see Arrow Global and Oaktree acquire future UK and Irish portfolios together. The agreement will also ensure Oaktree assets currently serviced by Mars Capital remain on the servicing platform for an agreed time.

The transaction is subject to regulatory approval by the Financial Conduct Authority (FCA) and fulfilment of Central Bank of Ireland notification obligations. It is expected to complete in late 2017.

Purchased loan portfolios and loan notes

We acquired debt portfolios with a face value of £968.2 million for a purchase price of £125.1 million, up 30.3% on H1 2016. Of the purchase price invested, 32.1% related to secured portfolios and the diversification by geography was: UK 49.8%, Portugal 28.6%, Netherlands 16.8%, Italy 4.8%. 51.2% of these trades came from off-market purchases, highlighting the strength and depth of the institutional and fund relationships we hold in each of our core markets.

The carrying value of our purchased loan portfolios and loan notes increased by 12.1% to £901.7 million as at 30 June 2017 (31 December 2016: £804.1million). The most significant driver for this was portfolios and loan notes acquired of £125.1 million in the period.

The 120-month expected gross money multiple is 1.9 times for the current period purchases from the date of purchase.

See note 10 for the full reconciliation of purchased loan portfolios in the period.

<u>Operational excellence</u>

Enhanced services and Group capabilities

Arrow Global has grown rapidly since its stock market listing in October 2013. Since then, we have repositioned the business from a largely UK debt purchaser, in a single asset class, to offering a range of services that now extends beyond the purchase and collection of non-performing loans, and includes primary, special and master servicing of securitised and secured assets, credit data bureau services, asset management capabilities, real estate financing and servicing, all backed with local expertise and leadership.

Our expertise across multiple asset classes, combined with the depth of our third-party network and ability to co-invest provides our unique proposition to our diversified client base, which in turns supports our diversified earnings growth and high returns.

Investing for growth – One Arrow

Our strategy centres on controlled growth of our balance sheet, allowing us to maintain our discipline, in terms of the quality of our underwriting, maintaining returns and within our conservative leverage ratio requirements.

The combination of our origination strengths, client relationships and our servicing platforms means that we are well positioned to take advantage of the potential to grow capital-light Asset Management revenues. To take advantage of this in a safe, disciplined and sustainable way, we are investing further in our core capabilities.

This will see us strengthening Group governance and capabilities in certain centres of excellence such as Origination, Data & Analytics, Portfolio Management, Risk Management and our Change & IT Functions. In addition, we are increasing investment in our servicing and operating platforms to

improve the customer journey through enhanced digital capabilities, which in turn will produce improvements in our productivity.

We are planning an investment and restructuring programme totalling £22 million across 2017 and 2018. Approximately £10 million will be capital expenditure and the balance will be reported separately to underlying earnings.

On completion we will have a more scalable, resilient platform able to support future growth.

Financial excellence

ERC overview

Our 84-month ERC, the expected remaining collections from portfolios already acquired, has increased by 10.4% from £1,339.1 million as at 31 December 2016 to £1,478.5 million. The 120-month ERC increased 10.6% to £1,708.8 million (31 December 2016: £1,544.5 million). The increases are due to portfolio purchases, additional value driven by investment in legal collection activity and foreign exchange rate movements.

The ERC is underpinned by approximately 600,000 customer accounts that have paid the Group in the last three months. These accounts have a current paying face value of £1.8 billion, meaning the Group has 1.2 times coverage of the ERC from existing customers. As at 30 June 2017, we estimate the amount we would need to invest in portfolio purchases over the next 12 months to maintain our current 84-month ERC level is approximately £130 million.

Capital-light Asset Management

We have grown Asset Management revenues by 98.6% to £34.2m (H1 2016: £17.2m). This increase has been driven by the inclusion of InVesting B.V. (“Vesting”) for the full period, along with a small contribution from Zenith since acquisition.

Funding

On 30 March 2017, the Group issued €400 million senior secured floating rate notes due 2025, at a coupon of E+2.875% (the ‘2025 Notes’).

The proceeds of the 2025 Notes were used to redeem the existing 2021 Notes, pay the early redemption and transaction costs, and repay drawings under our revolving credit facility (the ‘RCF’).

The early redemption of the 2021 Notes resulted in finance costs of £27.4 million, of which £17.6 million related to the cash call premium and cancellation of interest rate hedging linked to the 2021 Notes, with the remaining £9.8 million due to a non-cash write-off of transaction fees in connection with the 2021 Notes.

On 24 February, the Group increased its RCF from £180 million to £215 million, and added an additional bank. The RCF has been extended to 31 March 2022.

As at 30 June 2017, the Group's weighted average cost of debt has been reduced to 3.9% (31 December 2016: 4.9%) and the weighted average maturity of the Group's debt is now 6.8 years (H1 2016: 5.2 years) with no facility maturing before March 2022.

As at 30 June 2017, the Group had available cash and RCF resources of £104.9 million.

Core collections

Core collections rose to £154.5 million (H1 2016: £138.8 million), reflecting the increase in our portfolio asset base. Core collections in H1 2017 are slightly favourable to our ERC forecast with good performance in the Netherlands and the UK, partially offset by collections below expectations in Portugal. Growth in core collections was impacted as expected by elevated collections in H1 2016, where we received a high proportion of collections from recently acquired portfolios.

As at 30 June 2017, we have cumulatively collected 103% of our original underwriting forecast on a constant exchange rate basis, reflecting the accuracy of our data driven approach to origination and underwriting.

Revenue

Total revenue for the period was £149.8 million, an increase of 47.6% (H1 2016: £101.5 million). £34.2 million of the total in 2017 was attributable to income from asset management (H1 2016: £17.2 million).

Cost

During the period, we have invested £12 million in additional legal collection costs. This upfront cost supports additional ERC of the back book. This activity will continue in Q3. This, combined with a full period of the Vesting acquisition drives an increase in our cost income ratio to 64.1% (H1 2016: 59.5%).

Profit

The profit attributable to equity shareholders for the period to 30 June 2017 was £3.7 million (H1 2016: £16.5 million), which reflects the post tax cost of £22.1 million, following the early redemption of 2021 Notes. The 2021 Notes were redeemed with the proceeds of the €400 million E+ 2.875% 2025 Notes. The material reduction in coupon resulted in the redemption being earnings accretive, together with extending the duration of the Group's funding.

After adjusting for the refinancing cost above, underlying net income increased by 35.5% from £19.1 million in 2016 to £25.8 million for H1 2017.

Adjusted EBITDA

Adjusted EBITDA decreased by 2.1% to £101.8 million (H1 2016: £104.0 million). Growth in Adjusted EBITDA was impacted by additional investment in legal collection costs, which will generate cash flows in future periods. In addition, and as expected, it was also impacted by elevated collections in H1 2016, where we received a high proportion of collections from recently acquired portfolios with low cost to collect, and a higher cost income ratio reflecting the expansion of the asset management business and the Vesting acquisition in 2016.

Net assets

Net assets increased to £164.0 million during the period (H1 2016: £158.3 million), representing the growth in underlying profitability offset by the impact of costs associated with the refinancing activity completed in the period.

Net debt

	30 June 2017	31 December 2016
	£000	£000
Net debt	929.7	816.0
Secured net debt	882.3	761.9

	30 June 2017	30 June 2016
Secured net debt / LTM adjusted EBITDA	4.2 times	3.6 times
Secured net debt / Pro forma LTM adjusted EBITDA	4.0 times	3.5 times
Cash interest cover	5.3 times	5.3 times
Secured net debt / 84-month ERC	60.3%	58.3%

A glossary of terms can be found on pages 40 to 43.

Net debt increased to £929.7 million, driven by organic portfolio purchases, the acquisition of Zenith, the impact of the costs associated with refinancing of the 2021 Notes and movements in foreign exchange rates. These factors have increased the ratio of secured net debt to LTM Adjusted EBITDA, we expect this ratio to be within our policy of 3.5-4 times by the end of 2017.

Cash interest cover has remained at 5.3 times; this is expected to strengthen as the full-year effects of the refinancing activity are realised. The ratio of net debt to 84-month ERC ratio is significantly below our financial covenant of 75%.

Strong returns

We have delivered a period of strong, profitable growth. Underlying profit after tax is up 35.5% to £25.8m (H1 16: £19.1m).

We continue to exceed our key financial targets:

- High-teens underlying basic EPS growth: 35.8% H1 2017
- Mid-twenties underlying ROE LTM: H1 2017 32.8%

Dividend

In accordance with our progressive dividend policy, the interim dividend increased by 18.5% to 3.2p per share (Interim 2016: 2.7p), being 50% of our 2016 final dividend.

MCS Groupe, France

On 25 July MCS Groupe announced that a company controlled by funds advised by BC Partners, has signed an agreement relating to its acquisition. Subject to completion of the transaction, our 15% economic interest in MCS Groupe will end. While the terms of the transaction remain confidential the sale of MCS is expected to result in a net gain and cash inflow in H2 for the Group.

Outlook

We continue to see attractive opportunities across our core markets. Pressure for continued banking reform across Europe is evident, and we expect to see further sales of NPLs and non-core assets across our markets, in unsecured, secured, SME and commercial real estate portfolios, all of which play to the Group's strengths.

While we are mindful of the macroeconomic uncertainty prevailing in the UK, and the squeeze on real incomes, growth remains positive and unemployment is low. The European economy is showing encouraging signs of momentum in its economic recovery.

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, and we are not seeing indications of a high-level change of customers' ability or willingness to pay debts.

The investment in the One Arrow programme will result in a more scalable, resilient platform able to support future growth.

Our focus for the remainder of 2017 will be on our core themes of high growth, investments to drive improvements in operational and financial excellence and delivering strong returns. A strong pipeline across our geographic footprint gives us confidence in our ability to meet our earnings expectations for the year, and in delivering a medium-term underlying ROE percentage in the mid-twenties, high-teens EPS growth and a progressive dividend policy.

Principal risks and uncertainties

Sound risk management is at the centre of our day-to-day activities. It benefits our business by ensuring balanced growth and stability of earnings while also protecting the sustainability of our future prospects.

Delivering our strategic priorities relies on the successful identification, assessment, management and reporting of risk. We focus on the top risks that impact our business, and also monitor emerging risks that might affect us in the future.

We operate an Enterprise-Wide Risk Management Framework. The overall Framework is underpinned by our Risk Appetite Statements and a suite of policies. Risk is governed by the board, executive management and various risk committees.

The Group operates a three lines of defence model, with the internal audit function performed by a combination of Deloitte LLP and our own Internal Audit functions in our European subsidiaries.

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

Strategic risk

The risk to earnings arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

The Group's growth strategy is based on the future purchase and collection of distressed loan portfolios, including as a servicer for third parties, and development of asset management services across the geographies in which we operate.

Changes in the competitive, 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 e.g. as a result of consolidation within the sector.

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

Key mitigating actions

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

Strong relationships have been developed with our creditor client base and investment funds in order to mitigate the risk of reduced debt purchase opportunities in the market. The board regularly

carries out reviews of the markets and strategy and reputational impacts are managed through our governance activities and by operating in accordance with all regulatory requirements and jurisdictional industry best practice.

Financial risk includes:

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

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

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

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

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

Key mitigating actions

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

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

Funding and liquidity risk is managed through matching the maturity of our funding facilities with the maturity of our assets; forecasting funding requirements, 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 also mitigated through warranties. Credit risk is principally taken on through the purchase of customer debt and overseen on a country basis.

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 consider risks (including operational risks) and accurately price new investment opportunities. These include executive

review through an investment 'gate' process and in certain circumstances board approval prior to purchase execution. Portfolio performance is regularly monitored by senior management and the board.

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 the enforceability of debt, our future collections and credit risk or the quality of customer outcomes.

We choose to outsource the management of some customer accounts to third party partners who collect on our behalf. 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, be subject to takeover by an unfriendly competitor or fraudulent activity, or fail to maintain regulatory authorisation, we could suffer financial loss and/or potential detriment to customers.

Key mitigating actions

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 (see investment risk section above). Our Legal team are involved in

all purchases and external legal advice is taken where required, with contractual terms and warranties used to provide protection against legacy issues.

We undertake on-going oversight of our suppliers, including third party partners involved in the collection of payments from customers. This oversight includes compliance with regulation, information security and their business continuity arrangements. We monitor industry consolidation activity and have a diversified panel of partners 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.

We operate in a highly regulated environment, particularly in the UK and increasingly in other European countries, with any action that leads to poor customer outcomes or customer detriment could lead to a breach of 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. We always seek to ensure we adhere to all local best practice collections approaches.

Key mitigating actions

Conduct risk and Treating Customers Fairly ("TCF") are at the heart of our business, our purpose being to build better financial futures. Employees and third parties acting on our behalf receive mandatory training, including conduct risk, handling vulnerable customers and complaints, relevant to the local market and our activities.

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 in the UK and risk committees in each of our European subsidiaries. These committees provide 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
Lee Rochford	Group chief executive officer
Robert Memmott	Group chief financial officer
Iain Cornish	Non-executive director and senior independent director
Lan Tu	Non-executive director
Maria Luís Albuquerque	Non-executive director
Andrew Fisher	Non-executive director

The interim results were approved on 31 August 2017 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

Conclusion

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 2017 which comprises the consolidated statement of profit and loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related explanatory notes 1 to 19.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with 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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Richard Gabbertas

for and on behalf of KPMG LLP

1 St Peter’s Square
Manchester
M2 3AE
31 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2017

	Note	Unaudited period ended 30 June 2017 £000	Unaudited period ended 30 June 2016 £000
Continuing operations			
Revenue	4	**149,790**	**101,516**
Operating expenses			
Collection activity costs		(55,105)	(30,654)
Other operating expenses	8	(40,924)	(27,048)
Acquisition costs		-	(2,731)
Total operating expenses		**(96,029)**	**(60,433)**
Operating profit		**53,761**	**41,083**
Finance income		3	783
Finance costs		(22,563)	(22,709)
Bond refinancing costs		(27,352)	-
Total finance costs		**(49,915)**	**(22,709)**
Share of profit in associates		1,072	1,340
Profit before tax		**4,921**	**20,497**
Taxation charge	7	**(1,190)**	**(3,987)**
Profit after tax		**3,731**	**16,510**
Other comprehensive income:			
Foreign exchange translation difference arising on revaluation of foreign operations		3,168	5,486
Hedging movement		516	(1,408)
Total comprehensive income for the period		**7,415**	**20,588**
Profit attributable to:			
Owners of the Company		3,731	16,498
Non-controlling interest		**-**	12
		3,731	**16,510**
Total comprehensive income attributable to:			
Owners of the Company		7,415	20,576
Non-controlling interest		-	12
		7,415	**20,588**
Basic and diluted EPS (£)	5	**0.02**	**0.09**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017	Notes	Unaudited 30 June 2017 £000	Audited 31 December 2016 £000	Unaudited 30 June 2016 £000
Assets				
Non-current assets				
Goodwill	9	140,969	128,081	125,359
Other intangible assets		42,774	39,144	42,258
Property, plant and equipment		6,328	3,584	2,655
Investment in associates		9,060	10,371	15,834
Deferred tax asset		4,171	3,692	4,095
Total non-current assets		**203,302**	**184,872**	**190,201**
Current assets				
Cash and cash equivalents		38,375	23,203	20,662
Other receivables		47,230	35,484	44,382
Derivative asset		3,456	-	6,738
Purchased loan portfolios	10	868,261	782,792	691,959
Loan notes	10	33,470	21,315	-
Total current assets		**990,792**	**862,794**	**763,741**
Total assets		**1,194,094**	**1,047,666**	**953,942**
Equity				
Share capital		1,753	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		86,410	92,327	85,323
Hedging reserve		(116)	(632)	(2,710)
Other reserves		(271,671)	(273,484)	(273,952)
Total equity attributable to shareholders		**163,812**	**167,391**	**157,841**
Non-controlling interest		187	-	406
Total equity		**163,999**	**167,391**	**158,247**
Liabilities				
Non-current liabilities				
Senior secured notes	13	756,858	681,158	668,146
Trade and other payables	11	6,139	-	-
Deferred tax liability		16,311	14,859	13,596
Defined benefit liability		-	1,721	-
Total non-current liabilities		**779,308**	**697,738**	**681,742**
Current liabilities				
Trade and other payables	11	82,801	76,261	68,912
Current tax liability		2,735	5,469	8,744
Derivative liability		144	1,433	-
Revolving credit facility	13	144,154	74,169	18,914
Bank overdrafts	13	1,318	7,698	8,648
Other borrowings	13	15,609	12,077	-
Senior secured notes	13	4,026	5,430	8,735
Total current liabilities		**250,787**	**182,537**	**113,953**
Total liabilities		**1,030,095**	**880,275**	**795,695**
Total equity and liabilities		**1,194,094**	**1,047,666**	**953,942**

The interim results were approved on 31 August 2017 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 2017

	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 2016	**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 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
Settlement of non-controlling interest	-	-	-	-	-	-	-	-	-	-
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**
Profit for the period	-	-	9,807	-	-	-	-	9,807	(11)	9,796
Exchange differences	-	-	-	-	-	468	-	468	20	488
Net fair value gains cash flow hedges	-	-	-	2,506	-	-	-	2,506	-	2,506
Tax on hedged items	-	-	-	(428)	-	-	-	(428)	-	(428)
Remeasurement of long term employee benefits	-	-	(10)	-	-	-	-	(10)	-	(10)
Total comprehensive income for the period	**-**	**-**	**9,797**	**2,078**	**-**	**468**	**-**	**12,343**	**9**	**12,352**
Settlement of non-controlling interest	-	-	-	-	-	-	-	-	(415)	(415)
Share-based payments	-	-	1,915	-	-	-	-	1,915	-	1,915
Dividend paid	-	-	(4,708)	-	-	-	-	(4,708)	-	(4,708)
Balance at 31 December 2016	**1,744**	**347,436**	**92,327**	**(632)**	**(1,936)**	**5,413**	**(276,961)**	**167,391**	**-**	**167,391**
Profit for the period	-	-	3,731	-	-	-	-	3,731	-	3,731
Exchange differences	-	-	-	-	-	3,168	-	3,168	-	3,168
Net fair value gains cash flow hedges	-	-	-	618	-	-	-	618	-	618
Tax on hedged items	-	-	-	(102)	-	-	-	(102)	-	(102)
Total comprehensive income for the period	**-**	**-**	**3,731**	**516**	**-**	**3,168**	**-**	**7,415**	**-**	**7,415**
Non-controlling interest on acquisition	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	187	187
Shares issued in the period	9	-	-	-	-	-	-	9	-	9
Repurchase of own shares	-	-	-	-	(1,355)	-	-	(1,355)	-	(1,355)
Share-based payments	-	-	1,550	-	-	-	-	1,550	-	1,550
Dividend paid	-	-	(11,198)	-	-	-	-	(11,198)	-	(11,198)
Balance at 30 June 2017(unaudited)	**1,753**	**347,436**	**86,410**	**(116)**	**(3,291)**	**8,581**	**(276,961)**	**163,812**	**187**	**163,999**

* Other reserves total £271,671,392 deficit (31 December 2016: £273,484,000 deficit, 30 June 2016: £273,952,000 deficit)

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

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.

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 30 June 2017 the Group held 303,614 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 2017.

The hedging reserve comprises the net cumulative fair value adjustments on the derivative contracts used in the Group's hedging activities which are deemed to be effective.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2017

	Note	Unaudited period ended 30 June 2017 £000	Unaudited period ended 30 June 2016 £000
Net cash used in operating activities	16	**(43,767)**	**(10,037)**
Investing activities			
Purchase of property, plant and equipment		(361)	(1,598)
Purchase of intangible assets		(4,981)	(3,453)
Dividends received from associates		2,737	-
Proceeds from disposal of intangible assets		8	-
Investment in associates		-	(1,305)
Acquisition of subsidiary, net of cash acquired		(4,102)	(62,465)
Acquisition of subsidiary, deferred consideration		(8,888)	(16,068)
Net cash used in investing activities		**(15,587)**	**(84,889)**
Financing activities			
Proceeds/ (Repayment) from additional loans		63,344	(53,000)
Proceeds from senior notes (net of fees)		340,580	175,153
Redemption of senior notes		(290,867)	-
Early redemption of senior notes costs		(17,631)	-
Repayment of interest on senior notes		(17,886)	(15,266)
Proceeds of loan notes		-	938
Other interest paid		(1,428)	(2,227)
Bank interest received		3	89
Repurchase of own shares		(1,355)	-
Issued share capital		9	-
Settlement of deferred consideration interest		(608)	(594)
Net cash flow generated by financing activities		**74,161**	**105,093**
Net increase in cash and cash equivalents		**14,807**	**10,167**
Cash and cash equivalents at beginning of period		23,203	10,183
Effect of exchange rates on cash and cash equivalents		365	312
Cash and cash equivalents at end of period		**38,375**	**20,662**

Notes

1. Statutory Information

Arrow Global Group PLC (the "Company") is a company incorporated in England and Wales. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2017 comprises the Company and its subsidiaries (the "Group"). The Group's principal activity is to identify, acquire and manage secured and unsecured defaulted loan portfolios from financial institutions, such as banks and credit card companies, as well as retail chains, student loans, motor credit, telecommunication firms and utility companies. 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 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 2016.
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 have 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 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 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 2016 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:

(i) was 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 2016.

The June 2017 statements were approved by the board of directors on 31 August 2017.

Going concern

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 2017:

- Disclosure initiative (amendments to IAS 7)

This standard and interpretations is 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 2016. In particular, significant judgement is required in the use of estimates and assumptions in the valuation of the portfolio and loan note assets.

4. Revenue

	Period ended 30 June 2017	Period ended 30 June 2016
	£000	**£000**
Income from purchased loan portfolios	112,564	83,682
Profit on portfolio sales	368	610
Income from loan notes	495	-
Fair value gain on loan notes	2,159	-
Total revenue from portfolios and loan notes	**115,586**	**84,292**
Income from asset management	34,204	17,224
Revenue	**149,790**	**101,516**

5. Earnings per share

	Period Ended 30 June 2017 £000	Period Ended 30 June 2016 £000
Basic/diluted earnings per share		
Underlying profit for the period attributable to equity shareholders	25,818	19,058
Profit for the period attributable to equity shareholders	3,731	16,498
Weighted average ordinary shares	174,550	174,047
Potential exercise of share options	4,157	4,453
Weighted average ordinary shares (diluted)	**178,707**	**178,500**
Underlying basic and diluted earnings per share (£)	**0.15**	**0.11**
Basic earnings per share (£)	**0.02**	**0.09**
Underlying diluted earnings per share (£)	**0.14**	**0.11**
Diluted earnings per share (£)	**0.02**	**0.09**

6. Dividend

A dividend of £11,197,633 has been accrued in these interim results, being the 2016 final dividend of 6.4p per share approved by the shareholders at the 2017 AGM.

The 2017 interim dividend will be 3.2p per share (Interim 2016: 2.7p), being 50% of the 2016 final dividend, in accordance with our policy. The dividend is payable on 3 October 2017 to shareholders who are on the register as at 8 September 2017. The ex-dividend date is 7 September 2017. The interim dividend has not been recognised as a liability in these financial statements.

7. Tax

The Group's effective consolidated tax rate for the six months ended 30 June 2017 was 24.2% (30 June 2016: 19.45%). The current period effective rate tax is reflective of the applicable corporate tax rate for the full financial year.

The tax impact on the refinancing of bonds cost was £5.3 million. Adjusting for the impact of this the tax rate on underlying profit was 20.0% (30 June 2016: 17.9%).

8. Other operating expenses

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

	Period Ended 30 June 2017 £000	Period Ended 30 June 2016 £000
Foreign exchange (gains)/ losses	(656)	594
Depreciation and amortisation	5,433	3,564
Share based payments	1,550	1,324

9. Goodwill

Cost	**£000**
At 30 June 2016	**127,668**
Goodwill on acquisition of subsidiary	951
Exchange rate differences	1,771
At 31 December 2016	**130,390**
Goodwill on acquisition of subsidiary	10,098
Exchange rate differences	2,790
At 30 June 2017	**143,278**
Impairment:	
At 30 June 2016, 31 December 2016 and 30 June 2017	**2,309**
NBV:	
At 30 June 2017	**140,969**
At 31 December 2016	**128,081**
At 30 June 2016	**125,359**

The goodwill on acquisition of subsidiaries in 2017 arose from the acquisition of Zenith. For more details see note 15.

The goodwill on acquisition of subsidiaries in 2016 arose from the confirmation of the InVesting B.V defined benefit liability fair value in the second half of 2016.

10. Financial assets

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39.

The movements in purchased loan portfolios were as follows:

	Period Ended 30 June 2017	Year Ended 31 December 2016	Period Ended 30 June 2016
	£000	£000	£000
As at the period brought forward	782,792	609,793	609,793
Portfolios acquired during the period	115,964	224,640	98,347
Purchased loan notes resold	-	(23,519)	(23,519)
Portfolios acquired through acquisition of subsidiaries	-	35,343	35,343
Collections in the period	(154,015)	(285,960)	(138,839)
Income from purchased loan portfolios	112,564	188,914	83,682
Exchange gain on purchased loan portfolios	11,062	32,880	26,542
Profit on disposal of purchased loan portfolios	368	701	610
Purchase price adjustment relating to prior year	(474)	-	-
As at the period end	**868,261**	**782,792**	**691,959**

The estimated future cash flows generated by portfolios are the key estimates/judgments in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the purchased loan portfolios as at 30 June 2017 by £8,139,000 (31 December 2016: £7,044,000, 30 June 2016: £6,665,000).

Loan notes

	30 June 2017	31 December 2016	30 June 2016
	£000	£000	£000
Loan notes	9,300	-	-
Loan notes at fair value	24,170	21,315	-
	33,470	**21,315**	-

11. Trade and other payables

Current	30 June 2017	31 December 2016	30 June 2016
	£000	£000	£000
Trade payables	15,262	13,536	8,910
Deferred consideration on acquisition of subsidiary	6,421	9,230	28,942
Deferred consideration on purchased loan portfolios	15,000	26,171	-
Taxation and social security	1,055	121	197
Other liabilities and accruals	45,063	27,203	30,863
	82,801	**76,261**	**68,912**

Non-current			
Deferred consideration on purchased loan portfolios	5,101	-	-
Deferred employee benefits	1,038	-	-
	6,139	**-**	**-**

The directors consider that the carrying amounts of the current trade and other payables 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 at fair value.

Zenith

The employees in the Zenith business are part of a statutory indemnity scheme, compulsory by Law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid in the future when the employees leave employment. As at 30 June 2017 the estimated liability is €580,000 (£510,000) and is included within non-current trade and other payables on the statement of financial position. The liability is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	30 June 2017
Discount rate	1.6%
Annual inflation rate	1.0%
Wage inflation	3.0%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	15.0% per annum

12. Related party transactions

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

Remuneration	30 June 2017 £000	31 December 2016 £000	30 June 2016 £000
Salaries and performance related bonus	3,107	4,080	2,894
Pension-related benefits	120	184	89
	3,227	**4,264**	**2,983**

Executive committee members in the period 11 members (2016: 8 members).

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

13. Borrowings and Facilities

Secured borrowing at amortised cost	30 June 2017 £000	31 December 2016 £000	30 June 2016 £000
Senior secured notes (net of transaction fees of £16,620,000, 31 December 2016: £20,562,000, 30 June 2016: £23,316,000)	756,858	681,158	668,146
Revolving credit facility (net of transaction fees of £3,001,000, 31 December 2016: £2,756,000, 30 June 2016: £3,086,000)	144,154	74,169	18,914
Senior secured notes interest	4,026	5,430	8,735
Bank overdrafts	1,318	7,698	8,648
Other borrowings	15,609	12,077	-
	921,965	**780,532**	**704,443**
Total borrowings			
Amount due for settlement within 12 months	**165,107**	**87,297**	**36,297**
Amount due for settlement after 12 months	**756,858**	**693,235**	**668,146**
	921,965	**780,532**	**704,443**

Senior secured notes

On 30 March 2017, the Group issued €400 million senior secured floating rate notes due 2025 (the ‘2025 Notes’) at a coupon of EURIBOR +2.875% per anum with EURIBOR being not less than 0%. Interest is paid quarterly in arrears. The 2025 Notes can be redeemed in full or in part on or after 1 April 2019 at the Group’s option. Prior to 1 April 2019 the Group may redeem, at its option, some or all of the 2025 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

The proceeds from the 2025 Notes were used to redeem the existing 2021 Notes, pay the early redemption and transaction fees payable in respect of the 2021 Notes and repay drawings under the RCF.

On 24 February 2017 the commitments under the RCF were increased from £180 million to £215 million. Upon redemption of the 2021 Notes on 30 March 2017, the maturity of the facility was extended to 31 March 2022.

14. Defined benefit liability

During the period Vesting Finance has agreed on a compensation plan for employees for the change of their defined benefit pension scheme into a defined contribution scheme. The change has become effective during the reporting period and has been processed as a settlement, resulting in the derecognition of the defined benefit obligation from the balance sheet, 30 June 2017 £ nil (31 December 2016: £1,721,000, 30 June 2016: £ nil).

15. Acquisitions of subsidiary undertakings

Zenith Service S.p.A

On 28 April 2017, the Group acquired 100% of the ordinary share capital of Zenith Service S.p.A. ("Zenith"). Zenith has a similar principal activity as the Group and is a leading master servicer in the Italian structured finance market, and provider of various structuring and securitisation services.

The Group paid cash consideration of €11,327,000 (£9,630,208) together with deferred consideration of €7,551,200 (£6,420,139). Deferred consideration is payable on the one year anniversary of the transaction and has been included at its fair value leading to an overall consideration of €18,588,000 (£15,803,000).

Effect of the acquisition

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

	Total £000
Intangible assets	2,517
Property, plant and equipment	3,088
Deferred tax asset	811
Cash and cash equivalents	4,556
Other receivables	3,888
Trade and other payables	(7,519)
Deferred tax liability	(672)
Current tax liability	(777)
	5,892
Minority interest	(187)
	5,705
Goodwill on acquisition	10,098
	15,803
Consideration:	
Cash	9,630
Deferred consideration	6,173
	15,803
Cash impact of acquisition in the period:	
Cash consideration	9,630
Cash and cash equivalents acquired	(4,556)
	5,074

An intangible asset of €2,872,000 (£2,442,000) has been recognised at acquisition, being the fair value after appropriate discounting, of expected cash flows arising from contractual customer relationships.

Goodwill of €11,876,000 (£10,098,000) was created as a result of this acquisition. The primary reasons for the acquisition was to enter the Italian market via the acquisition of an existing well established company, and to create scale and servicing capabilities across multiple asset classes.

Trade and other payables in the acquired entity include a finance lease liability of €2,134,000 (£1,815,000) in relation to a property.

In the period from acquisition to 30 June 2017, Zenith contributed revenue of £2,076,000 and profit of £249,000 to the consolidated results for the period. If the acquisition had occurred on 1 January 2017, Group total revenue would have been an estimated £153,673,000 and profit after tax would have been an estimated £2,514,000.

The minority interest, relating to a non-controlling interest in Zenith's subsidiary, Structured Finance Management – Italy S.r.l (SFM) was recorded as the non-controlling party's proportionate interest in the fair value of the identifiable assets of SFM at the acquisition date.

Hefesto

On 31 March 2017, the Group acquired 100% of the ordinary share capital of Hefesto STC. Hefesto is a regulated Portuguese special purpose vehicle for the securitisation of loans and receivables. Whitestar acts as servicer and administrator of Hefesto. The Group paid cash consideration of €743,000 (£636,000) which was equal to the fair value of the net assets acquired. The assets and liabilities acquired comprised €1,880,000 (£1,608,000) of cash, €1,181,000 (£1,010,000) of trade and other liabilities and €44,000 (£38,000) of other receivables. These figures are after fair value adjustments totaling €66,000 (£56,000).

16. Notes to the cash flow statement

	Period ended 30 June 2017	Period ended 30 June 2016
Cash flows from operating activities	**£000**	**£000**
Profit before tax	4,921	20,497
Adjusted for:		
Collections in the period*	154,475	138,839
Income from purchased loan portfolios*	(112,564)	(83,682)
Income from loan notes*	(495)	-
Profit on disposal of purchased loan portfolios	(368)	(610)
Share of profit from associates	(1,072)	(1,340)
Amortisation of legal acquisition fees on portfolios and finance costs	11,383	2,604
Depreciation and amortisation	5,433	3,564
Interest payable	38,529	19,322
Fair value gain on loan notes	(2,159)	-
Foreign exchange (gains)/losses	(656)	282
Share-based payment expenses	1,550	1,324
Operating cash flows before movement in working capital	**98,977**	**100,800**
(Increase)/ decrease in other receivables	(6,916)	1,535
Decrease in trade and other payables	(7,268)	(16,100)
Cash generated by operations	**84,793**	**86,235**
Income taxes and overseas taxation paid	(3,805)	(308)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**80,988**	**85,927**
Purchases of purchased loan portfolios	(124,755)	(95,964)
Net cash used in operating activities	**(43,767)**	**(10,037)**

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

17. Share based payments

The following awards were made in 2017.

Share incentive plan scheme (SIP)

In 2017, 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 2017, 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.

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.

The vesting criteria are in line with Note 28 in the Annual Report & Accounts 2016.

Restricted share award and deferred bonus share awards

A restricted share award was made in March 2017, which vest on 31 March 2019. A deferred share bonus award was made in March 2017, which vests on 31 March 2020. 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	1,430,117	3 years	31 March 2020
Equity settled award – LTIP	Equity	74,052	3 years	31 March 2020
Equity settled award – restricted	Equity	202,312	2 years	31 March 2019
Equity settled award – SIP	Equity	32,488	3 years rolling	May – June 2020
Equity settled award – Deferred	Equity	65,374	3 years	31 March 2020

The weighted average fair value of options granted during the period was £3.20. 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 2017
SIP	
Expected life of options (years)	3
Share prices at date of grant	£3.46
LTIP, restricted and deferred awards	
Expected life of options (years)	2 and 3
Share prices at date of grant	£3.46 and £4.06
Expected share price volatility (%)	30.72% and 31.09%
Risk free interest rate (%)	0.24%
The total expenses recognised for the period arising from the above share-based payments are as follows:	
	30 June 2017
	£000
Equity settled share based payment expense spread across vesting period	1,550
Total equity settled share based payment expense recognised in the statement of comprehensive income	**1,550**

The basis of measures used to measure executive remuneration can be seen in the Annual Report & Accounts 2016 on the Company website at www.arrowglobalir.net.

18. 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 2017	31 December 2016	30 June 2016
	£000	£000	£000
Derivative assets:			
Foreign currency contracts	3,456	-	9,003
Derivative liabilities:			
Foreign currency contracts	-	(187)	-
Interest rate swaps	(144)	(1,246)	(2,265)
Level 3			
Loan notes	24,170	21,315	-

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

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 30 June 2017.

The fair value of loan notes has been calculated using a discounted cash flow model. The three main influencing factors in calculating this are:

(i) estimated future cash flows, derived from management forecasts
(ii) the application of an appropriate exit multiple
(iii) discounting using a rate appropriate to the investment and the anticipated rate of return

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 not measured at fair value fall into hierarchy level 3.

Level 3	30 June 2017	31 December 2016	30 June 2016
	£000	£000	£000
Assets			
Purchased loan portfolios	868,261	782,792	691,959
Loan notes	9,300	-	-
Total assets	**877,561**	**782,792**	**691,959**

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

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

19. Post balance sheet events

On 25 July MCS Groupe announced that a company controlled by funds advised by BC Partners, has signed an agreement relating to its acquisition. Subject to completion of the transaction, our 15% economic interest in MCS Groupe will end. While the terms of the transaction remain confidential the sale of MCS is expected to result in a net gain and cash inflow in H2 for the Group.

Today we have also announced the proposed acquisition of Mars Capital Finance Limited for an enterprise value of £15.5 million. The transaction is subject to regulatory approval by the FCA and notification to the Central Bank of Ireland and is expected to complete in late 2017.

Additional Information

UNDERLYING PROFIT

For the period ended 30 June 2017

	Unaudited period ended 30 June 2017 £000	Unaudited period ended 30 June 2016 £000
Continuing operations		
Revenue	**149,790**	**101,516**
Operating expenses		
Collection activity costs	(55,105)	(30,654)
Other operating expenses	(40,924)	(27,048)
Total operating expenses	**(96,029)**	**(57,702)**
Operating profit	**53,761**	**43,814**
Finance income	3	783
Finance costs	(22,563)	(22,709)
Share of profit in associates	1,072	1,340
Underlying profit before tax	**32,273**	**23,228**
Taxation charge on underlying activities	(6,455)	(4,158)
Underlying profit after tax	**25,818**	**19,070**
Non-controlling interest	**-**	**(12)**
Underlying profit attributable to owners of the company	**25,818**	**19,058**
Underlying Basic EPS (p)	**14.8**	**10.9**
Underlying tax rate	**20.0%**	**17.9%**

Reconciliation between IFRS profit and Underlying profit:

	30 June 2017 £000 Profit before tax	30 June 2017 £000 Tax	30 June 2017 £000 Profit after tax	30 June 2016 £000 Profit before tax	30 June 2016 £000 Tax	30 June 2016 £000 Profit after tax
IFRS Profit	**4,921**	**(1,190)**	**3,731**	**20,497**	**(3,987)**	**16,510**
Adjustments:						
Bond refinancing costs	27,352	(5,265)	22,087	-	-	-
Acquisition costs	-	-	-	2,731	(171)	2,560
Underlying profit	**32,273**	**(6,455)**	**25,818**	**23,228**	**(4,158)**	**19,070**

Adjusting items are those items that by virtue of their size, nature or incidence (ie 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 from underlying profit. Underlying profit after tax is considered to be a key measure in understanding the Group's ongoing financial performance.

Additional Information

Loan Portfolios

We provide a reconciliation between IFRS and cash measures. The table below looks at the movement in our purchased loan portfolios and loan notes compared to the movements in the ERC, the gross cash value of the portfolio before it is discounted to present value for inclusion in the IFRS results.

Further detail of how we assess performance through IFRS and cash measures can be seen in the strategic report of the Annual Report & Accounts 2016 on the Company website at www.arrowglobalir.net.

Movement in purchased loan portfolios and loan notes under IFRS and cash ERC

	IFRS £m	ERC 84-month £m	ERC 120 - month £m	
Purchased loan portfolios - 31 Dec 16	804.1	1,339.1	1,544.5	ERC 31 Dec 16
Portfolios acquired during the period [1]	125.1	201.8	228.7	ERC Acquired during the period
Collections in the period [2]	(154.5)	(154.5)	(154.5)	Collections in the period
Income from purchased loan portfolios [3]	113.1	-	-	
Fair value gain on loan notes [6]	2.2	-	-	
Exchange and other movements	11.7	-	-	
	-	92.1	90.1	ERC rolled forward and reforecast [4]
	-	1,478.5	1,708.8	**ERC 30 June 17**
Effect of discounting [5]	-	(576.8)		
Purchased loan portfolios and loan notes	901.7	901.7		
Purchased loan portfolios - 30 June 2017	868.3			
Loan notes - 30 June 2017	33.4			
Loan notes 30 June 2017	901.7	901.7		

1 Portfolios (including loan notes) acquired in the period are added to the statement of financial position carrying value of purchased loan portfolios and loan notes at their initial purchase price. This includes £162,000 of capitalised portfolio expenditure. The undiscounted forecast of estimated remaining collections is included in the ERC.
2 Collections made in the period are deducted from both the IFRS carrying value of purchased loan portfolios and ERC.
3 Income on purchased loan portfolio is calculated with reference to the effective interest rate (EIR) of the portfolio. This income is recognised after taking account of new portfolios and loan notes, collections, discounted impact of the updated ERC forecast, disposals and any FX impacts.
4 The ERC roll forward and reforecast reflects management's updated estimation of future collections. It takes account of updated information on specific portfolios and loan notes, the latest exchange rate (forecasts) and rolls forward the 84-month forecast collection period.
5 Under IFRS, the carrying value of purchased loan portfolios and loan notes includes 84-months of discounted cash flow. As is customary for the industry we also report a 120-month ERC.
6 This is the gain recognised in the period in relation to the value of notes held at fair value through profit and loss.

Additional Information

Adjusted EBITDA

Reconciliation of net cash flow to adjusted EBITDA	Period ended 30 June 2017 £000	Period ended 30 June 2016 £000
Net cash flow used in operating activities	(43,767)	(10,037)
Purchases of loan portfolios	115,964	95,964
Purchase of loan notes	9,265	-
Purchase price adjustment relating to prior year	(474)	-
Income taxes paid	3,805	308
Working capital adjustments	14,184	14,565
Share of profits in associates	2,735	-
Amortisation of acquisition fees	137	139
Effect of exchange rates on cash and cash equivalents	-	312
Non-recurring items	-	2,731
Adjusted EBITDA	**101,849**	**103,982**
Reconciliation of core collections to adjusted EBITDA	**£000**	**£000**
Income from loan portfolios and loan notes	113,059	83,682
Portfolio amortisation	41,416	55,157
Core collections (includes proceeds from disposal of purchased loan portfolios)	**154,475**	**138,839**
Other income	34,204	17,224
Operating expenses	(96,029)	(60,433)
Depreciation and amortisation	5,433	3,564
Foreign exchange (gains)/losses	(656)	594
Amortisation of acquisition fees	137	139
Share based payments	1,550	1,324
Share of profit in associates	2,735	-
Non-recurring items	-	2,731
Adjusted EBITDA	**101,849**	**103,982**
Reconciliation of adjusted EBITDA to cash result	**£000**	**£000**
Adjusted EBITDA	101,849	103,982
Cash interest	(19,061)	(19,773)
Income taxes and overseas taxation paid	(3,805)	(308)
Purchase of property, plant and equipment	(361)	(1,598)
Purchase of intangible assets	(4,981)	(3,453)
Replacement rate	(60,000)	(45,000)
Cash result	**13,641**	**33,850**

Glossary

'**Adjusted EBITDA'** means profit before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. **'Adjusted EBITDA ratio'** means the ratio of Adjusted EBITDA to core collections.

'Adjusting items' are those items that by virtue of their size, nature or incidence (ie outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and are therefore excluded from underlying profit after tax.

'Average net assets' is calculated as the average quarterly net assets from H1 2016 to H1 2017 as shown in the quarterly and half yearly statements. In comparative periods this was calculated as the average annual net assets.

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

'Cash result' 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, purchase of intangible assets and average replacement rate.

'Collection activity costs' represents the direct costs of 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 and loan notes including ordinary course portfolio sales and put backs. The breakdown of core collections for the periods ended 30 June 2017 and 30 June 2016 is as follows: -

	Period ended 30 June 2017 £000	Period ended 30 June 2016 £000
Collections from purchased loan portfolios	154,015	138,839
Collections from loan notes	460	-
Core collections	**154,475**	**138,839**

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

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

'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.

Glossary *(continued)*

'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.**

'Diluted EPS' means the earnings per share whereby the number of shares is adjusted for the effects of potential dilutive ordinary shares, options and LTIP's.

'FCA' means Financial Conduct Authority.

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

'**Gross money multiple**' Gross money 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, excluding REO purchases and purchase price adjustments relating to asset management fees.

'IFRS' means EU endorsed international financial reporting standards.

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

'IPO' means initial public offering.

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

'Loan to Value 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 2016 and the consolidated interim financial data for H1 2017, and the subtraction of the consolidated interim financial data for H1 2016.

Glossary *(continued)*

'LTM Pro Forma Adjusted EBITDA' means **'LTM Adjusted EBITDA'** inclusive of full twelve months impacts of acquisitions that occurred within the last twelve months and exclusive of any items deemed non-recurring within the last twelve months to give a twelve months pro forma Adjusted EBITDA operating level at the reported date.

'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 2017 is as follows:

	30 June 2017 £000	31 Dec 2016 £000
Cash and cash equivalents	(38,375)	(23,203)
Senior secured notes (pre transaction fees net off)	773,478	701,720
Revolving credit facility (pre transaction fees net off)	147,155	76,925
Secured bank overdrafts	-	6,419
Secured net debt	**882,258**	**761,861**
Deferred consideration	26,522	35,401
Senior secured notes interest	4,026	5,430
Bank overdrafts	1,318	1,279
Other borrowings	15,609	12,077
Net debt	**929,733**	**816,048**

'Off market' means those loan portfolios that were not acquired through a process involving a competitive bid or an auction like process.

'Organic purchases of loan portfolios' means those purchased through the ordinary course of business, not through acquisition. The breakdown of organic purchases for the period is as follows:

	30 June 2017	30 June 2016
Portfolios acquired during the period	115,964	98,347
Purchases of loan notes	9,265	-
Capitalised portfolio expenditure	(162)	(2,383)
Organic purchases of loan portfolio and loan notes	**125,067**	**95,964**

'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 to or replaced by 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.

Glossary *(continued)*

'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 as calculated by taking profit after tax divided by the average equity attributable to shareholders. Average equity attributable is calculated as the average quarterly equity from H1 2016 to H1 2017 as shown in the quarterly and half yearly statements. In the comparative period this is calculated as the average annual equity attributable.

'Secured loan to value' or **'secured LTV ratio'** represents the ratio of 84-month ERC to Secured Net Debt.

'Secured Net Debt' means the sum of the outstanding principal amount of the senior secured notes, amounts outstanding under the revolving credit facility, less cash and cash equivalents. Secured Net Debt is presented because it indicates the level of secured debt after taking out the Group's assets that can be used to pay down outstanding secured borrowings, and because it is a component of the incurrence tests in the senior secured notes. The breakdown of secured net debt for the period ended 30 June 2017 is shown in Net Debt above.

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

'Underlying basic EPS' represents earnings per share based on underlying profit after tax, excluding any dilution of shares.

'Underlying profit after tax' means profit for the period after tax adjusted for the post-tax effect of adjusting items. The Group presents underlying profit after tax because it excludes the effect of adjusting items which are not considered representative of the Group's ongoing performance, (and the related tax on such items) on the Group's profit or loss for a period.

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