IMPORTANT NOTICE

THIS OFFERING MEMORANDUM AND THE OFFERING ARE AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS (*QIBS*) AS DEFINED IN RULE 144A IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE *SECURITIES ACT*) PROVIDED BY RULE 144A THEREUNDER OR (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering memorandum following this notice. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OR SOLICITATION OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE TERMS OF THE ISSUE OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM ARE NOT YET FINAL AND ARE SUBJECT TO UPDATING, REVIEW, FURTHER NEGOTIATION, AMENDMENT, VERIFICATION AND COMPLETION.

THE ATTACHED OFFERING MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER TO SELL, OR ANY INVITATION OR SOLICITATION OF AN OFFER TO BUY, SUCH NOTES, NOR SHALL IT (OR ANY PART OF IT), OR THE FACT OF ITS DISTRIBUTION, FORM THE BASIS OF OR BE RELIED ON OR USED IN CONNECTION WITH ANY CONTRACT, OFFER OR SOLICITATION.

CONFIRMATION OF YOUR REPRESENTATION: In order to be able to view the attached offering memorandum or make an investment decision with respect to the securities, investors must be (1) QIBs or (2) outside the United States. The offering memorandum is being sent at your request and by accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are (a) QIBs or (b) outside the United States in accordance with Regulation S under the Securities Act and that the e-mail address to which the offering memorandum has been delivered is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and (2) you consent to delivery of the offering memorandum and any amendments or supplements thereto by electronic transmission.

Prospective purchasers are hereby notified that the seller of the securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the ''Reply'' function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Initial Purchasers, the Issuer or the Guarantors (each as defined in the offering memorandum) that would, or is intended to, permit a public offering of the securities, or possession or distribution of the offering memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Initial Purchaser(s) or such affiliate on behalf of the Issuer in such jurisdiction.

The offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the ***Order***), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as ***relevant persons***). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The attached offering memorandum has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors, the Initial Purchasers and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantors, the Initial Purchasers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

The information in this preliminary Offering Memorandum is not complete and may be changed without notice. The Notes will not be sold and offers to buy the Notes will not be accepted until a final Offering Memorandum is delivered. This preliminary Offering Memorandum does not, and is not intended to, constitute an offer to sell or solicit the sale of the Notes nor shall there be any sale or solicitation of the sale of the Notes in any jurisdiction where the offer, sale or solicitation is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 20, 2017

PRELIMINARY OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

ARROW
GLOBAL

Guaranteed on a senior secured basis by Arrow Global Guernsey Holdings Limited and certain of its subsidiaries

€360,000,000 Senior Secured Floating Rate Notes due 2025

Interest payable on , , and

Arrow Global Finance plc (the ***Issuer***), a public limited company incorporated in England and Wales, is hereby offering (the ***Offering***) €360,000,000 Senior Secured Floating Rate Notes due 2025 (the ***Notes***).

The Issuer is a finance subsidiary of Arrow Global Guernsey Holdings Limited (***AGGHL***), which in turn is a subsidiary of Arrow Global Group PLC (***AGG***). The net proceeds of the Offering, together with cash on hand, will be used to redeem all of the Issuer's outstanding €335,000,000 Senior Secured Floating Rate Notes due 2021 (the ***2021 Notes***).

Interest will be paid on the Notes quarterly in arrear on , , and of each year, beginning on , 2017. The Notes will bear interest at a rate per annum equal to the three-month Euro Inter-bank Offered Rate (EURIBOR) plus % per year, reset quarterly, provided that EURIBOR shall never be less than 0%. The Notes will mature on , 2025.

The Issuer may redeem some or all of the Notes on or after , 2019 at the redemption prices set out in this offering memorandum (this ***Offering Memorandum***). Prior to , 2019, the Issuer may redeem, at its option, some or all of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable ''make-whole'' premium, as described in this Offering Memorandum. Prior to , 2019 the Issuer may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds from certain equity offerings at a price equal to % of the principal amount thereof, plus accrued and unpaid interest, if any, if at least 60% of the originally issued aggregate principal amount of the Notes remains outstanding. Additionally, the Issuer may redeem all, but not less than all, of the Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a Change of Control, as defined herein, the Issuer may be required to make an offer to repurchase all the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

The Notes will be the general obligations of the Issuer and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, will be *pari passu* in right of payment among themselves and with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, will be effectively senior to all existing and future indebtedness of the Issuer and its subsidiaries that is unsecured or secured by liens junior to the liens securing the Notes, will be effectively subordinated to all existing and future indebtedness of the Issuer and its subsidiaries that is secured by liens senior to the liens securing the Notes, or secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness, and will be effectively subordinated to all obligations of the subsidiaries of the Issuer that do not guarantee the Notes.

From the Issue Date, the Notes will be guaranteed (the ***Guarantees***) on a senior basis by AGGHL, its subsidiary Arrow Global Investments Holdings Limited (***AGIHL***) (together, the ***Parent Guarantors***) and certain other subsidiaries of AGGHL (the ***Subsidiary Guarantors*** and, together with the Parent Guarantors, the ***Guarantors***). The Notes will not be guaranteed by AGG.

From the Issue Date, the Notes will be secured by substantially all of the assets of the Issuer and the Guarantors (the ***Collateral***), including first-priority security interests in the shares of the Issuer and the Subsidiary Guarantors, as described in ''Description of the Notes—Security.'' The Collateral also secures our obligations under the Issuer's €230,000,000 Senior Secured Floating Rate Notes due 2023 (the ***2023 Notes***) and the Issuer's £220,000,000 5.125% Senior Secured Notes due 2024 (the ***2024 Notes*** and, together with the 2023 Notes, the ***Existing Notes***), and the Arrow Global Revolving Credit Facility, and may also secure additional debt in the future. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Arrow Global Revolving Credit Facility and certain hedging obligations that are secured by assets that also secure our obligations under the Notes and the Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. The Collateral may be released in circumstances described in ''Description of the Notes—Security.'' In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the Arrow Global Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. See ''Description of the Notes—Security.''

This Offering Memorandum constitutes a prospectus for the purpose of part IV of the Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended, and for the purpose of the rules and regulations of the Luxembourg Stock Exchange.

There is currently no public market for the Notes. Application has been made for listing particulars to be approved by the Luxembourg Stock Exchange and for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Euro MTF Market thereof. There can be no assurance that the Notes offered hereby will be listed and admitted to trade on the Euro MTF Market. The Euro MTF Market of the Luxembourg Stock Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC on markets in financial instruments.

Investing in the Notes involves a high degree of risk. See ''Risk Factors'' beginning on page 36.

Issue Price for the Notes: % plus accrued interest, if any, from and including the Issue Date

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the *U.S. Securities Act*), or the laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offering is being made only to qualified institutional buyers (*QIBs*) within the meaning of Rule 144A under the U.S. Securities Act (*Rule 144A*) in compliance with Rule 144A. Prospective purchasers of the Notes that are QIBs are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the Offering is being made in reliance on Regulation S under the U.S. Securities Act (*Regulation S*). For additional information about eligible offerees and transfer restrictions, see ''Transfer Restrictions.''

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented by one or more global notes and we expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV (***Euroclear***) and Clearstream Banking, S.A. (***Clearstream***) on or about , 2017. See ''Book-Entry; Delivery and Form.''

Physical Bookrunners and Global Coordinators

J.P. Morgan **Goldman Sachs International** **HSBC** **DNB Markets**

Joint Bookrunners

ABN AMRO **Lloyds Bank** **Morgan Stanley** **NatWest Markets**

Offering Memorandum dated , 2017

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IMPORTANT INFORMATION

In this Offering Memorandum:

- ***Issuer*** refers to Arrow Global Finance plc, a public limited company incorporated under the laws of England and Wales; and
- ***Parent Guarantors*** refer to Arrow Global Guernsey Holdings Limited, a non-cellular company limited by shares incorporated under the laws of Guernsey (***AGGHL***), and Arrow Global Investments Holdings Limited, a private limited company incorporated in England and Wales (***AGIHL***). AGGHL owns 100% of the shares of AGIHL, which in turn holds 100% of the shares of the Issuer.

The ultimate parent company of the Parent Guarantors, their respective subsidiaries and the Issuer is Arrow Global Group PLC (***AGG***), a public limited company incorporated under the laws of England and Wales whose shares are listed on the London Stock Exchange. AGG is neither a guarantor of the Notes nor otherwise subject to the Indenture. See ''Summary—Corporate and Financing Structure'' for a diagram depicting the simplified corporate structure of AGG and its consolidated subsidiaries (collectively, the ***Consolidated Group***). AGG's registered office is located at Belvedere, 12 Booth Street, Manchester M2 4AW. AGG's telephone number is +44 800 130 0169.

Except where the context otherwise requires or it is otherwise indicated, AGGHL and its consolidated subsidiaries are referred to collectively as the ***AGGHL Group,*** and the ***Consolidated Group***, ***we***, ***us*** and ***our*** refer to AGG and its consolidated subsidiaries. In ''Description of the Notes,'' AGGHL is referred to as the ''Company.''

In making an investment decision, prospective investors must rely on their own examination of the Consolidated Group and the terms of the Offering, including the merits and risks involved. In addition, neither we nor J.P. Morgan Securities plc, Goldman Sachs International, HSBC Bank plc, DNB Markets, a division of DNB Bank ASA, ABN AMRO Bank N.V., Lloyds Bank plc, Morgan Stanley & Co. International plc or The Royal Bank of Scotland plc (trading as NatWest Markets) (the ***Initial Purchasers***) nor any of our or their respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this Offering Memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief, the information contained in this Offering Memorandum with regard to us and our subsidiaries and the Notes is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this Offering Memorandum or in our business since the date of this Offering Memorandum.

The Initial Purchasers, the Trustee, the Security Agent and the agents make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future.

The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents. You should contact us or the Initial Purchasers with any questions about the Offering or if you require additional information to verify the information contained in this Offering Memorandum. All summaries are qualified in their entirety by this reference. Copies of such documents and other information relating to the issuance of the Notes and the Guarantees will be available at the specified offices of the listing agent in Luxembourg. See ''Listing and General Information.''

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, the Guarantors or the Initial Purchasers. The information contained in this Offering Memorandum is accurate as of the date hereof. Neither the delivery of this Offering Memorandum at any time nor any subsequent commitment to purchase the Notes and the Guarantees shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in the business of the Issuer or the Guarantors since the date of this Offering Memorandum.

The Notes and the Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, the Notes will otherwise be freely transferable and negotiable. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See ''Plan of Distribution'' and ''Transfer Restrictions.''

AGGHL is not licensed or registered in Guernsey by the Guernsey Financial Services Commission (the ***GFSC***) or registered or authorized by the GFSC as a collective investment scheme, and the GFSC has not and will not approve the content or dissemination of this Offering Memorandum or any other document relating to or in connection with the Notes and the Guarantees. Pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the ***POI Law***), AGGHL shall not, in any documents issued by it, make any statements, promises or forecasts that it knows to be misleading, false or deceptive in a material particular, or dishonestly conceal any material facts, or recklessly make (dishonestly or otherwise) a statement, promise or forecast that is misleading, false or deceptive in a material particular.

Failure to comply with the foregoing requirements of the POI Law is a criminal offence and may render the directors of AGGHL liable to prosecution. Further, any contract agreed with an investor in contravention of the POI Law may be unenforceable and the investor may be entitled to a return of any monies paid.

The Notes and the Guarantees may not be offered directly to the public in or from within the Bailiwick of Guernsey other than by persons regulated under the POI Law or to persons regulated under any of Guernsey's financial services regulatory laws including, without limitation, a person licensed under the POI Law and in each case provided that the offeror and the offering documents comply with the requirements of the POI Law and all applicable rules, regulations and guidance notes issued by the GFSC.

We intend to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, and have submitted this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information, including financial information in respect of the Guarantors. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that our application for admission of the Notes to trading on the Euro MTF Market and to list the Notes on the Official List of the Luxembourg Stock Exchange will be approved and settlement of the Notes is not conditioned on obtaining this listing.

We and the Initial Purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. We and the Initial Purchasers also reserve the right to sell less than all the Notes offered by this Offering Memorandum or to sell to any purchaser less than the amount of Notes it has offered to purchase.

This Offering Memorandum contains references to credit ratings. A credit rating is not a recommendation to buy, sell or hold the Notes or any other securities, and does not comment on the adequacy of market price or the suitability of any security for a particular investor. A credit rating may be subject to revision, suspension or withdrawal at any time by the relevant credit rating agency. Neither the rating agency nor the Issuer is obligated to provide the holders of the Notes with any notice of any revision, suspension or withdrawal of any rating. The credit ratings referred to in this Offering Memorandum have been issued by Standard & Poor's Credit Market Services Europe Limited (***S&P***), which is established in the European Union and is registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the Offering. The distribution of this Offering Memorandum and the offer and sale of the Notes and the Guarantees are restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes and the Guarantees in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Each prospective offeree or purchaser of the Notes and the Guarantees must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and the Guarantees or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Initial Purchasers shall have any responsibility thereof. See ''Notice to U.S. Investors,'' ''Notice to Certain European Investors,'' ''Plan of Distribution'' and ''Transfer Restrictions.''

Investing in the Notes involves a high degree of risk. See ''Risk Factors'' beginning on page 36.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price. See ''Certain Tax Considerations.''

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC (THE *STABILIZING MANAGER*) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under ''Transfer Restrictions.''

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or with the U.S. Securities and Exchange Commission (the ***SEC***) or any other securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States in reliance on Regulation S. For a description of certain restrictions on transfers of the Notes, see ''Transfer Restrictions.''

The securities offered hereby have not been reviewed or recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense under the laws of the United States.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in Member States of the European Economic Area (***EEA***), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes that are subject of the Offering contemplated in this Offering Memorandum must only do so in circumstances in which no obligation arises for the Issuer, any of the Guarantors or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor any Guarantor nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum. The expression ***Prospectus Directive*** means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a ***Relevant Member State***), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ***Relevant Implementation Date***), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than ''qualified investors'' as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, any Guarantor or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ''offer of Notes to the public'' in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a ''qualified investor'' within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, any Guarantor, the Initial Purchasers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

United Kingdom

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the ***Financial Promotion Order***), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom (the ***UK***) or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as ***relevant persons***). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements. When used in this document, the words ''anticipate,'' ''believe,'' ''estimate,'' ''forecast,'' ''expect,'' ''intend,'' ''plan'' and ''project'' and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of our management, as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, these statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and include, among others, the following:

- failure to comply with applicable legislation, regulation or codes of conduct of the debt purchase and the broader consumer credit industry, or changes to the regulatory environment in the UK, Portugal, France, Belgium, Italy, the Netherlands or any other jurisdiction where we may operate in the future, including by reason of the planned withdrawal of the UK from the EU;
- inability to obtain, share and retain customer data under privacy, data protection and related laws;
- changes in the economic environment in the markets in which we operate, including, among other factors, as a result of the planned withdrawal of the UK from the EU;
- deterioration in the value of the debt portfolios we have purchased or the inability to collect sufficient amounts on our current and future debt portfolios and future purchases;
- failure of statistical models and analytical tools to accurately project remaining cash flow from our debt portfolios;
- an insufficient supply of debt portfolios available to purchase, or our inability to obtain sufficient funding to purchase further available debt portfolios;
- inability to compete on the basis of price or the loss of competitive advantages;
- failure, inaccuracy or loss of access to our data analytics systems, IT systems or proprietary customer profiles, or our competitors' development of comparable tools;
- loss of key relationships with vendors of debt portfolios, third party debt collection agencies (***DCAs***) and other business partners;
- failure by our third-party suppliers and partners to adequately perform or comply with applicable laws and regulations;
- inability to manage our growth and maintain effective operations in line with growth;
- security breaches, interruptions in technology, increased technology costs or an inability to successfully anticipate, manage or adopt technological advances within our industry;
- changes in our customers' financial circumstances, including being subject to personal insolvency procedures, and other factors affecting the ability of our customers to pay their debts;
- seasonal purchase and business patterns;
- negative attention and news regarding the debt collection industry and individual debt collectors;
- failure to retain senior management and other key employees;
- effects on our results from our inability to obtain account documents for some of the accounts that we purchase;
- purchase of portfolios containing accounts that are not eligible to be collected or are subject to limitations and requirements imposed by parties selling the portfolios to us;
- revaluation of our purchased loan portfolios;
- inability to meet financial and other reporting requirements or implement effective internal control and portfolio pricing standards;
- failure by us, and/or our DCAs, to service underlying accounts in our debt portfolios;

- examinations and challenges by tax authorities and ongoing risks of litigation;
- inability to complete, integrate effectively and realize the benefits of current or potential future acquisitions and business combinations, including achieving any anticipated synergies;
- failure by us, and/or third parties, to protect proprietary processes and systems;
- purchase of portfolios pursuant to pre-determined fixed arrangements at higher prices than desired;
- fluctuations in foreign exchange rates; and
- exposure to unexpected risk and potential losses through derivative transactions.

See ''Risk Factors'' for further details.

The foregoing factors and other factors described under ''Risk Factors'' should not be construed as exhaustive. We do not assume any obligation to update any forward-looking statements and disclaim any obligation to update our view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this Offering Memorandum, except as required by law.

In addition, this Offering Memorandum contains information concerning our industry generally, which is forward-looking in nature and based on a variety of assumptions regarding the ways in which our industry will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this Offering Memorandum. Although we believe that this information is reliable, we have not independently verified and cannot guarantee its accuracy or completeness. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, they could have a material adverse effect on our future results of operations and financial condition, and on the trading price of the Notes.

Unless required by law, we assume no obligation to update the forward-looking statements contained in this Offering Memorandum to reflect actual results, changes in assumptions or changes in factors affecting these statements.

USE OF TERMS

Our Business

In this Offering Memorandum, except where the context otherwise requires or it is otherwise indicated, with respect to our business:

- ***AGGHL Group*** means AGGHL and its consolidated subsidiaries. AGGHL was our ultimate parent holding company prior to the restructuring in connection with the IPO on October 7, 2013, when AGG became our ultimate holding company;
- ***Audit and Risk Committee*** means the audit and risk committee of the Board, which existed until January 25, 2017, when it was separated into the Audit Committee and the Risk Committee;
- ***Audit Committee*** means the audit committee of the Board;
- ***Board*** means the board of directors of AGG;
- ***CAGR*** means compound annual growth rate;
- ***Capquest acquisition*** means the acquisition of the entire issued share capital of Quest Topco Limited and its direct and indirect subsidiaries for £159.5 million in cash by AGIHL on November 28, 2014;
- ***Capquest Group*** means Quest Topco Limited and its subsidiaries, as acquired by AGIHL pursuant to the Capquest acquisition;
- ***CC Companies*** means Arrow Global Limited, Arrow Global Massey Limited, Arrow Global Legh Limited and Capquest Debt Recovery Limited, which are authorized by the FCA to conduct consumer credit-related regulated activities in the UK;
- ***CCA*** means the UK Consumer Credit Act 1974 and related secondary legislation;
- ***CEO*** means Chief Executive Officer;
- ***CFO*** means Chief Financial Officer;
- ***CIO*** means Chief Investment Officer;
- ***CNPD*** means the Comissão Nacional de Protecção de Dados (the National Data Protection Commission in Portugal);
- ***Conduct and Compliance Committee*** means the conduct and compliance committee of AGG;
- ***CONC*** means the FCA's Consumer Credit sourcebook;
- ***Consolidated Group*** means AGG, our ultimate holding company since October 2013, and its consolidated subsidiaries;
- ***Contingent Collections*** means collections of overdue receivables on behalf of third parties;
- ***COO*** means Chief Operating Officer;
- ***CRO*** means Chief Risk Officer;
- ***CSA*** means the UK Credit Services Association;
- ***DBSG*** means the UK Debt Buyers and Sellers Group;
- ***DCAs*** means debt collection agencies;
- ***Debt Originators*** 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;
- ***Debt Sellers*** means Debt Originators and Secondary Sellers;
- ***Disclosure Committee*** means the disclosure committee of the Board;
- ***European Economic Area or EEA*** means the European Union, Iceland, Norway and Liechtenstein;
- ***European Union*** or ***EU*** means the union formed by The Treaty on European Union, which entered into force on November 1, 1993;

- ***Eurozone*** means the Member States that have adopted the euro as their common currency and sole legal tender;
- ***Experian*** means Experian PLC;
- ***FCA*** means the Financial Conduct Authority, a regulatory body that regulates financial services ''providers'' and ''activities'' in the UK;
- ***FCA Handbook*** means the FCA's Handbook of rules and guidance;
- ***Forward Flow Agreement*** means an agreement to sell several portfolios over a period of time at a pre-determined price and quality of debt;
- ***FOS*** means the UK Financial Ombudsman Service;
- ***FSMA*** means the Financial Services and Markets Act 2000;
- ***Gesphone*** means Gesphone—Serviços de Tratamento e Aquisição de Dívidas S.A., a Portuguese servicer of non-performing loans, which we acquired on April 1, 2015;
- ***GFSC*** means the Guernsey Financial Services Commission;
- ***Guernsey Data Protection Law*** means the Data Protection (Bailiwick of Guernsey) Law, 2001, as amended;
- ***ICO*** means the UK Information Commissioner's Office;
- ***ISO 27001*** means the International Organization for Standardization's certificate for information technology, security techniques, and information security management systems;
- ***IT*** means information technology;
- ***InVesting acquisition*** means the acquisition of the InVesting Group by AGIHL on May 4, 2016 for €100.0 million;
- ***InVesting Group*** means Arrow Global Investments Holdings Benelux B.V. (formerly known as InVesting B.V.) and its direct and indirect subsidiaries;
- ***London Stock Exchange*** means London Stock Exchange PLC;
- ***MCS*** means Promotoria MCS Holding SAS, a French market leader in retail banking assets, in which we acquired a 15% interest in December 2014;
- ***Member State*** means a member state of the European Union;
- ***Nomination Committee*** means the nomination committee of the Board;
- ***OFT means*** the UK Office of Fair Trading;
- ***Paying Account*** means an account that has shown at least one payment over the last three months or at least two payments over the last six months;
- ***PCB*** means the Proprietary Collections Bureau;
- ***POI Law*** means the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended;
- ***Portfolio ERC Model*** means the model used by us to model future estimated remaining collections on debt portfolios acquired by us;
- ***Portfolio Review Committee*** means the portfolio review committee of AGG;
- ***Portuguese acquisitions*** means the acquisition of Whitestar on April 22, 2015 and of Gesphone on April 1, 2015, and related loan portfolios, as further described in this Offering Memorandum;
- ***Redrock acquisition*** means the acquisition of Redrock Capital Partners S.A., on February 29, 2016, for £2.9 million;
- ***Remuneration Committee*** means the remuneration committee of the Board;
- ***Risk Committee*** means the risk committee of the Board;
- ***Secondary Seller*** means a seller of defaulted debt portfolios where the seller did not provide the initial credit to the consumer;

- ***TCF*** means treating customers fairly according to Principle 6 of the FCA's Principles for Businesses;
- ***UK*** means the United Kingdom of Great Britain and Northern Ireland;
- ***UK Corporate Governance Code*** means the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council, and as reissued in September 2014;
- ***UK Referendum*** means the UK referendum on EU membership held on June 23, 2016;
- ***United States or U.S.*** means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
- ***UTCCR*** means the Unfair Terms in Consumer Contracts Regulations 1999;
- ***Whitestar*** means Whitestar Asset Solutions, S.A., a leading Portuguese servicer of secured and unsecured loans, which we acquired on April 22, 2015 through our acquisition of shares in its parent company, Silver Parallel S.A. While we acquired only 33.0% of the shares of Silver Parallel S.A. (which in turn owns 100% of the shares of Whitestar), we obtained full voting control and a 100% economic interest in Silver Parallel S.A. on payment of the initial consideration of €19.9 million on April 22, 2015. On December 22, 2015, Silver Parallel S.A. was merged into Whitestar Asset Solutions S.A. On April 1, 2016, we acquired further shares of Whitestar for €19.3 million, to bring our ownership to 75% of the shares of Whitestar;
- ***Zenith acquisition*** means the proposed acquisition of the Zenith Group, announced by us on December 6, 2016; and
- ***Zenith Group*** means Zenith Service S.p.A. and its direct and indirect subsidiaries.

The Offering; The Notes; Our Debt

In this Offering Memorandum, except where the context otherwise requires or it is otherwise indicated, with respect to the Offering, the Notes and our other debt:

- ***2020 Indenture*** means the indenture dated January 29, 2013 among, inter alios, the Issuer, the Company and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated March 28, 2013, a second supplemental indenture dated December 10, 2014, a third supplemental indenture dated March 19, 2015 and a fourth supplemental indenture dated June 3, 2016 (as it may be further amended, supplemented and/or restated from time to time);
- ***2020 Notes*** means the Issuer's £220,000,000 7.875% Senior Secured Notes due 2020 issued pursuant to the 2020 Indenture;
- ***2021 Indenture*** means the indenture dated November 4, 2014 among, inter alios, the Issuer, the Company and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated December 10, 2014, a second supplemental indenture dated September 28, 2015 and a third supplemental indenture dated June 3, 2016 (as it may be further amended, supplemented and/or restated from time to time);
- ***2021 Notes*** means the Issuer's €335,000,000 Senior Secured Floating Rate Notes due 2021 issued pursuant to the 2021 Indenture on November 4, 2014 and on September 28, 2015;
- ***2023 Indenture*** means the indenture dated April 21, 2016 among, inter alios, the Issuer, the Company and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated June 3, 2016 (as it may be further amended, supplemented and/or restated from time to time);
- ***2023 Notes*** means the Issuer's €230,000,000 Senior Secured Floating Rate Notes due 2023 issued pursuant to the 2023 Indenture;
- ***2024 Notes*** means the Issuer's £220,000,000 5.125% Senior Secured Notes due 2024 issued pursuant to the 2024 Indenture;
- ***2024 Indenture*** means the indenture dated September 9, 2016 among, inter alios, the Issuer, the Company and The Bank of New York Mellon, London Branch, as trustee (as it may be further amended, supplemented and/or restated from time to time);

- ***Arrow Global Revolving Credit Facility*** means, as to the period prior to July 29, 2016, the revolving credit facility made available under the credit agreement entered into on January 29, 2013, as amended on April 11, 2013, September 6, 2013, December 31, 2014, March 30, 2015, June 22, 2015, December 23, 2015 and February 9, 2016, among the Issuer, the Guarantors, the Security Agent and the other parties named therein, and, from July 29, 2016, means the revolving credit facility made available under the credit agreement entered into on July 29, 2016 and amended on February 24, 2017, and as it may be further amended from time to time, among the Issuer, the Guarantors, the Security Agent and the other parties named therein, with the size of the facility being £215.0 million;

- ***Collateral*** means assets that are subject to the security interests securing the obligations of the Issuer and the Guarantors under the Notes, the Guarantees, the Existing Notes, the guarantees under the Existing Notes and the Arrow Global Revolving Credit Facility;

- ***ERISA*** means the United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder;

- ***EURIBOR*** means the Euro Inter-bank Offered Rate;

- ***Existing Indentures*** means the 2023 Indenture and the 2024 Indenture;

- ***Existing Notes*** means the 2023 Notes and the 2024 Notes;

- ***Guarantees*** means the full and unconditional guarantees of the Notes by the Guarantors;

- ***Guarantors*** means the Parent Guarantors and the Subsidiary Guarantors;

- ***IFRS*** means International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;

- ***Indenture*** means the indenture to be dated as of the Issue Date and governing the Notes, by and among the Issuer, the Guarantors, the Trustee and the Security Agent;

- ***Indentures*** means, collectively, the Existing Indentures and the Indenture;

- ***Intercreditor Agreement*** means the intercreditor agreement originally dated January 29, 2013, as amended and restated on November 25, 2014 and August 11, 2016, among the Issuer, the Guarantors, the borrowers under the Arrow Global Revolving Credit Facility, the trustee under the Existing Notes, the Security Agent, the facility agent and the other parties named therein, to which the Trustee will accede on the Issue Date in respect of the Notes, as amended, restated or otherwise modified or varied from time to time;

- ***InVesting Facility*** means the InVesting Group's overdraft credit facility, which also included a guarantee facility, which was kept in place in connection with the InVesting acquisition. On February 24, 2017, the InVesting Facility was terminated, the amount of €9.7 million (£8.2 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) then outstanding thereunder was repaid with borrowings under the Arrow Global Revolving Credit Facility, and the €0.3 million of borrowings outstanding under the guarantee facility of the InVesting Facility were re-characterized as an ancillary facility under the Arrow Global Revolving Credit Facility;

- ***IPO*** means the initial public offering of AGG, which was completed in October 2013;

- ***IRS*** means the U.S. Internal Revenue Service;

- ***ISIN*** means International Securities Identification Number;

- ***Issue Date*** means the date of issuance of the Notes;

- ***LIBOR*** means the London Inter-bank Offered Rate;

- ***LTV Ratio*** has the meaning given in ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility'';

- ***Non-Guarantor Subsidiaries*** means all the consolidated subsidiaries of AGGHL, other than the Guarantors and the Issuer;

- ***Notes*** means the Issuer's €360,000,000 Senior Secured Floating Rate Notes due 2025, to be issued pursuant to the Indenture and offered hereby;

- ***Offering*** means the offering of the Notes;
- ***Prospectus Directive*** means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State;
- ***Qualified Institutional Buyer or QIB*** means a Qualified Institutional Buyer as defined in Rule 144A;
- ***Regulation S*** means Regulation S under the U.S. Securities Act;
- ***Relevant Member State*** means each Member State of the EEA that has implemented the Prospectus Directive;
- ***Rule 144A*** means Rule 144A under the U.S. Securities Act;
- ***Security Agent*** means The Royal Bank of Scotland plc;
- ***SSLTV Ratio*** has the meaning given in ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility'';
- ***Stabilizing Manager*** means J.P. Morgan Securities plc;
- ***Subsidiary Guarantors*** means Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Accounts Management Limited, Arrow Global Limited, Capquest Investments Limited, Capquest Debt Recovery Limited, Arrow Global Europe Limited, Quest Topco Limited, Quest Bidco Limited, Quest Newco Limited, Capquest Group Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Vesting Finance Holding B.V. and Vesting Finance Incasso B.V.;
- ***Total Commitments*** means the committed financing described in ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility'';
- ***Trustee*** means The Bank of New York Mellon, London Branch, as trustee under the Indenture and the Existing Indentures; and
- ***U.S. Securities Act*** means the United States Securities Act of 1933, as amended.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

As more fully described below, we present in this Offering Memorandum:

- historical financial information for the Consolidated Group, which comprises the results of AGG and its consolidated subsidiaries, including the AGGHL Group, the Capquest Group (following the date of its acquisition, November 28, 2014) and the InVesting Group (following the date of its acquisition, May 4, 2016), as of and for the years ended December 31, 2014, December 31, 2015 and December 31, 2016, prepared in accordance with IFRS;
- certain pro forma financial information to illustrate the impact of the Offering and the use of proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as well as the refinancing of the InVesting Facility with additional amounts borrowed under the Arrow Global Revolving Credit Facility, on our consolidated financial statements had these events occurred on January 1, 2016 (with respect to consolidated statement of comprehensive income data) or on December 31, 2016 (with respect to consolidated balance sheet data); and
- financial measures not determined in accordance with IFRS.

Financial Information for the Consolidated Group and the AGGHL Group

Group structure. AGG acquired, by way of share-for-share exchange, the entire issued share capital of Arrow Global One Limited, which in turn had acquired by way of share-for-share exchange the entire issued share capital of AGGHL (the previous ultimate holding company of the AGGHL Group) on October 7, 2013 as part of a restructuring of the AGGHL Group in connection with the IPO. The terms of the restructuring required the principles of merger accounting for group reconstructions to be applied. The adoption of merger accounting presented AGG as if it had always been the ultimate parent of the AGGHL Group.

AGG has been the ultimate parent holding company of the AGGHL Group since October 2013. We have used the consolidated financial information of AGG in this Offering Memorandum because, as a listed company, AGG in the ordinary course publishes consolidated financial and other information and because the reporting covenant in the Existing Indentures provides us, and the reporting covenant in the Indenture will provide us, the flexibility to provide annual and quarterly consolidated financial statements of AGG in lieu of annual and quarterly consolidated financial statements of AGGHL, together with a description of the material differences between the two sets of financial statements.

Consolidated Group versus the AGGHL Group. Although we have the flexibility to conduct any of our operations at AGG or at one or more subsidiaries of AGG that would not be subsidiaries of AGGHL (and, accordingly, would not be Guarantors or Restricted Subsidiaries under the Indenture and would not contribute to the revenue of the AGGHL Group), to date no such operations are being conducted. The differences between the AGGHL Group and the Consolidated Group from a financial reporting standpoint are attributable to the following, none of which we consider to be material:

- the statement of comprehensive income of the Consolidated Group reflects certain holding company operating expenses at the AGG level that are not reflected at the AGGHL Group level;
- the balance sheet of the AGGHL Group reflects the intercompany interest accruing on share-based transaction payments from Arrow Global Limited (AGL) (which is an indirect subsidiary of AGGHL) to AGG, which has the effect of reducing total equity attributable to shareholders at AGGHL and increasing current liabilities of AGGHL, which are eliminated on consolidation at the Consolidated Group level; and
- the statement of cash flow of the AGGHL Group reflects the intercompany loans from AGGHL to AGG to fund dividend payments to AGG, largely for the payment by AGG of dividends to its shareholders, which intercompany loans are eliminated on consolidation at the Consolidated Group level.

Financial information presented. Unless otherwise indicated, the financial information as of and for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 presented in this Offering Memorandum is the historical consolidated financial information of AGG (which is neither a Guarantor nor a Restricted Subsidiary under the 2021 Indenture or the Existing Indentures, and will not be a Guarantor or a Restricted Subsidiary under the Indenture).

The consolidated financial statements of AGG as of and for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 have been audited by KPMG LLP. See ''Independent Auditors'' for further details.

For the year ended December 31, 2015, we have reconsidered the presentation of income from purchased loan portfolios and have combined the previously separate ''Income from purchased loan portfolios'' and ''Portfolio write-ups'' line items into a single line on the face of our statement of comprehensive income, as we believe this better represents the substance of the revenue streams. The presentation for the year ended December 31, 2014 was revised accordingly within the comparative information in the financial statements for the year ended December 31, 2015 and this new presentation is generally followed throughout this Offering Memorandum. However, since we did not revise the published results for the year ended December 31, 2014, our results for that year included in the financial information section of this Offering Memorandum are presented on a historical basis.

We use certain defined terms in this Offering Memorandum to refer to certain items in our consolidated financial statements. See ''Use of Terms'' for the relevant definitions. The following table sets forth the defined terms used and the corresponding items in our consolidated financial statements:

As used in this Offering Memorandum	**As presented in our consolidated financial statements**
Arrow Global Revolving Credit Facility	Revolving credit facility
Balance Sheet	Statement of Financial Position
Core Collections	Collections in the period
Interest on 2020 Notes, 2021 Notes, 2023 Notes and 2024 Notes	Senior secured notes interest
InVesting Facility	Bank overdrafts
Non-Recourse Facility	Other borrowings
Portuguese Facility	Bank overdrafts
2020 Notes, 2021 Notes, 2023 Notes and 2024 Notes	Senior secured notes

When presented in tabular format in this Offering Memorandum, both the defined term and the corresponding term used in our consolidated financial statements are included.

As noted above, we prepare our financial statements in accordance with IFRS, which differs in various significant respects from accounting principles generally accepted in the United States (***U.S. GAAP***). Moreover, the financial information included in this Offering Memorandum would not comply with certain requirements of the SEC applicable to financial information included in reports filed with the SEC by domestic registrants. Compliance with such requirements would require, among other things, the exclusion of certain non-IFRS financial measures and would likely require a different presentation or characterization of certain figures, for example, items that are characterized in our consolidated financial statements as non-recurring (which we define as those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance). For purposes of this Offering Memorandum, we have characterized non-recurring items as exceptional items, as the SEC permits adjustments of a performance measure in respect of non-recurring or unusual items only when the nature of the charge or gain is such that it is not reasonably likely to recur within two years or there was no similar charge or gain within the prior two years. In making an investment decision, you should rely upon your own examination of the terms of the Offering and the financial information contained in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS on one hand and U.S. GAAP on the other hand, and how those differences could affect the financial information contained in this Offering Memorandum.

The preparation of financial statements in conformity with IFRS requires us to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates.''

We do not present separate financial statements of AGIHL or the Subsidiary Guarantors in this Offering Memorandum because all such entities are wholly owned, directly or indirectly, by AGG and AGGHL and the financial position, results of operations and cash flows of such entities are therefore consolidated within the respective financial statements included in this Offering Memorandum.

The financial information and financial statements of the Consolidated Group, the AGGHL Group and the Issuer included in this Offering Memorandum are presented in pounds sterling.

Issuer Financial Statements

In connection with the listing of the Notes, we also present in this Offering Memorandum audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2016, prepared in accordance with IFRS.

Other Financial Information

Financial measures not prepared in accordance with IFRS

We use certain financial measures and related ratios to measure our performance, including measures that are not determined in accordance with IFRS. We believe that when assessing our financial performance, it is important to consider both IFRS measures included in our consolidated financial statements and complementary measures not prepared in accordance with IFRS and not included in our consolidated financial statements. We believe that these complementary measures that are not determined in accordance with IFRS and not included in our consolidated financial statements provide investors additional useful information relating to the performance of our purchased loan portfolios. These measures are used in the calculation of our IFRS financial measures, such as revenue and the balance sheet carrying value on purchased loan portfolios, which are included in our consolidated financial statements.

Measures and ratios that are presented in, or derived from measures that are presented in our consolidated financial statements, which are prepared in accordance with IFRS, consist of the following:

- ***Core Collections***, which are presented in our consolidated financial statements and mean collections on our Existing Portfolios;
- ***Collection Activity Costs***, which are presented in our statement of comprehensive income and represent the direct costs of in-house and external collections related to our purchased loan portfolios such as commissions paid to third-party outsourced providers, credit bureau data costs, legal costs associated with collections, as well as the costs of collecting our asset management revenue;
- ***Collection Cost Ratio***, which is the ratio of Collection Activity Costs to Core Collections and income from asset management;
- ***Existing Portfolios***, which mean all debt portfolios that we own at the relevant point in time, which are shown as ''purchased loan portfolios'' on our balance sheet; and
- ***Net Core Collections***, which are Core Collections less Collection Activity Costs. We present Net Core Collections in order to calculate our Net IRR (discussed below).

Non-IFRS measures for which we provide reconciliations to the most directly comparable IFRS measures (and which are also subject to the qualifications described below) include the following:

- ***Adjusted EBITDA***, which we define as (loss)/profit for the period adjusted to exclude the effects of finance income and costs (other than exceptional items), taxation charge on ordinary activities, exceptional items included under finance income and costs, profit on disposal of purchased loan portfolios, depreciation and amortization, foreign exchange gains/(losses)(net), amortization of acquisition and bank facility fees (included in operating expenses), share-based payments (not included in exceptional items), exceptional items included under other operating expenses and adjusted for the effect of portfolio amortization.

  We present Adjusted EBITDA because we believe that it may enhance an investor's understanding of our performance, our ability to service our debt and other obligations, to maintain our operations and to fund our continued growth, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies. We provide the supplemental reconciliations of Adjusted EBITDA to net cash flow and to Core Collections because they may enhance an investor's understanding of our cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new loan portfolios and for other uses, as a supplemental measure of profitability. In addition to Gross ERC, our management monitors Adjusted EBITDA as a measure of operating cash flow because it is not impacted by such short-term non-cash movements. We believe that Adjusted EBITDA represents the operating cash flow generation potential of the business available for the servicing of debt and taxation, before investment decisions in portfolio purchases, which are discretionary;

- ***Free cash flow pre-financing, taxes and portfolio purchases***, which means Adjusted EBITDA after the effect of net cash used in investing activities and working capital movements. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Free cash flow pre-financing, taxes and portfolio purchases'' for a reconciliation of free cash flow pre-financing, taxes and portfolio purchases to Core Collections; and
- ***Net debt***, which represents the sum of the outstanding principal amount of the 2021 Notes, the 2023 Notes, the 2024 Notes (but, going forward, not the 2021 Notes), amounts outstanding under the Arrow Global Revolving Credit Facility, the Portuguese Facility and the InVesting Facility, amounts outstanding under the Non-Recourse Facility and accrued but unpaid interest on amounts outstanding under the Arrow Global Revolving Credit Facility, the Portuguese Facility and the InVesting Facility, less cash and cash equivalents. With the exception of the discussion in ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Overview,'' net debt does not reflect deferred consideration in relation to acquisition of loan portfolios and deferred consideration in connection with the Portuguese acquisitions or accrued interest under the 2021 Notes, the 2023 Notes and the 2024 Notes. Net debt also does not reflect debt issuance costs. Going forward, net debt will include the principal amount of the Notes from the date of their issuance.

Complementary measures and ratios that are not presented in or derived from measures that are presented in our consolidated financial statements, and are not prepared in accordance with IFRS (and are subject to the qualifications described below), include the following:

- ***84-Month Gross ERC*** and ***120-Month Gross ERC*** (together ***Gross ERC***), which mean our 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 our proprietary ERC forecasting model, as amended from time to time). 84-Month Gross ERC and 120-Month Gross ERC are calculated as of a point in time assuming no additional purchases are made thereafter.
  - 84-Month Gross ERC and 120-Month Gross ERC are metrics that are also often used by other companies in our industry. We present these metrics because they represent an estimate of the cash value of our purchased loan portfolios at any point in time, which is an important supplemental measure for our Board and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month Gross ERC in addition to 84-Month Gross ERC to reflect the longer term nature of our collections because of our high share of financial services assets, combined with our large proportion of Paying Accounts.
  - The Arrow Global Revolving Credit Facility and the Existing Indentures currently use, and the Indenture will use, 84-Month Gross ERC to measure our compliance with certain covenants and, in certain circumstances, our ability to incur certain indebtedness under credit facilities and the respective Indentures. Under the Arrow Global Revolving Credit Facility and the Indentures, Gross ERC is, or will be, calculated based on projected collections from Portfolio Assets, which in turn includes a range of receivables included within the definition of Underlying Portfolio Assets. These Underlying Portfolio Assets may be held directly by us, or could be held by third parties. Specifically, we include within Portfolio Assets (a) Underlying Portfolio Assets held by third parties as to which we have rights to collect and retain amounts generated by such Underlying Portfolio Assets (defined in the Indentures as Rights to Collect) and (b) Underlying Portfolio Assets held by third parties as to which we have contractual rights or other rights to amounts generated by such Underlying Portfolio Assets (defined in the Indentures as Rights to Participate). Rights to Participate cover a range of rights to share in pools or other aggregations of receivables (based on negotiated percentages) that we do not own directly or through equity interests. See ''Description of the Notes.''
  - 84-Month Gross ERC and 120-Month Gross ERC are projections of our estimated remaining collections over an 84 month-period or a 120-month period, respectively, calculated by our

proprietary Gross ERC forecasting model, which uses our historical portfolio collection performance data, and we cannot guarantee that we will achieve such collections. Further, we constantly refine our methods for calculating 84-Month Gross ERC and 120-Month Gross ERC.

- The balance sheet value of our purchased loan portfolios is derived from the same proprietary Gross ERC forecasting model used to derive 84-Month Gross ERC and 120-Month Gross ERC. The actual collection periods used for balance sheet valuation are not fixed at 84 or 120 months and vary based on our view of portfolio characteristics. Accordingly, there are differences between the cash flow projections used to calculate 84-Month Gross ERC and 120-Month Gross ERC and those used in the calculation of balance sheet values of purchased loan portfolios.
- 84-Month Gross ERC and 120-Month Gross ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry.
- Our computation of 84-Month Gross ERC and 120-Month Gross ERC could in the future differ from the collection forecasts used to compute and record our purchased loan portfolios on our balance sheet.

- ***Cash conversion ratio***, which represents free cash flow pre-financing, taxes and portfolio purchases as a proportion of Adjusted EBITDA;
- ***Collections to Date***, which means Core Collections to date, plus putbacks (portions of portfolios reassigned to the Debt Seller) plus disposal proceeds on portfolio account sales;
- ***Effective Interest Rate*** or ***EIR***, which means under IFRS the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. For us, this means that the EIR (which is the loan portfolio’s gross internal rate of return) is set based on forecast 84-Month Gross ERC at the date of purchase and the loan portfolio purchase price. EIR is reassessed and may be adjusted up to 12 months after the purchase of each loan portfolio;
- ***Face value*** of debt, which means the nominal or par value of such debt (the cost of acquiring such debt to us is the purchase price);
- ***Gross Cash-on-Cash Multiple***, which means 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;
- ***Gross IRR***, which means a loan portfolio’s gross internal rate of return calculated using expected Core Collections for 84 months from the date of purchase of the loan portfolio;
- ***Net Cash-on-Cash Multiple***, which means Collections to Date plus the 84-Month Gross ERC or 120-Month Gross ERC, as applicable, net of Collection Activity Costs, all divided by the purchase price for each portfolio; and
- ***Net IRR***, which means a loan portfolio’s internal rate of return calculated using expected Net Core Collections for the next 84 months or 120 months, as applicable, subsequent to the date of purchase of the loan portfolio adjusted regularly in line with Gross ERC.

You should not consider the foregoing items as alternatives to comparable IFRS measures. Moreover, these measures and related ratios:

- have limitations as analytical tools and should not be considered in isolation;
- are not measures of our financial performance or liquidity under IFRS;
- should not be considered as alternatives to net cash flow from operating activities or any other measure of our liquidity derived in accordance with IFRS;
- should not be considered as alternatives to (loss)/profit for the period or any other performance measures derived in accordance with IFRS;
- may not be indicative of our results of operations; and
- do not necessarily indicate whether cash flow will be sufficient or available for cash requirements.

In addition, these measures, as we define them, may not be comparable to other similarly titled measures used by other companies in our industry or otherwise. You should exercise caution in comparing these measures as reported by us to such measures of other companies.

In addition, certain measures in this Offering Memorandum are presented on a constant exchange rate basis to enhance their comparability period-to-period. To calculate such measures on a constant exchange rate basis, we have adjusted the prior period item such that the foreign currency conversion applied to that item is made using the same exchange rate as was applied to that item in the current period.

Pro Forma Financial Information

We present in this Offering Memorandum certain information and certain ratios that give pro forma effect to the Offering and the use of the proceeds thereof and cash on hand to redeem all of the Issuer's outstanding 2021 Notes, as described in ''Use of Proceeds'', as well as the refinancing of the InVesting Facility with additional amounts borrowed under the Arrow Global Revolving Credit Facility. The pro forma adjustments assume that all of these events occurred on January 1, 2016 (with respect to consolidated statement of comprehensive income data) or December 31, 2016 (with respect to consolidated balance sheet data). The pro forma financial information also excludes amounts outstanding under the Non-Recourse Facility as it is non-recourse to us. The pro forma financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Offering (and the use of proceeds thereof) actually occurred on January 1, 2016 (with respect to consolidated statement of comprehensive income data) or December 31, 2016 (with respect to consolidated balance sheet data), and should not be used as the basis of projections for our results of operations or financial condition for any future period. The pro forma financial information is not calculated in accordance with IFRS, has not been prepared in accordance with the requirements of Regulation S-X of the SEC, the Prospectus Directive or any generally accepted accounting standards, and has not been audited or reviewed in accordance with applicable auditing standards. Any reliance you place on this information should fully take this into consideration.

Illustrative Data

This Offering Memorandum also contains certain illustrative data. The illustrative data are intended to provide a high level overview of our business model, and to provide background for some of our key financial metrics, which, we believe, is beneficial to investors. They have not been prepared on the basis of any recognized accounting framework or in accordance with any recognized accounting guidance. The illustrative data are based on hypothetical assumptions, and as such may not give a fair and accurate view of our future financial position, results of operations, cash flows or prospects.

Rounding

Certain numerical figures included in this Offering Memorandum have been rounded. Discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Currency Presentation

In this Offering Memorandum, references to pounds sterling, £, sterling, British pound, GBP, pence or p are to the lawful currency of the UK, references to euro, EUR or € are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, and references to U.S. dollars, USD, US$ or $ are to the lawful currency of the United States.

MARKET AND INDUSTRY DATA

We obtained market data and certain industry data and forecasts included in this Offering Memorandum from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. We use:

- forecast industry data for a period from 2014 up to 2020 provided to us by Ernst & Young LLP (***EY***);
- a report entitled ''Europe Securitisations Outstanding'' provided by the Securities Industry and Financial Markets Association (***SIFMA***);
- market updates prepared by PriceWaterhouseCoopers's (***PwC***) Portfolio Advisory Group entitled ''Market Update Q3 2015,'' ''Market Update Q4 2015,'' ''Market Update Q1 2016'' and ''Market Update Q2 2016'';
- a report of PwC regarding the European Bank Restructuring Conference held in March 2016 entitled ''Capitalising on the Acceleration in Bank Restructuring'';
- data published by the European Central Bank, the European Banking Authority and the UK Parliament;
- reports of Deloitte LLP (***Deloitte***) entitled ''Uncovering opportunities in 2017—Deloitte Deleveraging Europe 2016–2017'' and ''Deloitte Deleveraging Europe 2015-2016'';
- a report of Oliver Wyman Ltd (***Oliver Wyman***) and Intrum Justitia AB (***Intrum Justitia***) entitled ''European Retail and SME Credit Recovery Time?''; and
- a report of KPMG International Cooperative (***KPMG***) entitled ''European Debt Sales 2016.''

Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. We do, however, accept responsibility for the correct reproduction of this information. Statements as to our market position are based on recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under ''Risk Factors.''

EXCHANGE RATE INFORMATION

Pounds Sterling and Euro

The following table sets forth, for the periods indicated, the Bloomberg Composite Rate (New York) expressed as euros per £1.00. The Bloomberg Composite Rate is a ''best market'' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the Initial Purchasers make any representation that the sterling or the euro amounts referred to in this Offering Memorandum have been, could have been or could be, in the future, converted into euros or sterling, as the case may be, at any particular rate, if at all.

	Euro per £1.00			
	Period End	Average(1)	High	Low
Year ended				
December 31, 2012	1.2317	1.2332	1.2857	1.1774
December 31, 2013	1.2041	1.1779	1.2343	1.1433
December 31, 2014	1.2876	1.2410	1.2876	1.1908
December 31, 2015	1.3571	1.3774	1.4416	1.2743
December 31, 2016	1.1731	1.2242	1.3654	1.0967
Month ended				
October 31, 2016	1.1150	1.1190	1.1455	1.0967
November 30, 2016	1.1810	1.1539	1.1810	1.1074
December 31, 2016	1.1731	1.1835	1.1947	1.1691
January 31, 2017	1.1649	1.1621	1.1789	1.1365
February 28, 2017	1.1705	1.1736	1.1805	1.1570
March 31, 2017 (through March 15, 2017)	1.1451	1.1531	1.1675	1.1397

(1) The average rate for a year means the average of the closing rates of each business day during such year. The average rate for a month, or for any shorter period, means the average of the closing rates of each business day on each day during such month or shorter period.

The euro per pound sterling exchange rate on March 15, 2017 was €1.1451 to £1.00.

This Offering Memorandum contains translations of certain pounds sterling amounts into euros and of certain euro amounts into pounds sterling. Unless otherwise stated, such euro amounts are translated into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016.

Fluctuations of the pound sterling relative to the euro have a significant effect on the translation into pounds sterling of our euro assets, liabilities, revenue and expenses, and may continue to do so in the future. For further information on the impact of fluctuations in exchange rates on our operations, see ''Risk Factors—Risks Relating to Our Business—We are subject to fluctuations in foreign exchange rates.''

Pounds Sterling and U.S. Dollars

The following table sets forth, for the periods indicated, the Bloomberg Composite Rate expressed as U.S. dollars per £1.00. Neither we nor the Initial Purchasers make any representation that the pound sterling or the U.S. dollar amounts referred to in this Offering Memorandum have been, could have been or could be, in the future, converted into U.S. dollars or pounds sterling, as the case may be, at any particular rate, if at all.

	U.S. dollars per £1.00			
	Period End	Average(1)	High	Low
Year ended				
December 31, 2012	1.6255	1.5852	1.6279	1.5318
December 31, 2013	1.6557	1.5649	1.6557	1.4867
December 31, 2014	1.5577	1.6476	1.7166	1.5517
December 31, 2015	1.4736	1.5285	1.5883	1.4632
December 31, 2016	1.2340	1.3554	1.4877	1.2123
Month ended				
October 31, 2016	1.2242	1.2334	1.2842	1.2123
November 30, 2016	1.2506	1.2441	1.2596	1.2243
December 31, 2016	1.2340	1.2472	1.2732	1.2226
January 31, 2017	1.2579	1.2354	1.2634	1.2047
February 28, 2017	1.2380	1.2488	1.2659	1.2380
March 31, 2017 (through March 15, 2017)	1.2291	1.2223	1.2293	1.2153

(1) The average rate for a year means the average of the closing rates of each business day during such year. The average rate for a month, or for any shorter period, means the average of the closing rates of each business day on each day during such month or shorter period.

The U.S. dollar per pound sterling exchange rate on March 15, 2017 was $1.2291 to £1.00.

Euros and U.S. Dollars

The following table sets forth, for the periods indicated, the Bloomberg Composite Rate expressed as U.S. dollars per €1.00. Neither we nor the Initial Purchasers make any representation that the euro or the U.S. dollar amounts referred to in this Offering Memorandum have been, could have been or could be, in the future, converted into U.S. dollars or euros, as the case may be, at any particular rate, if at all.

	U.S. dollars per €1.00			
	Period End	Average(1)	High	Low
Year ended				
December 31, 2012	1.3193	1.2860	1.3458	1.2061
December 31, 2013	1.3743	1.3285	1.3802	1.2780
December 31, 2014	1.2098	1.3285	1.3934	1.2098
December 31, 2015	1.0862	1.1102	1.2104	1.0496
December 31, 2016	1.0517	1.1069	1.1534	1.0388
Month ended				
October 31, 2016	1.0981	1.1024	1.1211	1.0882
November 30, 2016	1.0589	1.0786	1.1141	1.0553
December 31, 2016	1.0517	1.0538	1.0764	1.0388
January 31, 2017	1.0798	1.0631	1.0798	1.0405
February 28, 2017	1.0570	1.0641	1.0783	1.0536
March 31, 2017 (through March 15, 2017)	1.0734	1.0601	1.0734	1.0507

(1) The average rate for a year means the average of the closing rates of each business day during such year. The average rate for a month, or for any shorter period, means the average of the closing rates of each business day on each day during such month or shorter period.

The U.S. dollar per euro exchange rate on March 15, 2017 was $1.0734 to €1.00.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. The information set forth in this summary does not contain all the information you should consider before making your investment decision. You should carefully read this entire Offering Memorandum, including ''Risk Factors'' and our financial statements, before making your investment decision. This summary contains forward-looking statements that contain risks and uncertainties. Our actual results may differ significantly in the future as a result of factors such as those set forth in ''Risk Factors'' and ''Forward-Looking Statements.''

Overview

We are a leading European purchaser and manager of debt principally operating in the UK, Portugal, Belgium and the Netherlands. We also have a 15% interest in the French market leader, MCS, and, following the completion of the proposed acquisition of Zenith Service S.p.A, a servicing business focused on the Italian structured finance market (***Zenith acquisition***), we will begin to operate in Italy. We believe that we are one of the top three of the UK's providers of debt purchase and receivables management solutions measured by estimated remaining collections over a 120-month period (***120-Month Gross ERC***), which stood at £1,544.5 million as of December 31, 2016. We are the market leader in Portugal, with €7.4 billion (£6.4 billion) of assets under management measured by face value and 120-Month Gross ERC of £461.8 million as of December 31, 2016. During the year ended December 31, 2016, we enhanced our servicing capabilities, increasing income from servicing and asset management to £46.3 million, or 19.6%, of our revenue.

Established in 2005, we use our proprietary data and analytical capabilities to acquire and manage defaulted debt portfolios originated by Debt Originators. A critical component of the management function is to locate defaulted customers by improving inaccurate or incomplete data relating to those underlying customers with our data assets. We seek to build a consolidated profile of each defaulted customer's circumstances so that an affordable and sustainable repayment solution can be formulated for each customer. Our strategy has enabled us to convert previously defaulted assets into reliable cash flow streams.

We strengthened our market position and enhanced our business model through the Capquest acquisition in the UK and the acquisition of a 15% interest in the French market leader, MCS, both in 2014. In 2015, we continued to diversify our business by acquiring Whitestar and Gesphone in Portugal, adding secured assets to our Portuguese operations and adding Dutch operations by purchasing debt portfolios in the Netherlands. In May 2016, we acquired the InVesting Group, a leading consumer debt purchaser, asset management and outsourced collections provider with operations in the Netherlands and Belgium. On December 6, 2016, we announced the proposed Zenith acquisition. We expect to complete the Zenith acquisition in the first half of 2017, subject to the receipt of approval from the Bank of Italy.

We believe these acquisitions have provided operational and strategic flexibility through greater diversification across countries, asset classes and revenue sources, enabling us to access a broader range of new business origination, acquire portfolios at attractive returns and generate fee income from our asset management services. These acquisitions have also enhanced our business model through the development of a flexible hybrid model that combines growing in-house collection capabilities with our master servicing model (where collections are outsourced to third-party DCAs) and a network of third-party providers.

As of December 31, 2016, we owned and managed defaulted debt portfolios with an aggregate face value at the time of purchase of £22.5 billion, including £16.4 billion of purchased loan portfolios (£782.8 million based on book value). We also owned approximately 9.3 million customer accounts and service a further 4.7 million customer accounts on behalf of third parties through our master servicing contracts. Our Adjusted EBITDA, which we believe is representative of our operating cash generation, has grown from £153.1 million for the year ended December 31, 2015, to £209.2 million for the year ended December 31, 2016. Net cash used in operating activities (which includes purchases of loan portfolios and loan notes) decreased from £56.3 million in the year ended December 31, 2015 to £26.2 million in the year ended December 31, 2016.

As of December 31, 2016,

- 61.9% (by purchase price) and 57.7% (by 120-Month Gross ERC) of the defaulted debt portfolios that we had purchased were originated in the UK, 27.0% (by purchase price) and 29.9% (by 120-Month Gross ERC) having been originated in Portugal and 11.1% (by purchase price) and 12.4% (by 120-Month Gross ERC) having been originated in the Netherlands and Belgium; and
- 84.9% of our defaulted debt portfolios across the UK, Portugal and the Netherlands and Belgium (by purchase price) were financial services loan portfolios (with the remainder consisting of retail loan portfolios (10.7%), student loan portfolios (2.8%) and telecommunications (1.6%)).

We believe our focus on financial services loan portfolios provides us with stable long-term cash flows, as the higher average balances of these portfolios (relative to other types of debt) typically result in a high proportion of accounts being restructured into long-term repayment plans consisting of small, regular, annuity-like payments. For loan portfolios purchased in the UK, for the year ended December 31, 2016, approximately 72.8% of our Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements, and the remaining 27.2% were on one-off payment arrangements, which can include a discount to the face amount of the loan outstanding. As of December 31, 2016, approximately 600,000 customer accounts had made a payment to us within the preceding three months, and the face value of these accounts was approximately £1.7 billion, providing approximately 1.1 times 120-Month Gross ERC coverage. In addition, 18.8% of our 120-Month Gross ERC as of December 31, 2016 was from secured portfolios.

The affordability of payment arrangements has been a key focus for the debt collection industry for several years. We monitor carefully the level of affordability at which our payment arrangements are set compared to the level of disposable income declared by our customers. We believe that setting payment arrangements at prudent levels of affordability allows headroom for our customers to be in a more secure financial position and to cope better with reductions in their disposable income, while still being able to meet their payment obligations to us.

We believe that debt purchasers such as us will continue to play an important structural role in the credit market, with the sale of defaulted debt portfolios offering Debt Originators the ability to move the asset risk of defaulted debt portfolios to third-party specialists (with the prospect of freeing up capital). Our strategy of building consolidated customer profiles through our data assets and collecting through affordable repayment plans enables our customers to restructure and settle their outstanding balances, improve their credit scores and enhance their ability to gain access to credit in the future, all of which create strong incentives for customers to continue paying once a repayment plan has been established. Importantly, in the UK, our repayment plans do not charge customers additional interest or penalties on their defaulted accounts, excluding statutory interest.

Many debt purchasers face significant data limitations in valuing an account prior to purchase because data processing restrictions in the UK mean that customers cannot be matched to a credit referencing agency database prior to the purchase of an account. The situation is further complicated by the absence of a national identity system to enable the direct tracing of a customer using publicly available data (UK National Insurance numbers cannot be used for credit purposes). In this context, we believe that our innovative data assets and analytics capabilities differentiate us from others in our industry and give us a sophisticated approach to origination, underwriting and collections. In the UK, we had access to data for approximately 23.8 million records through the Proprietary Collections Bureau (the ***PCB***) as of December 31, 2016. The PCB is a large database targeted towards defaulted accounts in the UK, which we developed with Experian, a global information services group. We have also developed data analysis tools enabling a better understanding of individual customers' circumstances, including UniView, a fully-automated, algorithm-based single customer view interface. In the UK, we own approximately 8.0 million customer accounts. In Portugal, we own approximately 695,000 customer accounts and, through the acquisitions of Whitestar and Gesphone, we have increased our performance history data (17 years of Gesphone data and ten years of Whitestar data). In the Netherlands, proprietary data sets of the InVesting Group, including its credit bureau Focum with 10.5 million customer profiles, have augmented our data assets. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage. In the Netherlands, we own approximately 624,000 customer accounts. In total, we have access to data from over 35 million customer records.

We have purchased debt portfolios originated by over 110 Debt Originators. We maintain close relationships with major UK and European Debt Originators, which, we believe, are increasingly looking to sell only to smaller panels of trusted partners with scale, a reputation for high compliance standards and a track record of completing transactions. We believe that, in our core financial services market, we are on the sales panels of the majority of large Debt Originators and therefore have the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In Portugal, through the acquisitions of Whitestar and Gesphone, we have gained access to a more diverse range of origination sources including, in particular, secondary sales from funds.

We have an established record of underwriting accuracy, having collected 103% of our gross original underwriting cash targets between January 1, 2009 and December 31, 2016, excluding the effects of foreign exchange rate movements. As our data assets increase, we are able to identify and locate a higher number of accounts prior to underwriting, which we believe further improves our underwriting quality and gives us a competitive advantage.

We also have increasingly diverse sources of revenue, with 19.6% of revenue for the year ended December 31, 2016 generated from servicing and asset management, which is targeted to be increased to 25.0% for the year ending December 31, 2017. We provide servicing and asset management in all jurisdictions in which we operate. Our asset management contracts are long-term in nature, averaging approximately five years. The revenues we generate on these contracts typically are fee income, based upon collections performance of similar assets to those that we own. These assets, therefore, have similar long-term collections forecasts that support earnings visibility. These additional revenue streams are accretive to our returns without any associated balance sheet risk.

Compliance and risk management are at the core of our business culture and operations. We received full FCA authorization in 2016 for our UK operations and are also regulated by the Dutch regulator, Authority for the Financial Markets (***AFM***), the Belgian regulator, the Financial Services and Markets Authority and the Portuguese regulator, Comissão do Mercado de Valores Mobiliários (***CMVM***). We place great importance on the fair treatment of our customers. In the UK, we believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 40 FOS filed complaints received by us and our DCAs per one million accounts during the year ended December 31, 2016. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer. In order to more closely match compliance responsibilities with the risks embedded within our different business functions of oversight, implementation and performance, we have a three-lines-of-defense risk and compliance framework, which is supported by our CRO, our Audit Committee, our Risk Committee, and the wider executive board of AGG and its Non-Executive Directors with experience of financial services and the regulatory environment. See ''Regulation and Compliance—Our Risk Management and Compliance—Risk classification and reporting.''

We believe that the combination of our position as a leader in the growing debt purchase market, our flexible business model and our disciplined approach to debt origination and underwriting mean that we are well placed to continue to grow profitably over the coming years, as new opportunities arise.

We believe that the debt purchase industry will continue to consolidate around a few key participants as Debt Originators increasingly look to sell defaulted debt portfolios to small panels of trusted partners. Against this backdrop, we believe that the combination of the following positions us well to maintain our leading position in the European debt purchase and management industry:

- geographic and asset class diversification;
- revenue diversification from our debt servicing and asset management platforms;
- data capabilities;
- hybrid business model of in-house collection capabilities and master servicing model;
- relationships with DCAs and Debt Originators; and
- experienced management team.

Changes to Our Platform

The UK

In November 2014, we completed the purchase of the Capquest Group, a leading UK consumer debt purchaser and outsourced collections provider. The combination of the Capquest Group's in-house customer-focused collection capabilities with our data-driven master servicing model has provided us with an enhanced collection model from a cost, operational and regulatory perspective. The Capquest acquisition has also added to our significant data assets, including the PCB, which has already helped us increase our account match rates and enhance our collections performance. In December 2015, we successfully migrated the Erudio Customer Management Limited student loans portfolio onto our in-house platform.

Portugal

In April 2015, we announced the formalization of a strategic origination and servicing partnership with CarVal Investors in Portugal and associated acquisitions. As part of our strategic partnership, on April 1, 2015, we entered into a five-year agreement to jointly originate Portuguese investments. We also established a formal five-year servicing commitment with CarVal Investors pursuant to which our Portuguese collection platforms will service portfolios acquired in Portugal by CarVal Investors. We also acquired Silver Parallel S.A., the parent company of Whitestar, a leading Portuguese servicer of secured and unsecured loans, from funds managed by CarVal Investors for a total consideration of €49.8 million payable over two years (of which we have already paid €39.2 million). See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Acquisitions and other arrangements—Whitestar acquisition.'' We also acquired Gesphone, a Portuguese servicer of non-performing loans and owner of €77.2 million face value of portfolios, for €8.1 million.

We have also migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms. As part of that process, on February 29, 2016 we purchased Redrock Capital Partners S.A. (***Redrock***) to enhance the capabilities of our Portuguese servicing platforms.

The Netherlands and Belgium

In June 2014, Arrow Global Limited secured a license from the AFM, to offer consumer credit and to act as an intermediary in respect of consumer credit, and completed the purchase of a €1 million pilot portfolio in the Netherlands. In November 2015, Arrow Global Limited's Dutch license was expanded to allow Arrow Global Limited to offer mortgage credit and to act as an intermediary in respect of mortgage credit.

In the fourth quarter of 2015, we expanded our footprint in the Netherlands by acquiring a number of portfolio investments for a total face value of €300 million, comprising portfolios of secured assets with a total face value of €127 million and portfolios of unsecured assets with a total face value of €173 million.

On May 4, 2016, we acquired the InVesting Group, a leading consumer debt purchaser, asset manager and outsourced collections provider with operations in the Netherlands and Belgium, for €100.0 million. The InVesting acquisition added approximately 502,000 customer accounts with a face value of €663 million (measured as of December 31, 2015) and a 120-Month Gross ERC of €107 million (calculated in accordance with our models, policies and procedures for calculating our 120-Month Gross ERC as of December 31, 2015).

In December 2016, we co-invested with CarVal in a €1.7 billion portfolio (by face value) of predominantly performing secured loans in the Netherlands. The loan portfolio comprised approximately 9,300 high quality loans for primarily buy-to-let residential and mixed usage properties, with a smaller proportion of commercial real estate assets typically being industrial, retail, leisure or office properties. The loans have an average loan-to-value ratio of 66%. We invested £21.3 million in the form of loan notes issued by the vehicle that holds the loan portfolios. We also entered into a five-year agreement to service the entire loan portfolio. By acquiring the servicing capabilities of the prior owner of the portfolio, we augmented our specialist service expertise. We believe that engaging in co-investment transactions is an attractive model for growing our business, as it allows us to participate in larger deals without having to deploy significant amounts of capital, while benefiting from servicing revenue on the entire portfolio and gaining access to additional data sets.

As a result of our portfolio acquisitions and the InVesting acquisition, we operate across numerous asset classes in the Netherlands and Belgium. In addition to delivering attractive returns, these investments are also expected to provide significant levels of data that we expect will help to inform future purchase decisions.

France

In December 2014, we acquired a 15% interest in MCS for £11.4 million. MCS is a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and small-to-medium enterprise (***SME***) loans and personal guarantee segments. Our CIO, Zachary Lewy, is a member of the board of directors of MCS. This investment provides us with a foothold in a new market, which we believe complements our operations and contributes to achieving our overall strategy. In October 2016, we received a distribution from MCS of €8.0 million.

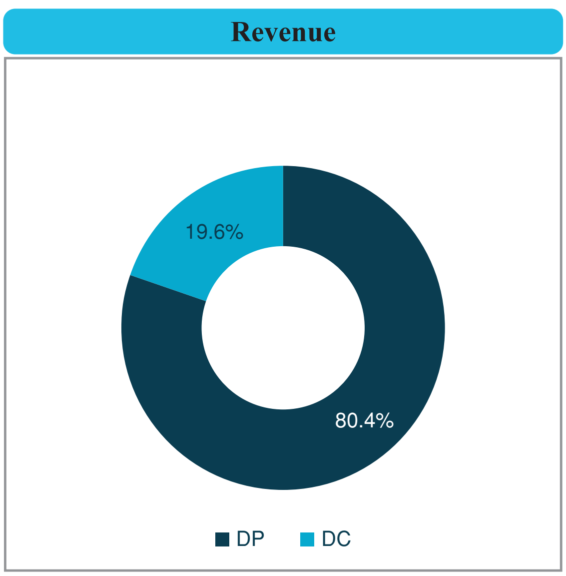
Italy

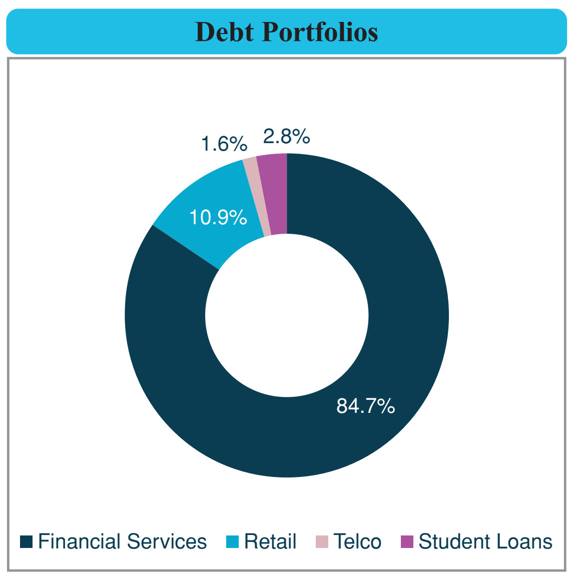
On December 6, 2016, we announced the proposed acquisition of the Zenith Group for a total cash consideration of €17.0 million (£14.4 million), with 60% payable on closing and the remaining 40% payable after closing. The Zenith Group has developed a reputation for quality and service in a complex, regulated Italian structured finance market, with €14.1 billion assets under management across multiple asset classes as of June 30, 2016. It has a strong and established client base of leading Italian and international banks and funds, offering us a platform to grow our business in Italy. It will also increase our income from servicing and asset management and provide valuable insight into the Italian market and the performance and administration of credit portfolios.

Group-wide

We believe these acquisitions support our ambition to be a leading European purchaser and manager of debt by allowing us to further enhance our scale and leadership positions in our core target markets while increasing our operational and strategic flexibility through greater diversification across countries, asset classes and revenue sources. Such diversification enables us to access a broader range of new business origination, acquire portfolios at attractive returns and generate fee income from our asset management services.

The following charts set forth a breakdown of our revenue for the year ended December 31, 2016 by servicing and asset management revenue (***DC***) and debt purchasing revenue (***DP***) and of our debt portfolio by asset class as of December 31, 2016.





Our Key Strengths

We believe we benefit from the following key strengths:

A leading European purchaser and manager of debt in attractive markets

We are a leading European purchaser and manager of debt with operations in the UK, Portugal, Belgium and the Netherlands, and, following the completion of the Zenith acquisition, we will begin to operate in Italy. We have a track record of innovation, customer engagement, compliance and financial performance that has been recognized within the industry, and we are consistently highly ranked in the OC&C Credit Management and Debt Collection Index, an annual ranking of industry participants based on quantitative and qualitative data across four categories: financial performance, operational efficiency, strategy and scope, and innovation. In the Credit Today Debt Collection Awards 2015, we were named Debt Purchase & Collection Provider of the Year—UK/Europe. We were also the winner of the ''International NPL Expertise - Company'' award at the 2016 Collections & Customer Service Awards.

Customer defaults are a structural component of consumer lending and certain volumes of defaults on consumer debts can be expected to occur throughout the credit cycle because Debt Originators tend to design their loan pricing models and underwriting criteria to achieve a target rate of default.

Growth in the European debt purchase markets is largely driven by an increasing number of Debt Originators using debt sale as a solution for their defaulted accounts, and their increased recognition of the value to them of selling debts to specialist purchasers earlier in the defaulted collection lifecycle. In the coming years, we also expect growth in the debt purchase markets to be driven by the continued origination of consumer credit, new sources of supply for defaulted consumer debt (such as debt owned by utility companies and governments), new asset classes (such as student loans in the UK) and continued deleveraging by European banks. We believe that stricter capital adequacy requirements, more stringent accounting rules (IFRS 9 *Financial Instruments*) and continued regulatory and government pressure will continue to prompt European banks to resolve their non-performing loans and non-core loans, thereby driving growth across our markets. In the year ended December 31, 2016, 28.1% of the acquired loan portfolios were originated in the UK and 71.9% were originated in continental Europe (by purchase price).

We believe that our geographic diversification across the UK, Portugal, Belgium, the Netherlands, France, and, following the completion of the Zenith acquisition, Italy, provides attractive opportunities across a range of markets that are at different stages of evolution.

- The UK is the most mature of our markets in terms of market evolution. As of December 31, 2016, our UK operations represented 57.7% of 120-Month Gross ERC and 54.6% of total debt portfolio purchases (by carrying value).
- The Portuguese market is at an earlier stage of evolution than that of the UK, and we believe this provides ample growth opportunities. As of December 31, 2016, our Portuguese operations represented 29.9% of 120-Month Gross ERC and 32.3% of total debt portfolio purchases (by carrying value).
- Our investments in loan portfolios in the Netherlands and Belgium provide access to a high growth market. The InVesting acquisition helped us to further diversify income streams and has provided a platform to expand further into the region, utilizing the InVesting Group's presence on local debt seller panels to create additional investment opportunities.
- We expect that upon completion of the Zenith acquisition, we will be able to access the Italian market, which is expected by Deloitte to be one of the strongest loan sales markets in 2017.
- Similarly, our existing investment in the French market provides access to an emerging market via a clear market leader.

UK market. We are a leader in the large, established and growing defaulted debt purchase market in the UK, with a proven industry track record which, in the last five years, has enabled us to become one of the top three acquirers of debt by face value and by purchase price in the UK. As of December 31, 2016, we had, since our inception, invested £649.5 million in the acquisition of purchased loan portfolios in the UK with an aggregate face value of £11.6 billion, comprising 8.0 million owned customer accounts, generating an 84-Month Gross ERC of £756.3 million and a 120-Month Gross ERC of £890.9 million in the UK.

In addition, we believe that we are a leading player in the financial services sector, which is the largest segment of the debt purchase market in the UK. The sale of defaulted accounts is considered an attractive option for Debt Originators in the financial services sector as it generates capital and liquidity, allows lenders to focus on their core business of originating and managing new receivables, and facilitates their compliance with ongoing and anticipated regulatory and accounting-related developments (including Basel III (see ''Business—Current Trends—Supply of available portfolios''), asset quality review under the ECB Single Supervisory Mechanism (a system for banking supervision for Europe) and new accounting rules (IFRS 9 *Financial Instruments*) on the recognition of expected losses on financial instruments and on loan commitments). The Capquest acquisition enhanced our leadership position in the financial services sector as a result of the Capquest Group's relationships with a diverse client base, particularly in its third-party collections business. The regulatory environment has continued to tighten and a number of banks have sought to rationalize their panels, both for debt purchase and debt placement. We believe that our brand, reputation and track record encourage the participants in the financial services sector to favor us both as a debt purchaser and a debt servicer for their portfolios.

Portuguese market. The Portuguese debt purchase market is a similarly attractive market, due to its comparatively early stage of development, significant stock of defaulted loans, an increase in the provisions being made by banks for impairments, an increase in banks' propensity to sell, and the existence of an established regulatory framework for debt purchasers. We believe that we are the market leader in the purchase of defaulted debt in Portugal, with £4.0 billion of assets (measured by face value) and approximately 695,000 accounts as of December 31, 2016 (with approximately £1.2 billion of the £4.0 billion of assets (measured by face value) purchased during the year ended December 31, 2016). For example, in both 2015 and 2016, we were the selected partner for the debt sold by a number of local Portuguese banks. In 2016, we maintained our market leading asset management position through on-boarding 16 transactions with a face value of €1.8 billion. We believe the Portuguese market has a strong pipeline, with over €3.1 billion (by face value) of potential sales of defaulted loan portfolios in progress as of the end of 2016, and we expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Our acquisitions in Portugal, Whitestar and Gesphone, have strengthened our capabilities across asset classes and servicing of third-party assets. The Portuguese acquisitions have provided us with an in-house servicing capability and, as of December 31, 2016, we managed approximately 85.5% of the collections of the combined business in-house and expect to continue to use outsourced local DCAs to manage the remaining 14.5% of collections.

Dutch market. We believe that strategic and opportunistic expansions in the Netherlands have strengthened, and will continue to further strengthen, our market position and business model. Together with our Dutch portfolio purchases during 2015 and 2016, the InVesting acquisition helped us to create a leading debt service and management business in the Benelux region, has complemented our leading positions in the UK and Portugal and has reinforced our position as one of Europe's leading purchasers and managers of debt. In addition, the InVesting Group increased the proportion of our revenue generated from debt servicing and asset management. We are further expanding our servicing capabilities in the Netherlands.

The ongoing shift to business process outsourcing (***BPO***) should create further opportunities for increasing our BPO revenue.

Italian market. We believe that, following the completion of the Zenith acquisition, we will be well-placed to bid on loan portfolios that come to market and to offer servicing and asset management services in Italy.

For further information regarding the markets in which we operate, please see ''Industry.''

Well positioned to maintain leading position in the industry with high barriers to entry

We believe that we are well positioned in the debt purchase market where a number of key attributes, such as trusted relationships, scale and data excellence, are required to be successful in the long-term.

We have a proven track record of strong and trusted relationships with Debt Sellers, which is critical to being invited on their sales panels and provides opportunities for potential purchases on an ongoing basis (including negotiated transactions where the terms are agreed on a bilateral basis outside an auction process). Our reputation and compliance track record are critical factors for Debt Sellers, who tend to work only with trusted partners who meet stringent panel requirements. We believe there has been a trend among some large Debt Originators towards consolidation around a few trusted leading debt purchasers with scale, commitment to compliance and a reduction in the size of Debt Sellers' panels as they favor stronger, longer lasting relationships with fewer participants. In addition, through our service and asset management activities, we continue to strengthen our partnership with credit funds, which has become a key part of our origination strategy.

We believe that scale is advantageous in maintaining a leading position in the debt purchase industry and that our scale enables us to generate a level of revenue that is large enough to cover the fixed costs associated with operations and our strong compliance and risk management framework.

Data excellence through high quality data and analytical models is required to price portfolios accurately, improve collection performance and operate to the highest compliance standards. We benefit from a large database targeted towards defaulted accounts in the UK and Portugal and have, since our inception, been an innovator in applying sophisticated data technology to debt purchase and collections. The PCB is one of the UK's first databases designed specifically to target defaulted accounts.

We believe that experience and funding are no longer the only prerequisites for participating in the debt purchase market. We believe we have a deep understanding of the regulatory environments in the markets in which we operate, providing us with various benefits. For example, in the UK, in addition to the FCA and other regulatory bodies' standards, debt purchasers must also meet the compliance standards of individual Debt Sellers to be considered in debt sale processes. In the Netherlands and, in certain cases, in Portugal, debt purchasers need to obtain a license before being able to acquire debt. There has been an increased focus in the UK on collection practices leading to more stringent compliance requirements for debt purchasers. Customers are at the core of our business culture and operations, and we place great importance on the fair treatment of our customers. In the UK, we believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 40 FOS filed complaints received by us and our DCAs per one million accounts during the year ended December 31, 2016. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer.

Leading data and analytics capabilities

Many defaulted accounts sold by Debt Sellers contain inaccurate or incomplete data. This is often a result of customer mobility or because of the complex and outdated systems used by some Debt Originators. We identify opportunities for data improvement on a large proportion of the accounts we purchase, resulting in stronger collections and more appropriate repayment plans for customers. We believe that we are recognized by Debt Sellers and DCAs as a market leader in applying sophisticated data technology to debt purchase and collections.

We have developed data analysis tools enabling a better understanding of individual customers' circumstances. Our key innovations have included the creation of bespoke interfaces to access publicly available data, the development of a proprietary interface with our UK credit bureau partners and the development of UniView, a fully automated, algorithm-based single customer view interface. UniView aggregates a variety of data sources enabling a quick and easy assessment of each individual customer's current financial circumstances.

One of our key innovations has been our proprietary database, the PCB, which has grown from approximately 11.0 million records in 2012 to approximately 23.8 million records as of December 31, 2016. One of our competitive advantages with respect to underwriting is our ability to identify, through the use of data assets like the PCB, a large number of non-Paying Accounts for which we already have data, before we make the decision to purchase a portfolio. By ''matching'' portfolio sales files with customers already in our databases and servicers' network, we are able to make a more informed assessment of such customers' ability to pay prior to pricing and purchasing the account. In the year ended December 31, 2016, we were able to identify, prior to purchase, on average 46% of all accounts in the portfolios we evaluated, compared to an average of 13% prior to the development of the PCB. We now also have information as to whether these customers were already paying one of our DCAs and other servicer network partners, such as third-party debt managers. Importantly, this ability to identify and match individuals before purchasing a portfolio reduces our underwriting risk, enables us to better determine its value and gives us greater ability to prioritize cash collections from ''matched'' customers.

The PCB also enables us to place accounts with DCAs who already have a relationship with the customer, which makes it easier to ensure that collections remain compliant and typically improves customer experience. Furthermore, DCA partners also benefit from our data insight as they receive enhanced account data provided by us without incurring any data gathering and analysis costs themselves, which puts DCAs in a better position to establish payment plans with customers and prioritize collection performance. This has strengthened our relationships with our DCAs and has enabled us to reduce our commission rates.

When we acquired the Capquest Group, we combined the existing customer data with the data in the PCB, thereby increasing the number of records in the PCB. As a result of the significant portfolio overlap (the Capquest Group, like us, had predominantly invested in financial services loan portfolios), our ''match'' rates for recently reviewed UK loan portfolios improved from approximately 30% in 2012 to approximately 40% prior to the Capquest acquisition to approximately 46% in 2016. In Portugal, Whitestar has ten years of data history and Gepshone has seventeen years of data history. In the Netherlands, proprietary data sets of the InVesting Group, including its credit bureau Focum with 10.5 million customer profiles, have augmented our data assets. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage.

Through owning 9.3 million customer accounts and servicing a further 4.7 million customer accounts on behalf of third-parties (as of December 31, 2016), we have access to historical credit performance in the markets in which we operate, which provides us with significant insight into customer behavior.

Flexible collection platform with increasing servicing and asset management revenue contribution

We operate a hybrid operating model that combines our customer-focused in-house collection capabilities with our master servicing model (where collections are outsourced to third-party DCAs based on a sophisticated data-driven approach). We believe this hybrid model provides us with an enhanced collection model from a cost, operational and regulatory perspective, reflecting the scale of our business and changing industry dynamics, as Debt Originators reduce their panel sizes and focus on panel members' compliance and accountability. We also believe that the UK debt purchase sector is entering a period of consolidation around a core group of leading debt purchasers, with an associated reduction in the size and number of large-scale participants, and that our hybrid model will be supportive of this consolidation and will continue to provide a platform for rapid growth.

Our business model has allowed us to take on additional portfolio opportunities at low incremental overhead and capital costs. We have demonstrated an ability to expand rapidly into different types of consumer credit having the flexibility to respond quickly to market conditions by purchasing the asset classes, and from the sources of supply, which we believe have the greatest expected returns. In addition, since we operate a flexible cost base and our DCA partners operate on a largely contingent basis, with commission rates fixed at the time of placement, our Collection Activity Costs (which accounted for 49.9% of our total operating expenses for the year ended December 31, 2016) are largely variable, resulting in a low fixed cost base. We believe that we have one of the lowest Collection Cost Ratios in the industry, with Collection Activity Costs of 21.1 pence per £1 collected for the year ended December 31, 2016 (the equivalent ratio for Collection Activity Costs in the years ended December 31, 2015 and December 31, 2014 were 22.4 pence and 22.7 pence per £1 collected, respectively). We have achieved this by using our data analytics to identify the accounts with the greatest capacity to be collected and determine the most appropriate DCA to collect on such accounts at the lowest cost. We believe that, over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and this is one of the reasons why we are able to agree commission rates based on our forecast of individual accounts' liquidation at rates that improve profitability for both parties.

In the UK, we manage approximately 40% of the collections of the combined business in-house. For the remaining approximately 60% of collections, we continue to work with specialist outsourced DCAs, which we have rationalized to a group of approximately six strategic DCA partners. In Portugal, following the Portuguese acquisitions we manage approximately 85.5% of the collections of the combined business in-house. For the remaining approximately 14.5% of collections, we continue to work with specialist outsourced DCAs. In the Netherlands, we manage approximately 90% of the collections in-house, and outsource 10% of collections.

We believe that this flexible model enables us to utilize fully what we believe to be a high-quality customer-focused servicing platform and further improve our ability to oversee a smaller outsourced

DCA panel, thereby improving the overall experience of our customers. We also believe that this model enables us to continue to enjoy an efficient and flexible cost structure, with approximately 59.1% of our cost base (based on Consolidated Group figures for the year ended December 31, 2016) still being variable.

Our in-house collection capabilities provide us with the opportunity to collect and service debt on behalf of third-party clients on a contingent basis. Servicing on behalf of third parties provides us with a regular stream of account placements, which we believe gives us greater insight into prevailing payment trends across debt types and demographics. Our longstanding client relationships have also led to proprietary opportunities to acquire contingency tails of portfolios that we service (effectively providing an opportunity to purchase debt in-situ) and enables us to move toward ''place-to-sell'' structures (in which we agree at the time of establishing the contingency arrangement that we will purchase the portfolio after a period of collections). As a result of these factors, contingency collections remain a key complementary component to our business model. In addition to increasing servicing and asset management revenue streams, servicing third-party debt also provides an opportunity to acquire new asset classes, including student loans and secured assets, which we believe can further diversify and strengthen our business model.

Our recent acquisitions contributed to the increase in our servicing and asset management revenue to 19.6% of our revenue for the year ended December 31, 2016. We intend to seek to further increase our servicing and asset management revenue and are targeting income from servicing and asset management to increase to approximately 25% of revenue in the year ending December 31, 2017. We have entered into a five-year servicing agreement with CarVal Investors, under which our Portuguese collection platforms service portfolios acquired in Portugal by CarVal Investors. In the Netherlands and Belgium, the InVesting Group is contributing to revenues from asset management and has enabled us to develop servicing, asset management and BPO revenue streams, such as from our new servicing capability in secured real estate assets acquired in connection with a recent co-investment. Such additional revenue streams would, we believe, enable us to generate cash flow without material initial investment (such as investment in debt portfolios to generate collections). Additional cash flow, we believe, would improve our credit risk profile and support our ability to grow and our ability to decrease our debt level over time. Our servicing business also improves our data capabilities for debt portfolio acquisitions as we gain performance data on a broader pool of assets.

Following the Capquest acquisition, we made significant progress in our servicer migration plan to move a proportion of our accounts from our DCA network onto our in-house collections platform. In addition, we have developed our in-house capabilities for servicing the student loan asset class. In December 2015, we successfully migrated the Erudio Customer Management Limited student loans portfolio onto our in-house platform. Additionally, we have migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms and are in the process of developing a new servicing platform and making improvements to our IT infrastructure in the Netherlands, which are scheduled for completion in 2018.

Differentiated origination capabilities

We benefit from a well-established and respected franchise, having purchased loan portfolios from over 110 Debt Originators over the last 10 years. We believe that stable, long term relationships with Debt Originators are important, because Debt Originators increasingly look to sell only to smaller panels of trusted partners with established compliance records and a proven ability to complete transactions. We have developed strong relationships with most major Debt Sellers in our key financial services market. In our core markets, we believe that we are on the panels of nearly all significant Debt Sellers, providing us, for example, with the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In addition, approximately 59.7% of our portfolio acquisitions in the UK since 2010 (91.2% for the year ended December 31, 2016) and 55.2% of our portfolio acquisitions in Portugal for the year ended December 31, 2016 were completed outside typical auctions in bilateral transactions with Debt Sellers from whom we have previously purchased portfolios, reflecting the strength of our relationships with Debt Sellers. Being able to acquire debt portfolios in bilateral transactions limits the pressures attendant to deploying our capital in competitive market auctions. 72.4% of loan portfolios purchased during the year ended December 31, 2016 were purchased in bilateral trades. Because we use a number of origination sources, we are able to target those portfolios that offer the most attractive returns, rather than only participate in auctions.

The Capquest acquisition, the Portuguese acquisitions and the InVesting acquisition have benefited our origination capabilities by enabling us to leverage what we believe to be their existing strong relationships with major banks and Debt Originators outside of the financial services market in the UK, Portugal, Belgium and the Netherlands. The capacity to provide both purchase and collection-based capabilities to clients has increased debt purchasing opportunities and enabled us potentially to access a more diverse range of origination sources, including the opportunity to work with Debt Sellers on a ''place-to-sell'' basis (*i.e.*, where we agree at the time of establishing the collections arrangement that we will purchase the portfolio after a period of collections).

We also provide co-investing structures for our clients, where we will work with a credit fund to purchase a large portfolio, co-invest in the portfolio and manage the full portfolio. This gives us flexibility on where we deploy our investment capital and helps us diversify risks. In addition, co-investing enables us to access new segments of the debt purchasing markets and to participate in larger transactions where competition may be less intense due to a lack of capital or appetite for committing a substantial amount of capital to a single transaction.

We have strengthened our origination capabilities in Portugal through our five-year origination agreement with CarVal Investors to jointly originate portfolios in Portugal, which is expected to provide us with opportunities to acquire additional portfolios in Portugal. In addition, through the acquisitions of Gesphone and Whitestar, we have gained access to a more diverse range of origination sources (including new vendors and Forward Flow Agreements) and source of asset classes (including secured assets).

In the Netherlands, the InVesting Group's presence on local Debt Seller panels provides us with the opportunity to purchase debt from new sources and to expand into new asset classes, such as commercial real estate.

In addition, the use of specialist DCAs provides us with flexibility to purchase debt across a broader spectrum of the market and to expand into new asset classes, such as second lien portfolios, where we would not use our in-house collection capabilities. Our model allows us to purchase a number of large and diversified loan portfolios from Debt Sellers that are looking to sell highly diverse accounts in a single transaction.

Track record of acquiring and successfully integrating businesses

Since completing our IPO in October 2013, we have grown to become a leading European purchaser and manager of debt with a track record of acquiring and successfully integrating businesses.

In November 2014, we acquired the Capquest Group, a leading UK consumer debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors. When we acquired the Capquest Group, we combined the existing customer data with the data in the PCB, thereby increasing the number of records in the PCB and our ''match'' rates for recently reviewed UK loan portfolios improved from approximately 40% prior to the Capquest acquisition to approximately 46% in 2016.

In December 2014, we acquired a 15% interest in MCS, a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and SME loans and personal guarantees. For the year ended December 31, 2016, MCS contributed £2.4 million to our profit after tax.

In April 2015, we acquired Whitestar, a leading Portuguese servicer of secured and unsecured loans, and Gesphone, a Portuguese servicer of non-performing loans and owner of €77.2 million face value of loan portfolios. We believe the combination of Whitestar and Gesphone has created scale and servicing capability across multiple asset classes, enabling us to broaden our Portuguese market proposition to clients. We have also migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms.

In February 2016, as part of the migration of the majority of our Portuguese accounts onto our Portuguese servicing platforms, we acquired Redrock.

In May 2016, we acquired the InVesting Group, which added approximately 502,000 customer accounts with a face value of €663 million as of December 31, 2015 to our Existing Portfolios and is contributing to the diversification of the income streams of our business and our origination capabilities.

In December 2016, we agreed to acquire the Zenith Group, a servicing business focused on the Italian structured finance market.

Disciplined underwriting

We believe we have a robust underwriting and risk management framework in place to ensure a disciplined approach to portfolio purchases. In a typical year, we assess between 100 and 120 portfolio acquisition opportunities, of which we price between 50 and 75 portfolios and ultimately acquire approximately 25 portfolios after a comprehensive multi-stage review process, with any transactions above £20 million approved by our Board of Directors. Over the last 10 years, we have continued to invest at our target return of around two times Gross Cash-on-Cash Multiple (as of December 31, 2016).

We have an established record of achieving collections on purchased portfolios against our original underwriting projections across vintages and asset classes, having collected 103% of our gross original underwriting cash targets from January 1, 2009 to December 31, 2016, excluding the effects of foreign exchange rate movements, which we attribute to our comprehensive approach to identifying and acquiring debt portfolios resulting from our sophisticated data assets and analytics capabilities.

The combination of data assets and our advanced technology and servicing platform provides an opportunity to enhance our collections performance and allows us to gain greater insight into payment trends across debt types and demographics, enabling us to further improve our pricing models and underwriting accuracy.

Highly cash generative business

We are highly cash generative, meaning we have surplus cash available to grow and reinvest in our business. We have a relatively small investment requirement in order to maintain our existing asset base. We benefit from predictable cash flows that are generated from payment arrangements. As of December 31, 2016, 72.8% of collections were from longer term paying arrangements, which provide a high level of cash flow visibility.

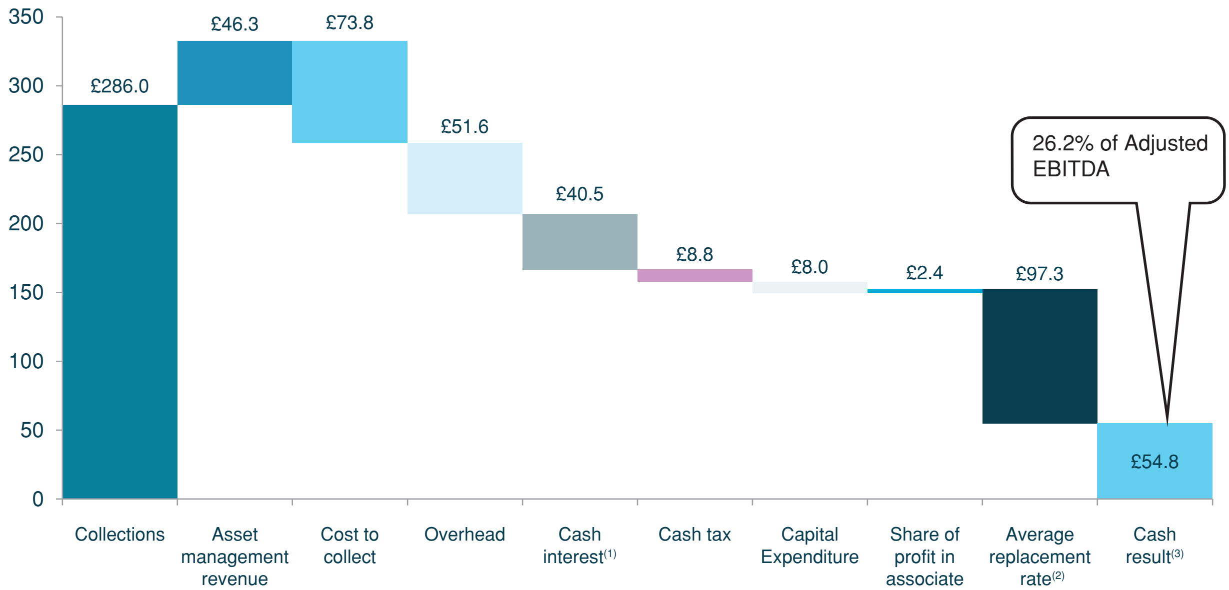
In the year ended December 31, 2016, we generated Core Collections of £286.0 million, resulting in Adjusted EBITDA for the period of £209.2 million, which in turn converted into £203.9 million of free cash flow pre-financing, taxes and portfolio purchases at a 97.4% conversion ratio. Net cash used in operating activities was £26.2 million in the year ended December 31, 2016.

Our strong collections experience on our Existing Portfolios led to growth of 36.7% in Adjusted EBITDA to £209.2 million for the year ended December 31, 2016 (year ended December 31, 2015: £153.1 million; year ended December 31, 2014: £101.0 million). Our profit for the year ended December 31, 2016 was £26.3 million (year ended December 31, 2015: £31.7 million; year ended December 31, 2014: £18.3 million).

As of December 31, 2016, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £116.8 million per year are required to maintain a constant 84-Month Gross ERC and £122.6 million per year are required to maintain a constant 120-Month Gross ERC (which is dependent on the mix of portfolios held by us, collections, the performance of Existing Portfolios and the return characteristics of new loan portfolio acquisitions). With discretion as to the purchase of loan portfolios (in terms of both timing and amount), we believe that we have significant control over our liquidity, and the ability to grow our business. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources'' for a discussion of our liquidity. We have grown rapidly through investing in portfolios at levels above our replacement investment rate, while maintaining sustainable levels of returns. This has enabled us to maintain our high levels of cash generation and prudent balance sheet while generating value for our stakeholders.

In addition, we have increasingly diverse sources of revenue, with approximately 19.6% of revenue in the year ended December 31, 2016 generated from debt servicing and asset management activities, which is expected to increase to 25% in the year ending December 31, 2017.

We believe we have excellent free cash flow generation, as illustrated in the chart below with information for the year ended December 31, 2016, which takes into account the required annual investment in loan portfolios in order to maintain our existing asset base and interest expense on our financed debt.



(1) Cash interest expense has not been adjusted for the Offering and the use of proceeds thereof. Cash interest expense has been calculated on the basis of net debt of £775.2 million as of December 31, 2016. Net debt is presented excluding deferred consideration in relation to the acquisition of loan portfolios (£26.2 million), and deferred consideration in connection with the Portuguese acquisitions (£9.2 million) as well as accrued and unpaid interest on the 2021 Notes, 2023 Notes and the 2024 Notes as of December 31, 2016 (£5.4 million). Including such deferred consideration and unpaid interest, net debt as of December 31, 2016 would have been £816.0 million.

(2) Replacement investment rate is the estimated investment required to maintain the current level of Gross ERC (calculated as the sum of opening replacement rate and closing replacement rate for the period divided by two). It is estimated as Year 11 Gross ERC less Year 1 Core Collections divided by Gross Cash-on-Cash Multiple. The replacement investment is calculated as an average for the year ended December 31, 2016. As of December 31, 2016, the replacement investment rate was approximately £117.0 million per year at our target Gross Cash-on-Cash Multiple for a constant 120-month Gross ERC.

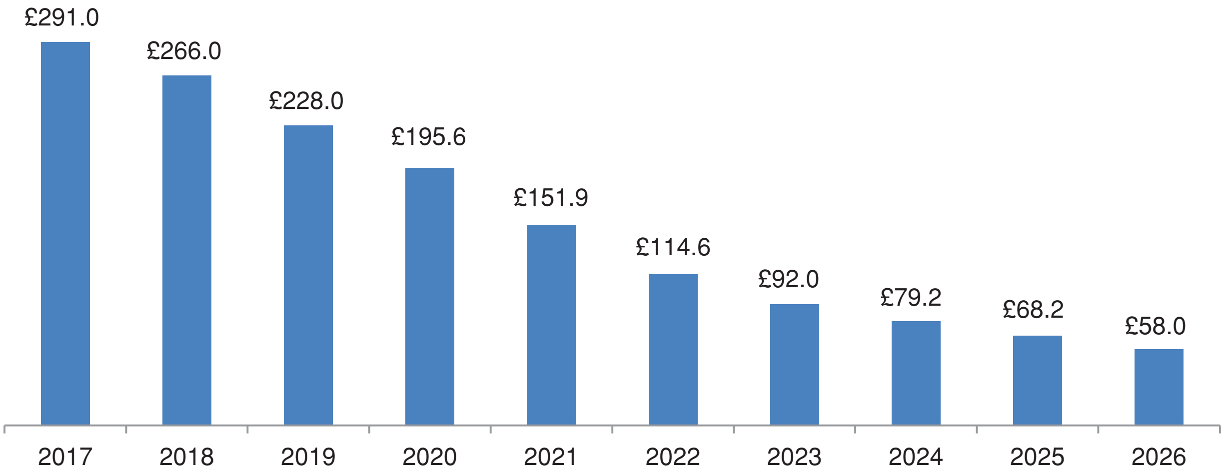
(3) All figures were calculated using an exchange rate of €1.2242 to £1.00, the average Bloomberg Composite Rate for the year ended December 31, 2016.

Earnings and cash flow visibility supported by value embedded in existing assets

Our Existing Portfolios provide visibility around future earnings and cash flow generation. For example, for the year ended December 31, 2016, approximately 75.0% of our Core Collections and 80.3% of our Adjusted EBITDA were derived from assets acquired prior to January 1, 2016. Our revenue for the year ended December 31, 2016 was £235.9 million (year ended December 31, 2015: £165.5 million).

We have significant value and predictable future cash flows embedded in our Existing Portfolios, with 120-Month Gross ERC of £1,544.5 million as of December 31, 2016, of which Portugal represented £461.8 million, the UK represented £890.9 million and the Netherlands represented £191.9 million (compared to our 120-Month Gross ERC as of December 31, 2015 of £1,224.5 million, of which Portugal represented £364.4 million and the UK represented £860.2 million). Significant value remains in the portfolios that we own beyond the 10-year period to measure 120-Month Gross ERC. The carrying value of our Existing Portfolios on our balance sheet was £782.8 million as of December 31, 2016

(December 31, 2015: £609.8 million). The following chart sets forth our 120-month Gross ERC as of December 31, 2016.



We focus primarily on purchasing financial services loan portfolios that have a higher average balance (relative to other types of debt). Because of this, such financial services loan portfolios tend to be collected via long-term regular payment arrangements resulting in a high number of small, regular, annuity-like payments. As of December 31, 2016, financial services loan portfolios accounted for 89.3% of our 120-Month Gross ERC, with an average account balance of £2,029.96, for which our strategy is to establish and maintain regular payment plans suited to our customers' individual circumstances. As a result, our cash flow profile is stable and predictable, with approximately 72.7% of Core Collections from our Existing Portfolios derived from small, regular, annuity-like payment arrangements as of December 31, 2016. Approximately 600,000 customers with such arrangements made a payment in the three months ended December 31, 2016, most of which were through regular payment methods such as direct debit. The face value of the debt attributed to these accounts represented 1.1 times our 120-Month Gross ERC as of December 31, 2016. In addition, 18.8% of our 120-Month Gross ERC as of December 31, 2016 was from secured portfolios.

As of December 31, 2016, retail loan portfolios accounted for 7.0% of our 120-Month Gross ERC with an average account balance of £1,146.31, student loan portfolios accounted for 3.1% of our 120-Month Gross ERC with an average account balance of £3,962.55, and telecommunications loan portfolios accounted for 0.6% of our 120-Month Gross ERC with an average account balance of £591.53.

Our loan portfolios had an average account balance of £1,755.85 as of December 31, 2016.

Experienced management and skilled staff

We are managed by an experienced and entrepreneurial leadership team with extensive, and complementary, experience, and our six senior executives together have considerable risk management, credit and finance experience. Our new CEO, Lee Rochford, has over 25 years' executive leadership experience. Our CFO, Robert Memmott, has over 18 years' experience in senior financial leadership roles within private equity backed and listed companies. Our CIO, Zachary Lewy, is highly regarded as a leader in industry innovation and previously served as president of the DBSG, which is part of the debt purchase and collection industry's trade association, the CSA, of which he is a director. Our UK CEO, Phil Marsland, has over 21 years' experience in financial services and collections roles. Our Portuguese CEO, John Calvão, has over 18 years' experience in financial services and collection roles. Our Netherlands and Belgium CEO, Joost van Rens, has over 16 years' experience in financial services industry roles. Our CRO, Steven Greenwood, has over 11 years' experience in senior risk roles. Our General Counsel and Company Secretary, Stewart Hamilton, has over 14 years' experience as a solicitor in corporate and commercial law. Our Head of Human Resources, Tracy French has 26 years' experience in Human Resources with expertise in the area of transformation and change, organizational effectiveness, talent management and employee engagement.

The leadership team is supported across all business areas by a skilled broader team. Because data assets and analytics are at the core of our business, our highly qualified and skilled staff receives ongoing training and development. A significant number of our employees have a degree qualification or better, including postgraduate and professional degrees. The addition of in-house collection capabilities and call center operations following the Capquest acquisition and the Portuguese acquisitions has meant our employees comprise a broad spectrum of experienced skill sets tailored to the debt purchase and collections business, supported by our training and development programs, which we believe further strengthen our business and contribute to our success.

Our Strategy

Our vision is to become Europe's leading purchaser and manager of debt. Our strategy is to grow by leveraging our sophisticated data-driven business model and leading position in growing markets through the following strategic objectives.

Be a leading player in each of our chosen markets

We are well-positioned to maintain our market leadership positions in the UK and Portugal, and, upon completion of the Zenith acquisition, to access the Italian market, which is expected by Deloitte to be one of the strongest loan sales markets in 2017. The InVesting acquisition is expected to enable us to create a leading business in the Benelux debt purchasing market, complementing our operations in the UK and Portugal. We believe our scale, longevity and reputation are important contributors to our success, alongside capabilities in data and regulatory compliance. We have established long-term relationships with creditors, many of whom are leading financial services institutions, and have a track record of winning repeat business with such creditors. In the year ended December 31, 2016, 45.6% of our loan portfolio investments were made from repeat sources, while 72.4% of our new business (by amount invested) was originated in off-market transactions away from competitive auctions.

As of December 31, 2016, we have purchased over 84.9% of our combined portfolios (based on purchase price) in the financial services sector and have strong relationships with many of the leading financial services institutions and credit funds in the UK and Portugal. Through the InVesting Group, we are beginning to establish relationships with financial services institutions and credit funds in the Netherlands. In Italy, upon completion of the Zenith acquisition, we will seek to use the extensive performance history customer data of the Zenith Group to bid on portfolios available for sale and to create partnerships with credit funds and other parties.

We believe that the high average balance of most financial services loan portfolios that we acquire provides long-term earnings visibility through the ''long tail'' of predictable cash flows. We intend to maintain our leading position in financial services debt in both the UK and the Portuguese markets and to scale up our presence in the Dutch market.

We seek to contractually expand the duration of our relationships to enhance further our future earnings visibility. For example, we have successfully entered into long-term partnership and servicing agreements with creditors, as illustrated by the five-year agreements signed with CarVal Investors in 2015, which provide access to a more diverse range of origination sources (including new vendors and Forward Flow Agreements) and source of asset classes (including secured assets). We also seek opportunities to form consortiums with providers of capital that are able to purchase larger debt portfolios than we could on our own (with us having an interest in a portion of the portfolios) and engage us to service the entire debt portfolio.

Build a diversified risk weighted investment portfolio

We are focused on transforming our business by broadening our activities across different countries, assets and businesses. We apply a disciplined approach to diversification into new countries and asset classes in order to minimize regulatory risk to us. We have strict criteria for evaluating opportunities for geographic expansion, which include the availability of an established servicer network, the ability to apply our data capabilities (which may depend on the presence or absence of a national identification system in the relevant country), the competitiveness of local market dynamics and the availability of a strong supply of portfolio purchase opportunities. We are focused on markets that are still developing, rather than those that have reached, or are close to reaching, maturity, in any case with supportive legal and regulatory systems.

We use a cautious test-the-waters approach for entering into new markets. Following evaluation and modeling of a potential new market, we make a pilot portfolio investment. Depending on the results of the pilot investment, we make further portfolio purchases, adjusting our focus as necessary. As a next step, we acquire a debt servicing provider, which enables us to have flexibility over how we collect on our debt portfolios. We believe that the flexibility of our hybrid collection model allows us to move into new countries and asset classes with reduced risk and investment requirements compared to debt purchasers that operate substantial in-house collections models.

We maintain a strong focus on achieving attractive risk adjusted returns. We intend to build on our strengths and continue to purchase debt portfolios in those areas where we believe we have the strongest competitive advantage and greatest potential to purchase debt outside auction processes. This has typically comprised accounts for which we are already providing asset management services, complex and diverse portfolios, portfolios where our sophisticated data assets can provide a high match rate during underwriting, and in-situ portfolios where our DCA partners are already servicing a portion of the underlying accounts. We are also able to partner with specialist servicers and credit funds, which permits us to expand our capabilities further.

Alongside this focused origination strategy, we have maintained, and seek to continue to maintain, strong governance around our underwriting processes and discipline in ensuring we acquire portfolios in line with our risk-adjusted target returns. We believe that our underwriting discipline, the strength of our relationships with Debt Sellers and our sophisticated data matching and analytics will allow us to continue to grow while achieving attractive risk-adjusted returns.

Funding and capital structure are important parts of our business model and we are committed to maintaining a prudent balance sheet that allows us to capitalize on opportunities in our markets and deliver strong returns with minimal financial risk.

In addition, we seek to continue to grow the proportion of our earnings generated from fee-earning third-party servicing and asset management services, which are accretive to our returns without any associated balance sheet risk. Over time, we expect debt servicing and asset management revenue to grow as we continue to cultivate our existing servicing contracts and seek to build new third-party relationships.

Our improved diversification across countries and asset classes provides us with greater flexibility to optimize our capital allocation strategy in light of the risk-reward proposition of each single transaction.

Transform the customer journey within the industry and deliver positive customer outcomes

We seek to continue working with customers to understand their circumstances and establish long term affordable repayment plans that allow them to restore their financial standing at a rate that meets their needs. We aim to accomplish this by continuing to build and update consolidated customer profiles through our data models to reflect current customer circumstances. We also seek to continue to engage regularly with consumer groups to enhance our relationships with consumers.

Compliance, risk management and treating customers fairly are at the core of our business culture and operations. As an important partner to major financial institutions, a reputation for consistency and leadership in these areas is critical to maintaining our position on Debt Sellers' preferred purchasing panels. Additionally, these same elements play an important role in reinforcing our position as a sustainable business recognized as performing an important role in the broader credit system. We strive to be an industry leader in compliance and are engaged in a number of initiatives, such as commissioning research with Bristol University that we intend to use to further develop the most effective way to overcome customers' barriers to engagement and offer solutions that meet the needs of those in financial difficulty. In addition, in the UK, we commissioned our Debt Britain study to further enhance our knowledge and understanding of customers facing unmanageable debt. We will continue to invest in our culture in terms of customer focus and risk management to strengthen our recognition by major Debt Sellers as operating at a level of compliance consistent with best practices by their own standards.

Be the best operator in our markets

We are committed to having leading platforms in the markets in which we operate. Through the growth of our business, we intend to invest in the best people, technology and data. We also intend to continuously improve our group-wide governance and risk management framework.

We seek to continue to develop our data assets and our data analysis tools to enable a better understanding of individual customers' circumstances. For example, we plan to increase the records held in the PCB in order to enable us to identify a larger number of non-Paying Accounts for which we already have data, before we make the decision to purchase a portfolio. During 2013, we extended our relationship with Experian to 2023 and, as a result of our ''enhanced partner'' status in the contract, are allowed to test new services and data ahead of the broader debt collections market. We also invested in a new raw data bureau service during 2013, under an agreement similar to the one we have with Experian, which has resulted in improved customer tracing and forecasting. The Capquest acquisition has improved our ''match'' rates for recently reviewed UK loan portfolios from approximately 40% prior to the Capquest acquisition to approximately 46% in 2016.

The Portuguese acquisitions have significantly increased our data insight and analytical capabilities in Portugal. We have acquired performance history of up to 17 years in some cases and we expect that our third-party collection services operations in Portugal will continue to help us obtain greater customer insight.

In the Netherlands, the InVesting acquisition has contributed the InVesting Group's significant experience and data histories. The InVesting Group has proprietary data sets, including its credit bureau Focum with 10.5 million customer profiles. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage. Our investment in the servicing platform and IT infrastructure in the Netherlands, due for completion in 2018, will contribute to our strategy to have leading platforms in each market in which we operate.

We share best practices in analytics, origination and pricing of debt portfolios, and seek to leverage our data sets, across the entire business.

Attract and retain the best talent

Meeting our growth goals will require us to attract, develop and retain human capital. We seek to attract and retain the most talented and committed people, who in turn seek to win our customers' trust through the service they provide and to deliver the most appropriate customer outcomes. We have strengthened our leadership teams in all markets in which we operate. We are focused on providing leadership development and professional development opportunities to our colleagues. We offer a competitive package of pay and benefits, accessible career planning and training, and incentive and recognition programs. We seek to embed our purpose, culture and values to ensure that we are one team.

Current Trading

We believe that sale of defaulted debt remains an attractive option for Debt Originators as it generates capital and liquidity and facilitates their compliance with ongoing and anticipated regulatory and accounting-related developments.

Our Core Collections for January 2017 were in line with expectations, as were Core Collections for February 2017, reflecting however the shorter number of days in the month.

We remain confident that our business is diversified and well-positioned to cope with any dislocation caused by the planned withdrawal of the UK from the EU. We conducted an analysis of the effects that the last recession had on a cohort of our existing paying accounts from the 2005–2010 vintage. Based on this analysis, we believe that the impact on our ERC should be within tolerances in the near-to medium-term in a similar recession. This is largely due to limited volatility in key indicators of collectability, such as breakage rates (which reflect the percentage of customers who fail to comply with their payment arrangements) and to the affordable payment arrangements that we enter into with our customers. Moreover, we do not rely on passporting arrangements with the EU to operate our business as we are licensed and regulated locally in each of the jurisdictions in which we operate. See ''Risk Factors—Risks Relating to Our Business—The outcome of the UK Referendum could have adverse consequences for our business.''

We believe that our funding and liquidity position is strong, with £115.1 million of cash and cash equivalents and availability under the Arrow Global Revolving Credit Facility as of March 15, 2017. We are also able to moderate future debt portfolio purchases to maintain our liquidity.

As of March 15, 2017, our cash and cash equivalents were £29.3 million compared to £23.2 million as of December 31, 2016.

On February 14, 2017, Moody's announced that it had upgraded the credit rating of each of Arrow Global and the Existing Notes to ''Ba3'' from ''B1.''

On February 24, 2017, we increased the size of the Arrow Global Revolving Credit Facility from £180.0 million to £215.0 million.

On February 24, 2017, the InVesting Facility was terminated, the amount of €9.7 million (£8.2 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) then outstanding thereunder was repaid with borrowings under the Arrow Global Revolving Credit Facility, and the €0.3 million of borrowings outstanding under the guarantee facility of the InVesting Facility were re-characterized as an ancillary facility under the Arrow Global Revolving Credit Facility.

On March 17, 2017, we agreed with lenders under the Arrow Global Revolving Credit Facility that following the issuance of the Notes and conditional upon (i) the redemption of the 2021 Notes, and (ii) satisfaction of certain customary conditions precedent in each case occurring before April 30, 2017 (or such other date as AGGHL and the agent may agree), the maturity of the Arrow Global Revolving Credit Facility will be extended to the fifth anniversary of the date the agent confirms satisfaction of the conditions outlined above.

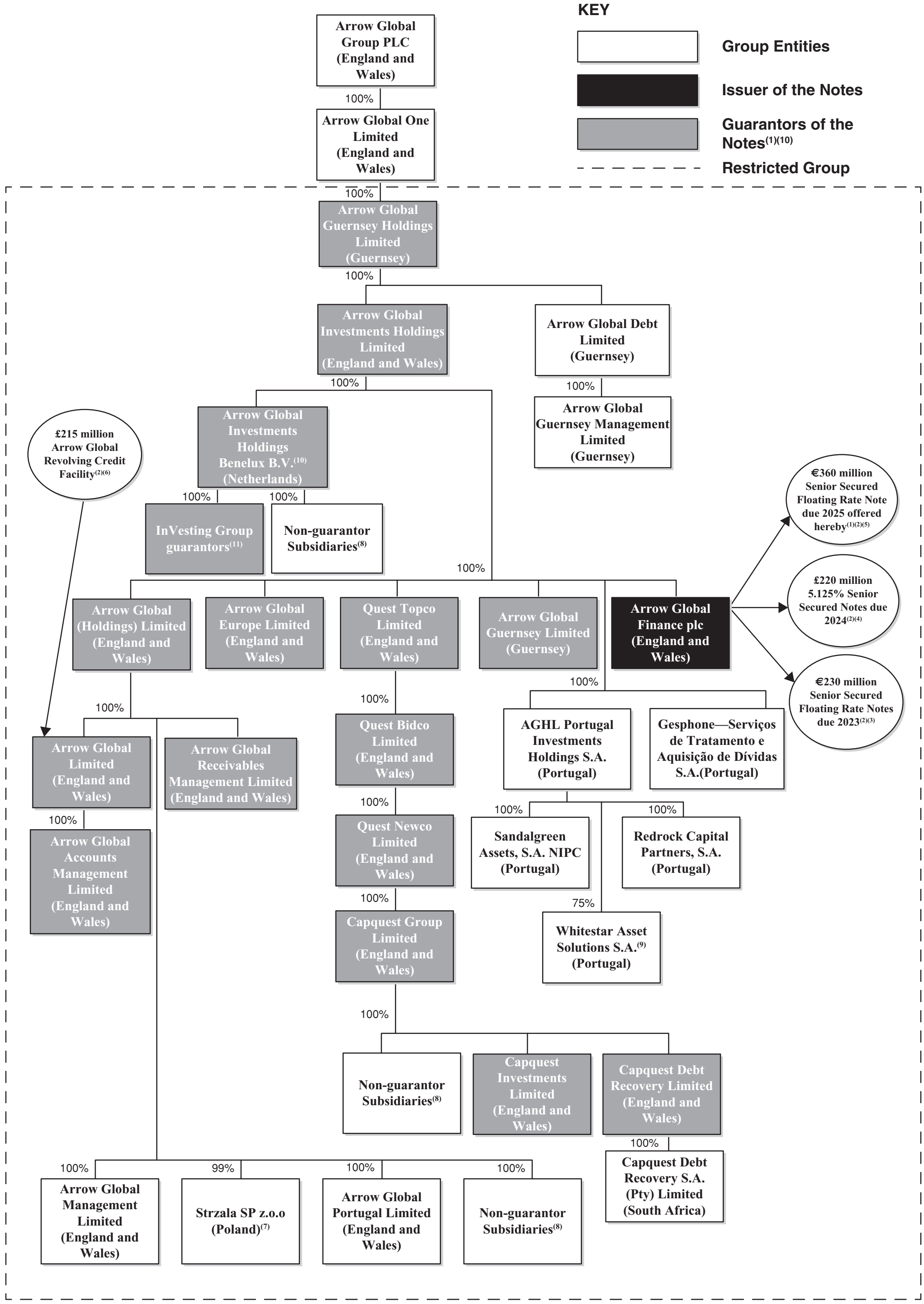
At present, we intend to pay a final dividend of 6.4 pence per share for the year ended December 31, 2016 in accordance with our existing dividend policy on July 7, 2017, bringing the full-year dividend to 9.1 pence per share. We expect that the total amount payable on July 7, 2017 will be £11.2 million.

We maintain our focus on targeted European expansion and continue to assess a number of opportunities in European countries with favorable market dynamics. We believe we have good visibility of a strong pipeline in our existing markets. We will continue to pursue a strategy to diversify our investments by asset class and geography and to consider other investment structures and strategic relationships.

We expect our planned future purchases to lay a strong foundation for earnings growth in future years.

Corporate and Financing Structure

The following chart depicts the corporate and financing structure of the Consolidated Group in summary form after giving effect to the Offering and the use of proceeds thereof, as well as the refinancing of the InVesting Facility with additional amounts borrowed under the Arrow Global Revolving Credit Facility. For a summary of debt obligations identified in this diagram, see ''Description of Other Indebtedness'' and ''Description of the Notes.''



(1) As of December 31, 2016, the Guarantors held 96.0% of the AGGHL Group's assets and were responsible for 97.3% of the AGGHL Group's total liabilities on a consolidated basis. For the year ended December 31, 2016, the Guarantors contributed 100.2% of the AGGHL Group's Adjusted EBITDA on a consolidated basis, and 100.0% of the AGGHL Group's total revenue on a consolidated basis.

(2) From the Issue Date, the obligations of the Issuer and the Guarantors under the Notes will be secured by a security interest in substantially all of the assets of the Issuer and the Guarantors, including in the shares of AGIHL, the Issuer and the Subsidiary Guarantors, certain intercompany loans and certain bank accounts as more specifically described under ''Description of the Notes—Security.'' The Collateral also secures our obligations under the Issuer's Existing Notes and the Arrow Global Revolving Credit Facility and may also secure additional debt in the future.

(3) The 2023 Notes were issued under the 2023 Indenture. See ''Description of Other Indebtedness—2023 Notes.''

(4) The 2024 Notes were issued under the 2024 Indenture. See ''Description of Other Indebtedness—2024 Notes.''

(5) The Notes will be issued under the Indenture. See ''Description of the Notes.''

(6) As of March 15, 2017, £99.9 million was drawn under the Arrow Global Revolving Credit Facility. Between January 1, 2016 and December 31, 2016, the maximum amount drawn under the Arrow Global Revolving Credit Facility was £143.0 million. See ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.''

(7) Arrow Global Limited holds 1% of the shares of Strzala SP. z o.o.

(8) Other Non-Guarantor Subsidiaries of the Consolidated Group include Arrow Global Luna Limited, Arrow Global Massey Limited, Erudio Customer Management Limited, Arrow Global Legh Limited, Arrow Global Portugal Investments Limited, Capquest Limited, Capquest Investments 2 Limited, Capquest Asset Management Limited, Capquest UK Limited, Capquest Debt Recovery Services Limited, Arrow Global Investments Holdings Italia S.R.L., Capquest Mortgage Servicing Limited, Care Debt Management Limited, Data Verification Services Limited, Focum Groep B.V., Vesting Finance Detachering B.V., Focum Solutions B.V., Focum Finance B.V., Focum Commerce B.V., Focum Belgium BVBA, Vesting Finance N.V., Universum Inkasso B.V., Amstelveste Vastgoed B.V. and VF Servicing B.V.

(9) While we acquired only 33.0% of the shares of Whitestar, through our acquisition of shares in its parent company, Silver Parallel S.A., on payment of the initial consideration of €19.9 million on April 22, 2015 we obtained full voting control and a 100% economic interest in Silver Parallel S.A. On December 22, 2015, Silver Parallel S.A. was merged into Whitestar Asset Solutions S.A.. On April 1, 2016, we acquired further shares of Whitestar for €19.3 million to bring our ownership to 75% of the shares of Whitestar. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual obligations and commercial commitments'' for further details. The €3.0 million Portuguese Facility is not reflected. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings'' for further information.

(10) On May 4, 2016, we acquired the InVesting Group, through AGIHL's acquisition of the entire issued share capital of InVesting B.V. and its direct and indirect subsidiaries. On May 4, 2016, InVesting B.V. changed its name to Arrow Global Investments Holdings Benelux B.V.

(11) The InVesting Group guarantors are Fiditon Holding B.V., Incassobureau Fiditon B.V., Vesting Finance Holding B.V. and Vesting Finance Incasso B.V.

THE OFFERING

The following is a summary of certain terms of the Notes and the Guarantees. It is not intended to be complete and is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this summary, see ''Description of the Notes'' and ''Description of Other Indebtedness.''

Issuer	Arrow Global Finance plc, a public limited company under the laws of England and Wales.
Notes Offered	€360,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2025 (the ***Notes***).
Issue Date	, 2017.
Issue Price	% plus accrued interest, if any, from, and including, the Issue Date.
Maturity Date	, 2025.
Interest Rate and Payment Dates .	Three-month EURIBOR plus % per annum, reset on the Determination Date (as defined under ''Description of the Notes''); provided, however that EURIBOR shall never be less than 0%. Interest shall be payable quarterly in arrear on , , , and of each year, commencing , 2017. Interest will accrue from, and including, the Issue Date.
Denominations	Minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.
Guarantees	From the Issue Date, the Notes will be guaranteed (the ***Guarantees***) on a senior basis by the Guarantors. As of December 31, 2016, the Guarantors held 96.0% of the AGGHL Group's assets and were responsible for 97.3% of the AGGHL Group's total liabilities on a consolidated basis. For the year ended December 31, 2016, the Guarantors contributed 100.2% of the AGGHL Group's Adjusted EBITDA on a consolidated basis, and 100.0% of the AGGHL Group's total revenue on a consolidated basis. See ''Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations'' for information on limitations of the Guarantees.
Ranking of the Notes	The Notes will: • rank equally in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes, including the Existing Notes and our obligations under the Arrow Global Revolving Credit Facility; • be general, senior obligations of the Issuer, secured by first-ranking security interests in the Collateral as set forth under ''Description of the Notes—Security''; • rank senior in right of payment to all of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes;

- be effectively senior to all of the Issuer's and its subsidiaries' existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Notes; and
- be effectively subordinated to all of the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes to the extent of the value of the property or assets securing such indebtedness.

Ranking of the Guarantees . . . . . . The Guarantee of each Guarantor will be a general obligation of such Guarantor and will:

- rank equally in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to its Guarantee;
- rank senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to its Guarantee;
- be effectively senior to all existing and future unsecured indebtedness of such Guarantor to the extent of the value of the property or assets securing the Notes; and
- be effectively subordinated to all existing and future indebtedness of such Guarantor that is secured by liens senior to the liens securing its Guarantee, or secured by property and assets that do not secure its Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The Guarantees will be subject to release under certain circumstances. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees'' and ''Description of the Notes—Note Guarantees.''

Security . . . . Subject to the terms of the Security Documents and the Agreed Security Principles, on the Issue Date, the obligations of the Issuer and the Guarantors under the Notes are required to be secured by:

- a first-ranking security interest over the shares of the Issuer;
- a first-ranking security interest over the shares of certain of the Subsidiary Guarantors, Arrow Global Investments Holdings Limited, Arrow Global Debt Limited, Arrow Global Portugal Limited and any Trust Management SPV;
- an assignment of the intercompany loans from the Issuer, as lender, to one or more restricted subsidiaries, as borrowers, of the proceeds of the Offering; and
- a first-ranking security interest over substantially all of the assets of each of the Issuer and the Guarantors.

As of December 31, 2016, after giving effect to the Offering and the use of proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, we would have had on a consolidated basis £807.5 million of total indebtedness, all but £1.3 million of which would be secured indebtedness. The total indebtedness does not give effect to deferred consideration, accrued interest and the amounts outstanding under the Non-Recourse Facility.

See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees'' for risks relating to the Collateral.

Intercreditor Agreement . . . . The indebtedness and obligations under the Notes and the Guarantees, the Existing Notes and the guarantees thereof, the Arrow Global Revolving Credit Facility and certain other existing and future indebtedness and obligations permitted under the Indenture will be secured by first-priority liens on the Collateral. Under the terms of the Intercreditor Agreement, however, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the Arrow Global Revolving Credit Facility and counterparties to certain priority hedging obligations have been repaid in full. See ''Description of Other Indebtedness—Intercreditor Agreement.''

Optional Redemption . . . . At any time prior to , 2019, the Issuer may redeem all or part of the Notes at 100% of their principal amount, plus accrued and unpaid interest, if any, up to the redemption date, plus the applicable make-whole premium as defined under ''Description of the Notes—Optional Redemption.''

The Issuer may redeem all or part of the Notes on or after , 2019 at the redemption prices described under ''Description of the Notes—Optional Redemption.''

Prior to , 2019, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 40% of the principal aggregate amount of the Notes at a redemption price equal to % of the principal aggregate amount of such Notes plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 60% of the original principal aggregate amount of such Notes remains outstanding after the redemption.

See ''Description of the Notes—Optional Redemption.''

Additional Amounts; Tax Redemption . . . . All payments in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for or on account of any taxes or other governmental charges, except to the extent required by law. If any such withholding or deduction is required by law, subject to certain exceptions, the Issuer or the relevant Guarantor, as applicable, will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See ''Description of the Notes—Additional Amounts.''

	The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See ''Description of the Notes—Redemption for Taxation Reasons.''
Change of Control	If AGGHL experiences an event that constitutes a ''Change of Control'' under the Indenture, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of such purchase. See ''Description of the Notes—Change of Control.''
Certain Covenants	The Indenture will limit, among other things, the ability of the Parent Guarantors and their restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the subsidiaries of the Parent Guarantors to pay dividends or make other payments to us; • transfer, lease or sell certain assets, including subsidiary stock; • enter into certain transactions with affiliates; • effect a consolidation or merger; and • impair the security interests for the benefit of the holders of the Notes. Each of these covenants is subject to a number of significant exceptions and qualifications. See ''Description of the Notes—Certain Covenants'' and the related definitions.
Original Issue Discount	The Notes may be issued with original issue discount for U.S. federal income tax purposes. For a discussion of the material tax consequences of an investment in the Notes, see ''Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations.''
Use of Proceeds	We estimate that we will receive gross proceeds of approximately £306.9 million from the Offering (assuming an exchange rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016), before deducting the Initial Purchasers' discounts and commissions, and other estimated fees and expenses payable by us and assuming that there is no original issue discount. We currently intend to use the net proceeds from the Offering and cash on hand to redeem all of the Issuer's outstanding 2021 Notes. See ''Use of Proceeds.''

Conflict of Interest	See "Plan of Distribution."
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "Transfer Restrictions" and "Plan of Distribution."
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no market. Application has been made for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Euro MTF Market. We can give no assurances that the Notes offered hereby will be listed and admitted to trade on the Euro MTF Market or that there will in the future be any market in the Notes. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made for listing particulars to be approved by the Luxembourg Stock Exchange and for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market.
Trustee, Paying Agent, Calculation Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Security Agent	The Royal Bank of Scotland plc.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Governing Law	The Notes and the Guarantees will be governed by the laws of the State of New York. The Indenture will be governed by the laws of the State of New York. The Intercreditor Agreement is governed by the laws of England and Wales. The Security Documents are governed by the laws of England and Wales, provided that security over Guernsey *situs* or Guernsey law-governed assets are subject to Guernsey law-governed security interest agreements and provided that the security over the assets and shares of the Dutch entities will be subject to Dutch law.
Risk Factors	Investing in the Notes involves a high degree of risk. See "Risk Factors" for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

Summary Historical Consolidated Financial Information

The following tables summarize our historical consolidated financial information as of the dates and for the periods indicated, which has been derived from the audited consolidated financial statements of AGG as of and for the years ended December 31, 2014, 2015 and 2016 and the related notes, in each case, included elsewhere in this Offering Memorandum. Our results of operations for prior periods are not necessarily indicative of the results to be expected for any future period. For further information on the basis of presentation of our consolidated financial statements, see ''Presentation of Financial and Other Information.''

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA and certain leverage and coverage ratios, among others. There can be no assurance that items we have identified for adjustment as exceptional will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies, and Adjusted EBITDA may differ from ''Consolidated EBITDA'' contained in ''Description of the Notes,'' the Existing Indentures and that will be contained in the Indenture. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See ''Presentation of Financial and Other Information.''

The following financial information should be read in conjunction with our financial statements included elsewhere in this Offering Memorandum and with ''Presentation of Financial and Other Information'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Consolidated Statement of Comprehensive Income Data

	For the year ended December 31, 2014	2015	2016
		(£'000)	
Revenue			
Income from purchased loan portfolios	107,984	150,238	188,914
Income from asset management	1,933	14,713	46,315
Other income/profit on portfolio and loan note sales(1)	825	503	701
Total revenue	**110,742**	**165,454**	**235,930**
Operating expenses			
Collection Activity Costs	(34,150)	(52,303)	(70,261)
Professional fees and services(2)	(1,737)	—	—
Other operating expenses	(28,475)	(38,514)	(70,637)
Of which exceptional items(3)(4)	(11,991)	(4,309)	(5,022)
Other operating expenses excluding exceptional items(3)	(16,484)	(34,205)	(65,615)
Total operating expenses before exceptional items	**(52,371)**	**(86,508)**	**(135,876)**
Exceptional items	(11,991)	(4,309)	(5,022)
Total operating expenses	**(64,362)**	**(90,817)**	**(140,898)**
Operating profit	**46,380**	**74,637**	**95,032**
Finance income and costs	(22,257)	(36,608)	(66,841)
Of which exceptional items(3)(5)	(848)	—	(17,994)
Finance income and costs excluding exceptional items(3)	(21,409)	(36,608)	(48,034)
Share of profit in associates(6)	—	1,243	2,363
Profit before tax	**24,123**	**39,272**	**31,367**
Taxation charge on ordinary activities	(5,852)	(7,523)	(5,061)
Profit for the period attributable to:			
Owners of the Company	18,271	31,749	26,305
Non-controlling interest	—	—	1
Profit for the period(7)	**18,271**	**31,749**	**26,306**

(1) Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes, as applicable.

(2) For the years ended December 31, 2015 and 2016, we have included amounts previously reported under the Professional fees and services line item within the Other operating expenses line item.

(3) We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

(4) See note 10 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for components of exceptional items (referred to in such financial statements as non-recurring items) included under other operating expenses.

(5) See note 8 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for the components of exceptional items (referred to in such financial statements as non-recurring items) included under finance income and costs.

(6) Represents our investment in MCS (see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and other arrangements'').

(7) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Consolidated Balance Sheet Data

	As of December 31,		
	2014	2015	2016
		(£'000)	
Assets			
Non-current assets[1]	**74,644**	**117,441**	**184,872**
Current assets			
Cash and cash equivalents	14,542	10,183	23,203
Purchased loan portfolios	477,513	609,793	782,792
Loan notes	—	—	21,315
Other current assets[2]	16,569	34,781	35,484
Total current assets	508,624	654,757	862,794
Total assets	**583,268**	**772,198**	**1,047,666**
Equity			
Total equity attributable to shareholders	**121,874**	**145,356**	**167,391**
Liabilities			
Non-current liabilities			
2021 Notes, 2023 Notes and 2024 Notes/Senior secured notes[3]	378,564	447,545	681,158
Other non-current liabilities[4]	2,852	12,044	16,580
Total non-current liabilities	**381,416**	**459,589**	**697,738**
Current liabilities			
Trade and other payables (excluding other current liabilities)	33,058	83,906	76,261
Arrow Global Revolving Credit Facility[5]	35,404	71,479	74,169
InVesting Facility/Portuguese Facility /Bank overdrafts[6]	—	—	7,648
2021 Notes, 2023 Notes and 2024 Notes/Senior secured notes[3]	7,289	6,832	5,430
Non-Recourse Facility/Other borrowings[7]	—	—	12,077
Other current liabilities[8]	4,227	5,036	6,902
Total current liabilities	**79,978**	**167,253**	**182,537**
Total liabilities	**461,394**	**626,842**	**880,275**
Total equity and liabilities[9]	**583,268**	**772,198**	**1,047,666**

(1) Non-current assets consist of intangible assets, property, plant and equipment, investment in associates, loan notes and deferred tax asset, as applicable.

(2) Other current assets consist of other receivables, derivative asset, current tax asset, and deferred tax asset, as applicable.

(3) Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(4) Other non-current liabilities consist of deferred consideration and deferred tax liability, as applicable.

(5) Presented as ''Revolving credit facility'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(6) Presented as ''Bank overdrafts'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(7) Presented as ''Other borrowings'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.'' See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

(8) Other current liabilities consist of current tax liability, derivative liability and deferred consideration, as applicable.

(9) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Consolidated Statement of Cash Flow Data

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Net cash flow from operating activities before purchases of loan portfolios and loan notes	90,200	143,535	196,798
Purchases of loan portfolios	(142,631)	(176,310)	(201,700)
Purchases of loan portfolios to be resold[(1)]	—	(23,519)	—
Purchases of loan notes	—	—	(21,315)
Net cash used in operating activities	(52,431)	(56,294)	(26,217)
Net cash used in investing activities	(109,670)	(24,461)	(79,242)
Net cash flow generated by financing activities	129,057	76,042	117,266
Net increase/(decrease) in cash and cash equivalents	**(33,044)**	**(4,713)**	**11,807**
Cash and cash equivalents[(2)]	**14,542**	**10,183**	**23,203**

(1) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

(2) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Net Debt

The following table sets forth the components of net debt of AGG at the dates indicated.

	As of December 31,		
	2014	2015	2016
		(£'000)	
2020 Notes/Senior secured notes (pre-netting of transaction fees)	220,000	220,000	—
2021 Notes/Senior secured notes (pre-netting of transaction fees)[(1)]	176,070	246,832	285,623
2023 Notes/Senior secured notes (pre-netting of transaction fees)[(1)]	—	—	196,098
2024 Notes/Senior secured notes (pre-netting of transaction fees)	—	—	220,000
Revolving Credit Facility/Other borrowings /Bank overdrafts (pre-netting of transaction fees)[(2)]	38,999	75,000	96,700
Cash and cash equivalents	(14,542)	(10,183)	(23,203)
Net debt[(3)]	**420,527**	**531,649**	**775,218**

(1) Translated into pounds sterling at the Bloomberg Composite Rate for pounds sterling against euro at each date.

(2) Includes amounts borrowed under the Arrow Global Revolving Credit Facility, the InVesting Facility (which was terminated after year-end), the Non-Recourse Facility and the Portuguese Facility.

(3) Net debt as of December 31, 2016 represents the sum of the outstanding principal amount of the 2021 Notes, the 2023 Notes and the 2024 Notes and amounts outstanding under the Arrow Global Revolving Credit Facility, the InVesting Facility (which was terminated after year-end), the Non-Recourse Facility and the Portuguese Facility, less cash and cash equivalents. Going forward, net debt will also include the outstanding principal amount of the Notes, but will exclude the 2021 Notes which are to be redeemed in full with the proceeds of the Offering. Net debt as of December 31, 2016 is presented excluding deferred consideration in relation to acquisition of loan portfolios (£26.2 million), and deferred consideration in connection with the Portuguese acquisitions (£9.2 million), as well as accrued and unpaid interest on the 2021 Notes, 2023 Notes and the 2024 Notes as of December 31, 2016 (£5.4 million); including such deferred consideration and unpaid interest, net debt as of December 31, 2016 would have been £816.0 million. Net debt does not reflect debt issuance costs.

Other Financial Data

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
84-Month Gross ERC (£m)(1)	897.3	1,028.6	1,339.1
120-Month Gross ERC (£m)(2)	1,085.4	1,224.5	1,544.5
Purchases and acquisitions of loan portfolios (£'000)(3)	241,670	180,280	237,043
Number of accounts (at period end) ('000)(4)	8,300	8,600	9,300
Core Collections/Collections in the period (£'000)(5)	148,547	218,515	285,960
Collection Activity Costs (£'000)(6)	34,150	52,303	70,261
Collection Cost Ratio(7)	22.7%	22.4%	21.1%
Adjusted EBITDA (£'000)(8)(9)	**101,020**	**153,060**	**209,247**

(1) 84-Month Gross ERC means our estimated remaining collections on purchased loan portfolios over an 84-month period, which represents the expected future Core Collections on purchased loan portfolios over the 84-month period. See ''Presentation of Financial and Other Information.''

(2) 120-Month Gross ERC means our estimated remaining collections on purchased loan portfolios over a 120-month period, which represents the expected future Core Collections on purchased loan portfolios over the 120-month period. See ''Presentation of Financial and Other Information.''

(3) Purchases and acquisitions of loan portfolios represent the purchase price of our purchased portfolios, portfolios acquired through acquisitions, excluding related acquisition expenses, recoverable litigation expenditure (which are costs which increase the estimated forecasts of future flows within the purchased loan portfolios balance) and proceeds from disposal of portfolios.

(4) Number of accounts means the cumulative number of individual consumer debts that were acquired as of the date specified.

(5) Core Collections, which are presented as collections in the period in our consolidated financial statements, are collections on our purchased loan portfolios.

(6) Collection Activity Costs, which are presented in our statement of comprehensive income, represent the direct costs of in-house and external collections related to our purchased loan portfolios, such as commissions paid to third-party outsourced providers, credit bureau data costs, legal costs associated with collections as well as the costs of collecting our asset management revenue.

(7) Collection Cost Ratio is the ratio of Collection Activity Costs to Core Collections and income from asset management.

(8) We define Adjusted EBITDA as (loss)/profit for the period adjusted to exclude the effects of finance income and costs (other than exceptional items), taxation charge on ordinary activities, exceptional items included under finance income and costs, profit on disposal of purchased loan portfolios, depreciation and amortization, foreign exchange gains/(losses)(net), amortization of acquisition and bank facility fees (included in operating expenses), share-based payments (not included in exceptional items), exceptional items included under other operating expenses and adjusted for the effect of portfolio amortization.

Reconciliation of Adjusted EBITDA to net cash flow. For supplemental purposes, we have also included a reconciliation of net cash used in operating activities to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents net cash used in operating activities adjusted to exclude the effects of purchases of loan portfolios and loan portfolios to be resold, purchases of loan notes, gains on disposal of property, plant, equipment and intangibles, income taxes paid, working capital adjustments, share of profit in associates, amortization of acquisition and bank facility fees, and exceptional items, and include the effect of exchange rates on cash and cash equivalents.

Reconciliation of Adjusted EBITDA to Core Collections. Additionally, for supplemental purposes, we have included a reconciliation of Core Collections, which is included in our consolidated financial statements that are presented in accordance with IFRS, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Core Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our liquidity. For purposes of this reconciliation, Adjusted EBITDA represents Core Collections (which includes income from purchased loan portfolios and portfolio amortization), including the effects of income from asset management, other income/(profit/(loss) on portfolio and loan note sales, operating expenses and share of profit in associates, and excluding the effects of depreciation and amortization, foreign exchange gains/(losses)(net), amortization of acquisition and bank facility fees (included in operating expenses), share-based payments and exceptional items.

The following tables set forth the reconciliations of profit for the period, net cash flow from operating activities, and income from loan portfolios, in each case, to Adjusted EBITDA for the periods indicated.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Profit for the period	18,271	31,749	26,306
Finance income and costs (other than exceptional items)[(a)]	21,409	36,608	48,034
Taxation charge on ordinary activities	5,852	7,523	5,061
Share of profit in associates	—	(1,243)	(2,363)
Exceptional items included under finance income and costs[(b)]	848	—	17,994
Operating profit	**46,380**	**74,637**	**95,032**
Portfolio amortization[(c)]	40,563	68,277	97,046
Depreciation and amortization	1,090	4,176	8,658
Foreign exchange gains/(losses) (net)[(d)]	975	(592)	(1,510)
Profit on disposal of purchased loan portfolios	(825)	(503)	(701)
Amortization of acquisition and bank facility fees (included in operating expenses)	278	303	276
Share-based payments (not included in exceptional items)	568	1,210	3,061
Share of profit in associates	—	1,243	2,363
Exceptional items included under other operating expenses[(b)]	11,991	4,309	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Net cash used in operating activities	(52,431)	(56,294)	(26,217)
Purchases of loan portfolios	142,631	176,310	201,700
Purchases of loan portfolios to be resold[(e)]	—	23,519	—
Purchases of loan notes	—	—	21,315
Income taxes	7,039	6,624	2,850
Share of profit in associates	—	1,243	2,363
Working capital adjustments[(f)]	(6,652)	(1,941)	1,938
Amortization of acquisition and bank facility fees	278	303	276
Gains on disposal of property, plant, equipment and intangibles	(143)	—	—
Foreign exchange gains/effect of exchange rates on cash and cash equivalents[(d)]	66	354	—
Exceptional cash items[(b)(g)]	10,232	2,943	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Income from loan portfolios	107,984	150,238	188,914
Portfolio amortization	40,563	68,277	97,046
Core Collections/Collections in the period[(h)(i)]	**148,547**	**218,515**	**285,960**
Other income/profit/(loss) on portfolio and loan note sales[(j)]	—	—	
Income from asset management	1,933	14,713	46,315
Operating expenses	(64,362)	(90,817)	(140,898)
Depreciation and amortization	1,090	4,176	8,658
Foreign exchange gains/(losses) (net)[(d)]	975	(592)	(1,510)
Amortization of acquisition and bank facility fees (included in operating expenses)	278	303	276
Share-based payments (not included in exceptional items)	568	1,210	3,061
Share of profit in associates	—	1,243	2,363
Exceptional items included under other operating expenses[(b)]	11,991	4,309	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

(a) Finance income and costs (other than exceptional items) consist of interest on the 2020 Notes, the 2021 Notes, the 2023 Notes and the 2024 Notes (as applicable), interest on bank loans and the amortization of financing costs, and exclude the effect of the accelerated amortization of financing costs and settlement fees.

(b) The following table sets forth a breakdown of exceptional items during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Other operating expenses:			
Staff costs/IPO-related costs	1,760[(i)]	1,366	—
Company integration[(ii)]	—	1,452	—
Settlement provisions[(iii)]	4,205	—	—
Acquisition of subsidiary	6,026[(iv)]	1,491[(v)]	5,022[(vi)]
Exceptional items included under other operating expenses	11,991	4,309	5,022[(vi)]
Exceptional items included under finance income and costs	848[(vii)]	—	17,994[(viii)]
Exceptional items[(ix)]	**12,839**	**4,309**	**23,016**

(i) Reflects share option charges subsequent to the IPO.

(ii) Comprises £1.5 million due to the introduction of the hybrid collections model following the Capquest acquisition.

(iii) Comprises £2.2 million in relation to VAT settlement and £2.0 million of exceptional contract settlements, £1.6 million of which was directly due to the Capquest acquisition, terminating a duplicative servicing contract. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Statement of Comprehensive Income Items—Taxation charge on ordinary activities.''

(iv) Comprises £5.5 million of fees incurred in respect of the Capquest acquisition and specific staff costs of £0.5 million.

(v) Comprises £1.5 million of fees incurred in respect of the Portuguese acquisitions.

(vi) Comprises £5.0 million of fees incurred in respect of the InVesting acquisition and the Redrock acquisition, and the agreed anticipated acquisition of the Zenith Group.

(vii) Comprises interest on the settlement of the historical tax issue, discussed in note (iii), of £0.1 million. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Statement of Comprehensive Income Items—Taxation charge on ordinary activities.''

(viii) Comprises £18.0 million incurred in relation to the redemption of the 2020 Notes.

(ix) We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

(c) Portfolio amortization represents Core Collections in excess of income from purchased loan portfolios.

(d) Foreign exchange losses/(gains) include costs related to the retranslation of euro-denominated loan portfolios.

(e) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

(f) Working capital adjustments include the net movement on debtors and creditors, excluding our revolving credit facilities, the 2020 Notes and related accrued interest, the 2021 Notes and related accrued interest, the 2023 Notes and related accrued interest, the 2024 Notes and related accrued interest, and corporation tax debtors and creditors. The following table sets forth the working capital adjustments based on our consolidated statement of cash flow for the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
(Decrease)/increase in other receivables	(5,006)	16,285	9,243
Increase in trade and other payables	(1,646)	(18,226)	(7,305)
Working capital adjustments	**(6,652)**	**(1,941)**	**1,938**

(g) In the reconciliation of net cash used in operating activities to Adjusted EBITDA, non-cash adjustments and financing costs are excluded from the presentation of exceptional items, as set forth in the following table:

	For the year ended December 31,		
	2014	**2015**	**2016**
		(£'000)	
Total exceptional items	12,839	4,309	5,022
Non-cash adjustments and financing costs	(2,607)[(i)]	(1,366)[(ii)]	—
Total exceptional cash items	**10,232**	**2,943**	**5,022**

(i) Reflects share option charges subsequent to the IPO (£1.8 million) and financing costs (£0.8 million).

(ii) Reflects share option charges in relation to the IPO.

(h) As of December 31, 2016, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £116.8 million per year are required to maintain a constant 84-Month Gross ERC and £122.6 million per year are required to maintain a constant 120-Month Gross ERC (which is dependent on the mix of portfolios held by us, collections, the performance of Existing Portfolios and the return characteristics of new loan portfolio acquisitions).

(i) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(j) Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes, as applicable.

(9) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Pro Forma Financial Information

We present below certain financial information, as well as certain ratios, in each case on a *pro forma* basis to illustrate the impact of the Offering and the use of the proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as well as the refinancing of the InVesting Facility with additional amounts borrowed under the Arrow Global Revolving Credit Facility, on our consolidated financial statements had all of these events occurred on January 1, 2016 (with respect to consolidated statement of comprehensive income data) or on December 31, 2016 (with respect to consolidated balance sheet data). The information below on a *pro forma* basis excludes amounts outstanding under the Non-Recourse Facility as it is non-recourse to us.

	As of and for the year ended December 31, 2016
	(£'000, except ratios)
Adjusted EBITDA	**209,247**
Pro forma total debt[(1)]	807,541
Pro forma cash and cash equivalents[(2)]	22,047
***Pro forma* net debt[(3)]**	**785,493**
Pro forma secured net debt[(4)]	784,214
Pro forma cash interest expense[(5)]	34,035
84-Month Gross ERC[(6)]	**1,322,019**
120-Month Gross ERC[(6)]	**1,527,446**
Ratios	
Ratio of Adjusted EBITDA to *pro forma* cash interest expense	6.1x
Ratio of *pro forma* total debt to Adjusted EBITDA	3.9x
Ratio of *pro forma* net debt to Adjusted EBITDA	3.8x
Ratio of *pro forma* secured net debt to Adjusted EBITDA (Senior Secured Leverage Ratio)	3.7x
Ratio of *pro forma* net debt to 84-Month Gross ERC (LTV Ratio)	59.4%
Ratio of *pro forma* net debt to 120-Month Gross ERC	51.4%
Pro forma weighted average cost of debt[(7)]	4.2%
Pro forma weighted average maturity of debt[(8)]	7.0 years

(1) Comprises our total debt *pro forma* for the Offering and the use of the proceeds thereof, together with cash on hand. See also ''Capitalization'' and ''Use of Proceeds.'' The following table sets forth the components of our total debt *pro forma* for the Offering.

	As of December 31, 2016
	(£'000)
Total debt[(a)(b)]	798,307
Adjusted total debt[(c)]	786,230
Notes offered hereby	306,879
Amounts borrowed under the Arrow Global Revolving Credit Facility to repay and terminate the InVesting Facility	6,421
Less: repayment of the InVesting Facility	6,421
Less: redemption of the 2021 Notes	285,568
***Pro forma* total debt**	**807,541**

(a) Comprises:

- the principal amount of the 2021 Notes, pre-netting of transaction fees (€335.0 million, £285.6 million, converted to pounds sterling as set forth below under (b));
- the principal amount of the 2023 Notes, pre-netting of transaction fees (€230.0 million, £196.1 million, converted to pounds sterling as set forth below under (b));
- the principal amount of the 2024 Notes, pre-netting of transaction fees (£220.0 million);
- amounts drawn under the InVesting Facility (prior to its termination) and the Portuguese Facility (see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings''), converted to pounds sterling as set forth below under (b);
- amounts drawn under the Arrow Global Revolving Credit Facility, pre-netting of transaction fees (£76.9 million), as well as accrued and unpaid interest on the indebtedness outstanding under the Arrow Global Revolving Credit Facility (£0.06 million); and
- amounts drawn under the Non-Recourse Facility.

Total debt excludes (i) accrued interest on the 2021 Notes as of December 31, 2016 (£1.2 million), (ii) accrued interest on the 2023 Notes as of December 31, 2016 (£0.8 million), (iii) accrued interest on the 2024 Notes as of December 31, 2016 (£3.4 million), (iv) deferred consideration in respect of loan portfolio acquisitions as of December 31, 2016 (£26.2 million), and deferred consideration in relation to the Portuguese acquisitions as of December 31, 2016 (£9.2 million). Total debt also excludes debt issuance costs.

(b) Converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016. You should not view the translation as a representation that the euro amounts actually represent the converted pound sterling amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate. See ''Exchange Rate Information.''

(c) Adjusted for the amounts outstanding under the Non-Recourse Facility since it is non-recourse to us. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

(2) Represents our cash and cash equivalents *pro forma* for the Offering and the use of the proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as if they had occurred on December 31, 2016. The following table sets forth the components of *pro forma* cash and cash equivalents.

	As of December 31, 2016
	(£'000)
Cash and cash equivalents	23,200
Proceeds from Notes offered hereby[a]	306,879
Less: costs of redemption of the 2021 Notes[b][c][d]	16,629
Less: redemption of the 2021 Notes[c]	285,568
Less: payment of accrued and unpaid interest on the 2021 Notes since March 1, 2017 (the last interest payment date) to the redemption date[c][d]	1,132
Less: estimated fees and expenses related to the Offering[e]	4,702
***Pro forma* cash and cash equivalents[f]**	**22,047**

(a) Pre-netting of transaction fees.

(b) Represents the redemption premium of 5.8% for the 2021 Notes.

(c) Converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016.

(d) Assumes that the redemption date will be March 30, 2017 for the purposes of calculating the amounts due.

(e) Represents the estimated fees and expenses in relation to the Offering, including fees and commissions payable to the Initial Purchasers, advisory fees and other transaction costs and professional fees. See ''Use of Proceeds.''

(f) Does not reflect the accrual or payment of (i) accrued interest on the 2021 Notes as of December 31, 2016 (£1.2 million), (ii) accrued interest on the 2023 Notes as of December 31, 2016 (£0.8 million) and (iii) accrued interest on the 2024 Notes as of December 31, 2016 (£3.4 million), which amounts are expected to be paid on March 1, 2017. As of March 15, 2017, our cash and cash equivalents were £29.3 million and AGGHL's cash and cash equivalents were £29.3 million. See ''—Current Trading—The Consolidated Group.''

(3) Comprises our total debt, less our cash and cash equivalents *pro forma* for the Offering and the use of the proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as if these events had occurred on December 31, 2016. See note 2 above.

(4) Comprises our total secured debt, less our cash and cash equivalents *pro forma* for the Offering and the use of the proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as if these events had occurred on December 31, 2016. The €3.0 million (£2.6 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) Portuguese Facility is unsecured and is therefore excluded from this calculation. The total amount outstanding as of December 31, 2016 under the Portuguese Facility was £1.3 million (as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016). The Non-Recourse Facility is also excluded from this calculation as it is non-recourse to us.

(5) Represents our finance costs *pro forma* for the Offering and the use of proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as if these events had occurred on January 1, 2016. See note 2 above.

(6) In calculating our 84-month Gross ERC and our 120-month Gross ERC, we have excluded £17.1 million, which is the amount that is attributable to the proportion of the debt portfolios that we own that secure amounts owed under the Non-Recourse Facility. As we exclude the amounts under the Non-Recourse Facility that constitute our liability from our total debt, we have excluded the corresponding asset. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

(7) Calculated by dividing our *pro forma* cash interest expense by our *pro forma* total debt.

(8) Calculated by giving more weight to debt tranches with greater outstanding amounts.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below could materially adversely affect our business, financial condition or results of operations. If these events occur, the trading prices of the Notes could decline, and we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial could also adversely affect our businesses, results of operations, financial condition or our ability to fulfill our obligations under the Notes, and affect your investment.

This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Memorandum. See ''Forward-Looking Statements.''

Risks Relating to Our Business

Our UK operations are subject to significant oversight by UK regulators that view our operations as ''higher risk'' consumer credit activities.

Our UK operations are subject to licensing and regulation by governmental and regulatory bodies in the UK. See ''Regulation and Compliance.'' At present, our activities in the UK are principally regulated by the FCA, the UK Information Commissioner's Office (***ICO***) and the UK Office of Communications. For details of recent changes to the consumer credit regulatory regime and associated risks, see ''—Changes to the regulatory environment in the future in the UK, Portugal, Belgium, the Netherlands or Italy or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business and/or increase our costs.'' The FCA regards debt collection as a ''higher-risk'' consumer credit activity, which is subject to detailed conduct of business rules and, generally, more stringent regulatory standards than ''lower-risk'' activities. The FCA has already completed work reviewing various areas of the market, introducing a price cap on the ''pay-day lending'' sector, carrying out a market study of credit cards, reviewing early arrears management in unsecured lending and reviewing staff remuneration and incentives. See ''Regulation and Compliance—Regulatory Framework—United Kingdom—Conduct of Business Requirements.'' In addition, the FCA has substantial enforcement powers and a broad range of disciplinary measures that it can apply. To date, the FCA has already taken action against a high profile ''pay-day lender'' and various debt management firms, which led, among other things, to a cap on the maximum amount of interest that ''pay-day lenders'' can charge their customers, as well as customer redress payments for some firms. The FCA may take further action against the debt management industry as a whole that may require significant modifications to how we operate our business, which could have a material adverse effect on our business, prospects and financial condition.

Failure to comply with applicable laws, regulations and codes of practice relating to the purchase and collection of debt and the broader consumer credit industry could result in the suspension, termination or impairment of our ability to conduct business and substantial losses.

Our business in the UK is conducted through four CC Companies, which are Consolidated Group companies that are authorized by the FCA to conduct consumer credit-related regulated activities. See ''Regulation and Compliance—Regulatory Framework—United Kingdom.''

To maintain full authorization to carry on regulated consumer credit activities, CC Companies are required to continue to meet certain organizational and suitability standards (referred to as the ''threshold conditions''). The FCA is required by the Financial Services and Markets Act 2000 (***FSMA***) (as amended) to determine whether a firm that is authorized by the FCA continues to meet the threshold conditions. Failure to continue to meet the threshold conditions may result in the FCA taking disciplinary action, including commencing a process to vary, suspend or withdraw a firm's authorization. In addition, where an authorized firm breaches FCA rules, the FCA may take enforcement action which might lead it to, for example, impose a financial penalty on that firm or issue a public statement of censure.

Since our receipt of FCA authorization in August 2016, the FCA has sought information on our collection activities, including refunds for customers where their accounts have a credit balance due to over-payments or account adjustments, remediation of customer accounts to meet requirements of the

CCA, application of post-judgment interest to customer accounts by DCAs and administration of a small number of regulated mortgage accounts. We are in a dialogue with the FCA in respect of each of these types of activities.

If any of the CC Companies' authorization is varied, suspended or withdrawn, our business would be severely constrained and could not continue to be operated in the way it is currently being operated. In addition, any variation, suspension or withdrawal of the authorization of one of the CC Companies, or certain other disciplinary action taken by the FCA against one of the CC Companies, may become publicly known and may result in severe reputational damage. If any of the CC Companies becomes subject to disciplinary action by the FCA, Debt Sellers that currently do business with us may cease to do so, and our ability to purchase debt and our ability to win future business may be materially adversely affected. Further, disciplinary action taken against any of the CC Companies may require us to make potentially significant changes to our business practices or expend significant sums in fines, redress or remediation.

We might also have to introduce changes to our business practices in response to disciplinary action taken against competitors or as a result of FCA general investigatory work or thematic reviews in the consumer credit market. Remedial actions that may be necessary could increase our costs, reduce our ability to collect from our purchased debt portfolios, and otherwise adversely affect our business and results of operations. In addition, our risk management and compliance framework may require additional investment and resources to satisfy applicable FCA requirements and we may need to enhance it further to comply with forthcoming and future legal and regulatory requirements.

In addition to certain high level standards, the CC Companies are also subject to numerous detailed legislative and regulatory requirements, principally contained in FSMA, the Consumer Credit Act 1974 and related secondary legislation (the ***CCA***), the Unfair Terms in Consumer Contracts Regulations 1999 (the ***UTCCRs***) (in relation to contracts entered into prior to October 1, 2015), the Consumer Rights Act 2015 (the ***CRA***) (in relation to contracts entered into from October 1, 2015) and the FCA's Handbook of rules and guidance (the ***FCA Handbook***), including the Mortgages and Home Finance: Conduct of Business sourcebook (***MCOB***) and the Consumer Credit sourcebook (***CONC***). Further, the CC Companies are subject to requirements under other consumer protection legislation, for example, the general duty to act honestly and fairly towards customers under the Consumer Protection from Unfair Trading Regulations 2008 (as amended) (the ***CPUTR***).

The CC Companies are also subject to certain FCA rules and requirements, including the Principles for Businesses (the ***PRIN***), the General Provisions (***GEN***) and the Senior Management Arrangements, Systems and Controls sourcebook (***SYSC***). See "Regulation and Compliance—Regulatory Framework—United Kingdom." We subscribe to the Standards of Lending Practice issued by the UK Lending Standards Board (the ***LSB***), having become a registered firm with the LSB in July 2016.

Regardless of each company's direct legal and regulatory position, our operating subsidiaries may be subject to contractual obligations to observe certain requirements under, or to ensure that their business is run in a way that is not inconsistent with, certain additional FCA rules or requirements. As a result of our registration with the LSB, we are required to comply with the relevant provisions of the Standards of Lending Practice by Debt Sellers and, therefore, we operate in accordance with the applicable provisions of the Standards of Lending Practice.

We may continue to experience enhanced Debt Seller oversight, and additional legal and regulatory requirements that we must take into account by virtue of our contractual obligations could also become more stringent, which could result in additional operational costs and may have an adverse effect on our operations. Since 2016, we have been subject to twelve audits and two due diligence reviews by Debt Sellers to determine our compliance under the relevant contractual obligations, and to assess the adequacy and effectiveness of our services and measures, compliance with applicable laws and regulations and internal controls and management, among other things. More specifically, audits undertaken by Debt Sellers tend to focus on our governance, risk management framework, compliance arrangements, oversight of our DCAs and our ongoing fair treatment of customers, including how we handle vulnerable customers, complaints, litigation activity, call handling and our customers' end-to-end journey through different strategies. We now are also subject with increasing frequency to information security audits. Historically, our control framework has not always fully met, and may not fully meet, current or future Debt Sellers' expectations. For example, in the UK, retail banks have, in recent years, increased their requirements in terms of the scope of regulatory requirements, regulatory and industry guidance (including voluntary codes of conduct) and best market practice that they expect debt purchasers to comply with in order to be admitted to and / or to be retained on their debt sales panel. While reviews of our control framework by Debt Sellers since January 1, 2015 have identified areas for improvement, this has not led to us being taken off the panel of the relevant Debt Sellers. Similar findings in future reviews could lead to such an outcome, which could reduce our ability to purchase loan portfolios, and otherwise adversely affect our business and results of operations.

Any failure to comply with applicable laws, regulations, rules and guidance (such as the rules and guidance on irresponsible lending and debt collection), or material contractual obligations (as described above) could result in investigations or regulatory enforcement action that may lead to fines or the variation, suspension or withdrawal of authorization for some or all of the CC Companies. Further, non-compliance with certain provisions of the CCA may, for example, render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded. As the CC Companies are dependent on information being provided to them by Debt Sellers to enable them to comply with certain obligations under the CCA, a failure to obtain this information at the time of purchase or to ensure that there are suitable contractual obligations on the Debt Seller to provide this information could adversely affect the CC Companies' ability to comply with those obligations. In addition, such failure to comply, variation, suspension or withdrawal of authorization, or any actions by us that may damage the reputation or increase the compliance risk of any Debt Seller, could entitle a Debt Seller to terminate any Forward Flow Agreement with us and to seek available remedies (see "—Changes to the regulatory environment in the future in the UK, Portugal, Belgium, the Netherlands or Italy or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business and/or increase our costs."). In such a case, the Debt Seller may be entitled to repurchase portfolios that we previously purchased from it. Damage to our reputation, whether due to a failure to comply with applicable laws, regulations, rules and guidance or material contractual obligations, variation, suspension or withdrawal of authorization, or any other regulatory action, could deter Debt Sellers from selling debt portfolios to us and/or result in us being removed from their debt sales panels. Moreover, failure by the CC Companies or by Debt Sellers to comply with consumer protection legislation may lead to credit agreements becoming unenforceable (in part or in whole), which could render the CC Companies unable to collect purchased debts and, depending on the breach, may result in them losing the right to charge (or retain) interest and other fees or charges under such agreements without taking appropriate remedial action (which could be costly and time consuming) or at all.

We are subject to risks by virtue of the requirements applicable to DCAs.

We currently allocate a significant portion of our accounts to third-party DCAs and servicers in the UK, Portugal, Belgium and the Netherlands. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us, as, in the UK in particular, the FCA expects regulated businesses to comply with its rules and guidance on outsourcing, which means that regulated businesses, such as the CC Companies, need to carefully select any third parties with whom they work and, to a certain degree, take responsibility for any compliance violations by such third parties. We may, for example, incur costs in reimbursing customers by reason of violations by DCAs and other third parties that adversely affected such customers. Further, if any such third-party carrying on regulated consumer credit activities in the UK were unable to obtain full FCA authorization at the relevant time, accounts may have to be recalled from that third-party, which could interrupt customer payments and result in financial loss for the Consolidated Group.

We are subject to extensive regulations in other jurisdictions in which we operate.

In Portugal, while our purchases of non-paying loan portfolios from Portuguese credit institutions are generally not considered to constitute a regulated activity, they, together with our engagement of local agencies, fall under the general rules of the Portuguese Civil Code. In addition, we must comply with Portuguese law on personal data (Law 67/98), directly implementing an EU Directive (1995/46/EC), and must obtain approval from the Comissão Nacional de Protecção de Dados (***CNPD***), the local data protection authority, in respect of the purchase and processing of personal data.

In the Netherlands, in order to act as an intermediary in respect of consumer credit and/or mortgage credit and to offer consumer credit and/or mortgage credit (including activities relating to the servicing of existing credit agreements granted by third parties), we must have and maintain licenses granted by the AFM and the Consolidated Group entities that have such licenses must comply with ongoing requirements and rules of conduct. In addition, to the extent we collect and process personal data as data controllers, we must comply with statutory obligations under the Dutch Personal Data Protection Act (the ***Dutch PDPA***).

In Belgium, we are subject to the oversight by the Financial Services and Markets Authority and in Portugal, by the Portuguese regulator, CMVM. We are also a member of the DCA trade association and are supervised by FOD Economy, which provides trusted lists of service providers. As we collect and process personal data, as data controllers we are supervised by the Belgian Authority for the Protection of Personal Data.

Following the completion of the Zenith acquisition, we will also operate in Italy as a financial intermediary regulated and supervised by the Bank of Italy under section 106 of the Consolidated Banking Law. We will also need to comply with the equivalent data protection legislation in Italy which incorporates EU-wide legislative requirements.

As we expand into jurisdictions other than the UK, Portugal, the Netherlands, Belgium and Italy, our business will be subject to applicable laws, regulations, rules and licensing requirements in those jurisdictions, which may be different, or more onerous, than in the jurisdictions in which we currently operate. A failure by us or our agents or assignees to comply with all such local legal and regulatory requirements may result in the suspension, termination or impairment of our ability to conduct business in the relevant jurisdiction.

We are increasingly becoming subject to voluntary codes of conduct.

We may have to comply with industry guidance and voluntary codes of conduct or practice, particularly as many Debt Sellers now expect us to comply with non-mandatory requirements that have come to be seen as essential, rather than merely ''good market practice.'' The Standards of Lending Practice is a prominent example of a voluntary code that has become standard in practice. Failure to comply with such voluntary codes may harm our reputation and our ability to compete in the debt purchase market, among other things.

Changes to the regulatory environment in the future in the UK, Portugal, Belgium, the Netherlands or Italy or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business and/or increase our costs.

The volume of legislation that is applicable to consumer credit in the UK, Portugal, Belgium, the Netherlands and Italy has been increasing over the last few years, and this trend may continue or further increase depending on the prevailing political environment and attitudes towards the sector. Increasingly, the regulatory focus in the consumer credit sector is on ensuring that consumer credit businesses treat their customers fairly and that business processes throughout the credit cycle are focused on achieving fair outcomes for consumers, from assessing affordability of credit at the outset through to treating borrowers in financial difficulties with forbearance. New laws or regulations or changes in existing laws or regulations (or the manner in which they are interpreted or applied) could subject us to additional operating costs or potentially expose us to additional liability, or otherwise adversely impact the manner in which we operate our business and have a material adverse effect on our results of operations and financial condition.

For example, the Mortgage Credit Directive (the ***MCD***) was transposed into UK law on March 21, 2016. This involved changes to the regime for first charge mortgages and also brought second charge mortgages into the same regime as first charge mortgages (rather than the separate CCA regime which previously governed second charge lending). This has increased our compliance costs. See ''Regulation and Compliance—Regulatory Framework—United Kingdom.''

Other regulatory obligations. In addition to the CCA, FSMA, the UTCCR (in relation to contracts entered into prior to October 1, 2015), the CRA (in relation to contracts entered into from October 1, 2015) and the CPUTR, there are a significant number of other legal requirements to which we are already subject, or with which we comply voluntarily. Such requirements may change or may be interpreted or applied differently in the future, and we may become subject to new laws and regulations, such as those related to debt collection, the enforceability of credit agreements, the statute of limitations for enforcement of debt obligations, credit reporting, consumer bankruptcy, the management of consumer debt, accounting standards, taxation requirements, employment and data privacy and protection, including potentially as a result of the substantial number of investigations into lending and debt collection processes conducted by the OFT prior to April 2014 (and any regulatory work carried out by the FCA since or in the future) (see ''Regulation and Compliance—Regulatory Framework—United Kingdom'').

FCA agenda. The FCA set out a list of its key priorities in its Business Plan for 2016/17, which includes, among other things, the culture and governance of firms and the treatment of existing customers. Further, the FCA published the final report of its market study of competition in the credit card market on July 26, 2016, and, on December 13, 2016, it also published the findings of its thematic review of early arrears management in unsecured lending (see ''Regulation and Compliance—Regulatory Framework—United Kingdom—Conduct of Business Requirements''). There is a risk that this regulatory work, or other future work, may result in tighter regulation of, and new restrictions on, the consumer credit market generally, including in relation to debt purchase and collection business.

Shorter statutes of limitation. The statute of limitations dictates the amount of time that a business has to commence legal proceedings to enforce payment obligations. Where a right of action has accrued to recover a debt and the person liable or accountable for the claim acknowledges the claim or makes any payment in respect of it, the right of claim is treated as having accrued on the date of acknowledgement or payment, and runs for six years from that date. In 2001, the Law Commission published a report on certain proposed reforms to the Limitations Act 1980 to, among other things, shorten the current statute of limitations period for certain types of claims in England, Wales and Northern Ireland from six years to three years. In 2009, the UK government stated that it would not include the recommendations in the Civil Law Reform Bill and would not be taking the reforms forward. While there is no current proposal to shorten the statutory limitation period in the UK, Portugal or the Netherlands, such a reduction, if implemented in the future, would be likely to severely affect the ability of debt collectors to enforce payment obligations in respect of defaulted consumer credit. This change (if introduced) could therefore have a material adverse impact on our current business model. If the statutory limitation period were to be reduced, the value of purchased debt on our financial statements could reduce because the portion of amounts recovered and recoverable would likely decrease, leading to significant impairment charges as a result of loan portfolios carrying value reductions. A reduction in the statutory limitation period may also reduce the market size for debt purchase opportunities, and increase marginal costs in the debt collection industry, as court proceedings might be initiated earlier in the credit cycle. There can be no assurance that the statute of limitations period for enforcement of payment obligations will not be shortened in the future in the UK, Portugal, Belgium, the Netherlands or other jurisdictions in which we may expand our business.

Changes to commission structures. Where we outsource some of our collections to our DCA partners in the UK on a largely contingent basis, with DCAs being paid a commission based on collections achieved, any change in laws or regulations restricting or prohibiting this practice of Contingent Collections could cause us to have to change such arrangements with our DCA partners to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing Collection Activity Costs to rise without necessarily increasing Core Collections. Although we are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries, similar restrictions were introduced for independent financial advisers and other firms as part of the FSA's retail distribution review. These firms can no longer earn provider-determined commission for successful recommendations of retail investment products but must instead be paid an adviser charge, which is agreed with retail clients in advance. If such change were to be implemented in relation to the debt purchase and collection industries this could negatively affect our ability to operate successfully using our current business model, which could have a material adverse effect on our financial returns and results of operations.

We are considering various alternative models, including a hybrid model comprising a fixed fee for activities undertaken plus a reduced commission on collections, an outcomes-based fee structure, and a model based purely on the activities undertaken by the relevant DCA. Currently, industry participants (including banking and finance firms) are considering whether alternative remuneration structures may be more appropriate. With one bank we have implemented a 'per account fee' which covers all servicing activity for a 12-month period, which has been based on historical revenue data; with another bank, we have implemented a 'deferred commission' scheme whereby any remuneration element which is based on financial performance is deferred for three months to ensure that all conduct scores remain at an acceptably high level for that same period. We are also encouraging our clients to consider a different Contingent Collections model based on customer outcomes and not time-based placement periods.

Indirect effects. In addition, any changes in the rules and regulations of courts in the UK, Portugal, Belgium, the Netherlands and Italy, which we use regularly to collect on accounts, such as a material increase in applicable fees paid by us, could adversely affect our gross margin.

The legislative and regulatory environment is also challenging for Debt Originators, which impacts us because it influences the availability and pricing of debt available for purchase. Regulators are increasingly requiring lenders and debt collectors to assess affordability and suitability of products offered to consumers and to exercise ''forbearance'' in relation to consumer debt, accept low repayment offers and refrain from placing customers under undue pressure in relation to the repayment of debt. Although focused on particular sectors of the market, such work may have an impact on the consumer credit market more broadly. To the extent that new, or amended, laws or regulations in any jurisdiction in which we operate reduce the profitability of issuing credit and result in lower consumer credit issuance volume, there could be a reduced supply of debt portfolios for sale, which could, among other things, lead to increased prices and lower returns on investments for us.

Depending on their nature and scope, changes to laws, practices, regulations and guidance could require additional investment and resources in our risk and compliance governance frameworks, which could have a material adverse effect on our results of operations.

The ability to obtain, share and retain customer data is critical to us and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which we operate.

Our ability to conduct our business, including in relation to pricing debt portfolios, tracing consumers and developing tailored repayment plans, depends in large part on our ability to use personal data in our consumer data intelligence systems and our ability to share account level data with DCAs and other servicers to enhance collections. Our ability to obtain, retain, share and otherwise manage such data is governed by data protection and privacy requirements and regulatory rules and guidance.

Local regulations. In the UK, as a debt purchaser, we must comply with the requirements established by the Data Protection Act 1998 (the ***DPA***) in relation to processing the personal data of our customers, including maintaining the appropriate data protection registrations with the ICO. Any failure to comply with the DPA could result in the revocation of our licenses, enforcement notices, monetary fines, criminal charges and breach of contractual arrangements. We may also be penalized if Experian or one of the contributors of data to us were to violate data protection laws or other regulatory requirements. In the Netherlands, any personal data we process as a debt purchaser must take place in compliance with the Dutch PDPA. Any failure to comply with the Dutch PDPA could result in administrative fines or binding orders. In Portugal, we are required to comply with local law on personal data, and to obtain approval from the local data protection authority for the purchase and processing of personal data. Any regulatory changes that impair our ability to continue our current use of consumer data in our systems or our ability to share data could have a material adverse effect on our operations. In addition, debt purchasers in Portugal do not gain access to personal data such as debtors' names and addresses until completion of portfolio purchases. This lack of data makes it more challenging for us to effectively evaluate potential purchasing opportunities in Portugal. Were we to expand our operations into other jurisdictions we would be subject to additional local requirements which might give rise to similar, or additional, risks.

EU Regulation. The EU General Data Protection Regulation came into effect on May 24, 2016 and will become directly applicable in Member States from May 25, 2018. The Regulation introduces substantial changes to the EU data protection regime. It will impose a higher compliance burden on the industry and restrict our ability to use data, including through expanding the requirement for informed opt-in consent by customers to the processing of their personal data, granting customers a ''right to be forgotten'' (which may give the customers the right to have their data deleted in certain cases), imposing restrictions on taking decisions about individuals based solely on automated processing of their data (which may prohibit us from taking decisions about customers using our consumer data intelligence systems unless there is manual intervention), imposing disclosure requirements about data sources to customers and increasing the maximum levels of fines for compliance failures from its current level in the UK of £500,000 to 4% of annual worldwide turnover, among other requirements. In addition, the EU General Data Protection Regulation will increase the ability of data subjects to recover substantial damages for breaches of the legislation, and will allow representative bodies (such as consumer organizations) to make claims on behalf of data subjects. We, along with other market participants, including DCAs, Debt Originators and debt purchasers, may also experience a significant increase in the number of subject access requests. These changes may increase our data protection costs and restrict our ability to conduct our business, which may have a material adverse effect on our results of operations and financial position.

The outcome of the UK Referendum could have adverse consequences for our business.

Following the UK Referendum, the UK government announced its intention to serve notice on the European Council under Article 50 of the Treaty of Lisbon. The outcome of the UK Referendum caused significant market volatility and currency exchange rate fluctuations in 2016, including a sharp decline in the value of the pound sterling as compared to the U.S. dollar and other currencies. The future effects of the withdrawal of the UK from the EU are expected to be far-reaching. The UK government has indicated that it intends to withdraw from the EU, and prolonged negotiations are expected to determine the future terms of the UK's relationship with the EU, in particular the terms of trade between the UK and the EU and access by the UK to other aspects of the EU single market, including the provision of services throughout the EU. The long-term effects of any withdrawal of the UK from the EU will depend in part on the terms on which the UK retains access to EU markets and the EU generally, either during a transitional period or more permanently, and the scope and nature of such access remain highly uncertain.

Even in advance of actual withdrawal of the UK from the EU, there may be significant consequences, including:

- a sustained period of economic, fiscal, monetary, social and political uncertainty, adversely affecting the UK, continental European and global economic and market conditions, including levels of investment and lending, and contributing to instability in global financial and foreign exchange markets;
- reduced business and consumer confidence in the UK;
- increased counterparty risk in the UK and in the EU generally;
- shifts by financial service providers to other locations in the EU to retain access to the EU single market via passporting arrangements as a pre-emptive matter;
- legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate;
- renewed uncertainty around a potential new referendum on Scotland's independence;
- increased tensions in Northern Ireland;
- challenges in recruitment of qualified employees;
- uncertainty as to the future of the Eurozone and the EU; and
- the potential risk of a future macroeconomic downturn impairing customers' ability to repay their debts.

Any of the foregoing effects and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows, and could negatively impact the value of the Notes. For example, we may experience an increase in our costs of funds as lending to UK-based borrowers may become more costly. Core Collections from our debt portfolios may diminish compared to our historical experience should our customers find it more difficult to make payments as a result of the economic impacts of the outcome of the UK Referendum. Further, we may be subject to increased regulatory and compliance costs should the regulatory regimes diverge between the EU and the UK following a withdrawal of the UK from the EU. We may also be adversely affected to the extent that the supply of debt portfolios diminishes resulting in upward pressure on pricing of available debt portfolios, which in fact did affect the industry in the UK in 2016.

Changes in the economic and/or political environment in the markets in which we operate may have a material adverse effect on our financial condition, financial returns and results of operations.

As of December 31, 2016, the UK accounted for 61.9% (December 31, 2015: 72.5%) of our purchased loan portfolios (based on purchase price) and 57.7% (December 31, 2015: 70.2%) of our 120-Month

Gross ERC, Portugal accounted for 27.0% (December 31, 2015: 22.4%) of our purchased loan portfolios (by purchase price) and 29.9% (December 31, 2015: 25.5%) of our 120-Month Gross ERC, and the Netherlands and Belgium accounted for 11.1% of our purchased loan portfolios (based on purchase price) and 12.4% of our 120-Month Gross ERC. We are, therefore, exposed to economic, market (including house prices), fiscal, regulatory, legislative, political and social conditions in the UK, Portugal, Belgium, the Netherlands and, following the completion of the Zenith Acquisition, Italy. As of December 31, 2016, financial services loan portfolios accounted for 84.9% of our 120-Month Gross ERC and so we are also particularly exposed to the financial services sector.

Between 2008 and 2012, the UK experienced two periods of recession as a result of economic factors triggered by the global financial crisis, which started in 2007. The UK economy has since returned to growth, with The Bank of England stating in its February 2017 Inflation Report that it expected that the UK economy would continue to grow by 2.0% in 2017, 1.6% in 2018 and 1.7% in 2019. Portugal is also experiencing economic growth following a prolonged recession. Although unemployment in Portugal is expected to remain among the highest in the Eurozone, it has continued to fall from its peak in 2013 and house prices in Portugal are expected to remain stable after falling to the lowest level in a decade. The Netherlands has also recovered from the global financial crisis and a subsequent Eurozone crisis. According to the OECD, the Dutch economy grew in each of the last three years, with the growth forecast to continue.

Continued improvement in economic conditions in the UK, Portugal, Belgium and the Netherlands could affect our business and performance in various ways, including an increase in the amount of one-off payments and early repayments made by customers. It could also lead to a reduction in the number of attractive portfolio opportunities which are available for us to invest in, and more competitive pricing, as financing becomes more widely available for competitors at a lower cost of funding.

Conversely, sustained effects of prolonged economic weakness, and poor prospects for economic growth, in the UK, Portugal, Belgium, the Netherlands and Italy could have various impacts on our business and performance, primarily and as a direct result of the effects of weak economic conditions on our customers. The volatility and uncertainty that affected the banking system and financial markets during the global financial crisis and the period that followed resulted in a contraction of credit markets. In particular, there was a significant shift in the collections environment as a result of the collapse of the sub-prime lending market in 2008, which resulted in the tightening of capital requirements and lending standards, such as those introduced in the UK in April 2014 as a result of the Mortgage Market Review. Furthermore, governments in many countries responded to adverse economic conditions by introducing various austerity measures, such as cuts in public benefits and public sector employment. In the UK, this included wide-ranging reform of the benefits system, including the introduction of a universal credit and a cap on the total amount of benefits that most people of working age can receive.

The ongoing effects of factors such as tightened lending standards and welfare reforms may reduce the propensity of financial institutions to lend to customers in the UK, Portugal and Netherlands, leading to a reduced supply of debt available for purchase, as well as negatively affecting our customers by reducing disposable income levels or otherwise impairing their ability to service payment obligations. The effect may be more pronounced on us because over 84.9% of our loan portfolios as of December 31, 2016 (by 120-Month Gross ERC) were purchased in the financial services sector. Our Gross ERC may decrease if customers are unable to obtain credit to consolidate their debts and refinance their obligations with us.

The planned withdrawal of the UK from the EU has created uncertainty for the UK and the rest of the EU, and negotiations over withdrawal will likely continue to contribute to volatility. Such volatility could be exacerbated by the outcome of upcoming elections in the Netherlands, France and Germany, and potentially Italy, during 2017, as well as by concerns in respect of growth prospects of emerging economies such as China and Brazil, a decline in global commodity prices and continued economic stagnation in much of the Eurozone. Greater restrictions on international trade and significant increases to tariffs on goods imported into the United States could, if implemented, eventually increase costs, decrease margins and reduce the competitiveness of products and services offered by European companies, which could, in turn, adversely affect the economies of the countries in which we operate.

As a result of the foregoing, our future growth, financial condition, financial returns and results of operations could be materially adversely affected either as a direct result of reduced collections or because of valuation impairments.

Rising interest rates could impair the ability of customers to pay their debts which could have a material adverse effect on our financial condition, financial returns and results of operations.

In recent years, it generally has been expected that central banks ultimately would raise interest rates in the medium-term, though the outcome of the UK Referendum has cast doubt on when interest rates in the UK will increase. Rising interest rates could impair the financial viability of customers who have variable interest rate obligations (such as home mortgages) or other significant debt that bears floating rate interest. This could, directly or indirectly, lead to a reduction in customers' disposable income and, as a result, their ability to repay their debts to us. If our customers experience a reduced ability to pay their debts, DCAs may require higher commissions to address increased Collection Activity Costs, and we could face higher payment plan default rates and lower average payments, any of which could reduce our cash generation, return on capital and Gross ERC. Even if we are able to develop payment plans in relation to certain of these obligations, such measures may prove unsuccessful. Further, we could more quickly reach a point of saturation with certain customers (*i.e.*, the number of accounts matched to a customer may reach a point at which that customer lacks the financial means to pay on all of the accounts that we own). Even if our efforts were to prove successful in avoiding some defaults, total collections may still decline and/or the timing of receipt of payments may lengthen, any of which would impair our financial condition and results of operations. In addition, rising interest rates may increase our financing costs, which may result in our inability to finance debt portfolio purchases at profitable levels or at all.

The value of our Existing Portfolios may deteriorate, or we may not be able to collect sufficient amounts on our debt portfolios to take advantage of opportunities for debt portfolio purchases as they arise in the market.

We purchase portfolios of defaulted debt, which often consist of a substantial number of accounts without contact details and for which the Debt Seller has made numerous (unsuccessful) attempts to collect. Such debt may subsequently be deemed uncollectable and written off. Our purchased portfolios include both Paying Accounts, which consist of accounts that have shown at least one payment over the preceding three months or at least two payments over the preceding six months, and non-Paying Accounts, which may be higher risk and have less predictable cash flows than Paying Accounts. Although we estimate that the recoveries on our purchased debt portfolios will be in excess of the amount we paid for them, amounts recovered may be less than expected and may even be less than the total amount paid for such portfolios. Our purchased loan portfolios comprised 74.7% of our total assets as of December 31, 2016 and any condition or development that causes these portfolios to lose value, such as a decrease in expected collections, will have a material adverse effect on our financial condition, financial returns and results of operations.

As collecting on our Existing Portfolios may take a long time, and the factors affecting debt collection rates may be volatile and outside our control, we may not be able to identify economic trends or make changes in our purchasing strategies in a timely manner. We may not be able to achieve the levels of collections forecast prior to purchase of any debt, or collect anything at all. In addition, the assumptions used by us in our models may be incorrect or some of the accounts in a portfolio may behave differently from the way we expect. For example, accounts in foreign jurisdictions may have direct debt instructions that are more challenging to engage, resulting in lower collections on such accounts. Court processing delays and the length of the judicial process generally in jurisdictions such as Portugal and Italy could lead to collections failing to meet expectations. Any of these factors could result in a loss of value in a portfolio after purchase and a continuing deterioration in value over time as actual collections can deviate significantly from the collection estimates produced by our pricing model as accounts age.

If the cash flows from our Existing Portfolios (and the debt portfolios we purchase in the future) are less than anticipated, we may have difficulty servicing our indebtedness and may be unable to purchase new debt portfolios that we would like to purchase. As a result, our future growth, financial condition, financial returns and results of operations could be materially and adversely affected.

The statistical models and analytical tools we use in our business, including in our calculation of Gross ERC, may prove to be inaccurate and we may not achieve anticipated recoveries.

We use internally developed models and other data analytics tools extensively in our business operations. For example, we use a portfolio valuation model to project remaining cash flow generation from purchased debt portfolios and our Gross ERC. However, at the time of purchase, we are likely to have imperfect information about the precise age of the receivables, the ability of the customer to pay, the time at which the customer will pay and the cost required to service and collect on such debts and it may take several years for us to recoup the original purchase price of our investment in debt portfolios. Moreover, information based on historical market behavior and statistic-based historical models may not accurately predict, or be indicative of, the characteristics of subsequent debt portfolios purchased from the same Debt Seller or the same industry due to changes in business practices or economic developments. In addition, if we purchase types of debt portfolios with which we have limited experience, or purchase debt portfolios in regions in which we have no prior experience, or from Debt Sellers with whom we have no prior dealings, our ability to properly price and to collect on such portfolios may be adversely affected. For example, although we focus primarily on consumer debt, we have also purchased commercial debt in Portugal and student loan portfolios in the UK. In addition, debt purchasers in Portugal do not always gain access to personal data such as debtors' names and addresses, until completion of portfolio purchases. This lack of data makes it more challenging for us to effectively evaluate potential purchasing opportunities in Portugal. The lack of data is exacerbated when we seek to enter new markets, for example, Italy, where we may not have access to comparable historical customer collections data. Lack of reliable information can lead to mispricing of purchased debt portfolios, which may have a material adverse effect on the financial returns from such portfolios. We make assumptions in respect of the rates of conversion of non-Paying Accounts into Paying Accounts, and our ability to convert such accounts may vary in the future. As a result of the foregoing, we may not be able to achieve the collections forecast by our portfolio valuation model that is used to calculate the Gross ERC of a portfolio and to value our Existing Portfolios, and our models may not appropriately identify or assess all material factors and yield accurate forecasts. For example, for 2016, due to underperformance affecting one of our portfolios in Portugal, we had to adjust our Gross ERC downward for that portfolio.

In addition, we use a value-based segmentation methodology to segment individual accounts into value segments according to their predicted collectability and then place individual accounts with DCAs that we consider to be the most appropriate to collect that type of debt. During the segmentation process, we use internally developed models that forecast future collections based on our data assets. If assumptions used by us in our models are incorrect or if some of the accounts in a portfolio behave differently from the way we expect them to, this value-based segmentation methodology may not provide us with the intended level of collections performance and pricing accuracy.

Our statistical models and analytical tools assess information provided by third parties, such as credit bureaus and other mainstream or public sources, or generated by software products. For example, for our portfolios in Portugal, where relevant, local collectors produce quarterly forecasts at an account level that are incorporated into Gross ERC. We also rely on the data obtained from the PCB, one of the UK's first debt collection focused credit bureaus (which was launched in 2011 by us and Experian), to improve customer matching and tracing and overall customer account placement strategies. The PCB is dependent on the participation of third parties such as Debt Originators and DCAs, and such third parties may not continue to participate and contribute data to the PCB. For example, as a result of our acquisition of the Capquest Group (which includes collections operations) and our rationalization of our core panel of DCAs, DCA participation in the PCB may decrease. Further, we do not control the raw data from the PCB but receive matched information from Experian and so are reliant on Experian to process information correctly. We have no control over the accuracy or sufficiency of information received from third parties. If such information is not accurate or sufficient, we could incorrectly price debt we purchase, or incorrectly value our Existing Portfolios, mismatch accounts with DCAs, set commission rates or performance goals inaccurately, and experience lower liquidation rates or larger operating expenses.

Even if we are provided with accurate information that is then effectively assessed by our statistical models and analytical tools, we could reach a point of saturation where a customer lacks the financial ability to pay on all the accounts that have been matched. In addition, we forecast Gross ERC, effective interest rate (***EIR***) and certain other key performance indicators over 84-month and 120-month periods and the risk of error in our forecasts, such as greater than expected payment defaults by our customers, is increased by the significant length of these time periods.

If we are not able to achieve forecasted levels of collections, valuation impairments may be recognized, amortization may increase, and revenue and returns on portfolio purchases may be reduced. These risks may be exacerbated to the extent our statistical models and analytical tools fail to accurately forecast the key performance indicators.

Any of the foregoing may have a material adverse effect on our financial condition, financial returns and results of operations. For further details, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates.''

There may not be sufficient supply of debt, or appropriately priced debt, available for purchase, and a decrease in our ability to purchase portfolios of debt could materially and adversely affect our business, financial condition and results of operations.

The availability of debt portfolios at prices that generate profits may be adversely affected by a number of factors, some of which are outside our control, including:

- the level of consumer confidence and consumer spending;
- reduced availability of credit to consumers, which could be driven by a number of factors, including heightened regulation of the credit card and consumer lending industry, changing credit origination strategies, tighter lending criteria introduced by consumer credit providers and general economic conditions;
- the level of non-performance of consumer debt portfolios and an increased proportion of such portfolios that are written off by Debt Originators, which also in turn may affect the availability of credit to consumers;
- the level of sales of debt portfolios by Debt Sellers, which could be jeopardized by a change in laws or regulations, a change in accounting policies or practices, the consolidation of creditors, increased reliance on DCAs or increased sophistication in internal collection efforts;
- potential concerns on the part of Debt Originators that the relatively small value received for defaulted debt portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling defaulted debt portfolios;
- negative publicity or a loss of trust in the debt purchase and collection industry, whether due to the failure of one or more market participants to meet their legal or regulatory obligations or otherwise;
- increased regulation of the circumstances in which Debt Sellers have a right to collect on debt; and
- the macroeconomic conditions in, and policies of, the countries in which we operate. For example, in an improving economic environment there may be a lag in any increase in the supply of debt portfolios available for purchase as Debt Originators adjust the level of new debt originated to maintain target default levels. Conversely, in a deteriorating economic environment, a high proportion of defaulted consumer debt may be serviced in-house or by DCAs, leaving fewer purchasing opportunities for debt purchasers, such as us, as Debt Originators' propensity to sell defaulted consumer debt at prices prevailing in the market declines. See ''—Changes in the economic and/or political environment in the markets in which we operate may have a material adverse effect on our financial condition, financial returns and results of operations.''

The impact of macro factors on our business was demonstrated by events in 2009, during which the UK market for defaulted consumer debt sales decreased significantly to approximately £4.5 billion (by face value) from £8.5 billion in 2008. This decline was primarily due to restrictions on the availability of funding for debt purchases and the general contraction of credit during the ensuing recession, lower collections of payments from debt portfolios and lower volumes of debt portfolios being offered by Debt Sellers as a result of decreased demand and lower spot prices. In addition, Debt Originators altered their debt management practices, in response to lower prices, by warehousing their ''fresh'' and semi-performing portfolios in anticipation of better prices and directing the collection of such portfolios to DCAs, while offering older, often secondary and tertiary debt, to the debt purchase market. In 2016, the UK market for defaulted consumer debt shrank again for reasons generally attributed to the outcome of the UK Referendum and it is unclear whether the UK market overall will recover to previous levels. At the same time, as the UK market continues to mature, the amount of defaulted consumer debt available for sale may fail to grow or may decline. The Portuguese debt purchase market is less mature compared to the UK market and, while we have owned portfolios in Portugal since 2009, the market may change and our activities in Portugal may be negatively impacted. Similarly, our activities in the Netherlands could be impacted by the factors noted above. While we expect the market in Italy to continue to grow, this may not occur.

In addition, Debt Originators may develop technological tools that they believe are more effective in terms of tracing technology and customer profile development. If Debt Originators choose to perform more of their debt collections internally as a result of these data quality improvements or otherwise, the volume of debt portfolio sales or the quality of underlying debt sold could decrease and, consequently, we may not be able to buy the type and quantity of debt portfolios at prices consistent with our historical return targets. In addition, there could be a reduction in the availability of debt portfolios sold early in the collections cycle that have been subject to little or no collections activity. This fresher debt typically has higher collection expectations because less work has been applied to the assets to obtain customer payments.

If we are unable to purchase portfolios from Debt Sellers at appropriate prices, or if one or more Debt Sellers stop or decrease their sales of portfolios due to any of the factors listed above or for any other reason, or if we do not replace the Existing Portfolios that we collect from with additional portfolios, we could lose a significant potential source of income and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to procure sufficient funding to purchase further debt portfolios as they become available on acceptable terms or at all.

Our business depends on our ability to purchase, in the ordinary course, portfolios of defaulted debt. Historically, we have funded such purchases through borrowings and cash generated by our operations, and prior to the IPO, capital injections by our shareholders. Our ability to obtain funding from the debt or equity capital markets or the loan market in the future will depend on our performance and our prospects, as well as factors over which we do not exercise control. Such factors may include weak economic and capital market conditions during or prior to periods in which attractive debt portfolios are available for purchase, the ability and willingness of banks to lend to our industry generally or to us in particular, and changes in fiscal, monetary and other government policies, among others. If we do not have sufficient headroom in the Arrow Global Revolving Credit Facility (or if it is fully drawn) we may be unable to draw down the Arrow Global Revolving Credit Facility or otherwise raise funds on acceptable terms for debt portfolio purchases or on a timely basis, which may limit our ability to take advantage of opportunities for loan portfolio purchases arising in the market and/or replace serviced portfolios. The Existing Indentures place, and the Indenture will place, restrictions on our ability to incur indebtedness. If we are unable to borrow, generate or otherwise obtain sufficient funds to purchase debt portfolios on attractive terms, or at all, when opportunities arise, our financial condition, financial returns and results of operations may be materially adversely affected.

We may be unable to compete with businesses that offer higher prices for debt portfolios or may otherwise face intensive competitive pressure.

We expect average portfolio purchase prices to increase over the coming years due to improvements in collection efficiencies, sustained competition for the purchase of portfolios and greater proportions of the portfolios sold containing fresher debt, with a higher proportion of Paying Accounts. Large and established foreign debt purchasers are active in the UK debt purchase market. In addition, the UK debt purchase market has recently experienced significant capital inflows. Recently, competition in Portugal intensified with the entry of an additional debt purchaser into the market. In October 2015, GFKL Financial Services AG (*GFKL*), a provider of receivables management services in Germany, and Lowell Group (*Lowell*), a provider of consumer credit management services in the UK, merged, leading to the creation of a more prominent competitor, and in November 2016, Intrum Justitia announced plans to acquire Lindorff. Further consolidation within our industry is possible. Such competition may lead to an increase in the purchase price demanded by Debt Sellers for their debt portfolios, which we may not be willing or able to offer.

We may face similar or more intense competitive pressure in Portugal, the Netherlands or other markets in which we decide to pursue debt purchasing opportunities, and may be at a competitive disadvantage in such markets. For example, the characteristics of certain student loan portfolios, such as restrictions on collection practices and a much higher proportion of Paying Accounts, may make them less suited to a single debt purchaser, such as us. In such cases, we may need to use a consortia approach, enabling us to segregate the Paying and non-Paying Accounts of the portfolio to suit our strengths. We may also face competition from financial investors (*i.e.*, those more suited to the purchase of a portfolio consisting of largely Paying Accounts, such as institutional investors). The existence of a national identification system in new markets (such as continental European countries) could negatively affect the competitive advantage of our data-driven business model, thereby negatively affecting our ability to compete for portfolio purchases in such markets. Our inability or unwillingness to compete on the basis of price could have a material adverse effect on our business, prospects, financial condition and results of operations.

Other businesses may develop competitive advantages that we cannot match, which may reduce our access to and success in competitive sale processes for portfolios of defaulted debt.

We operate in markets that are competitive. We face competition from new and existing purchasers of debt portfolios. Our current competitors and any new competitors may have or may in the future develop substantially greater financial, technical, personnel or other resources such as more effective pricing and collection models, more efficient operating structures, greater adaptability to changing market needs and more established relationships in the debt purchase industry than us. For example, large and established foreign debt purchasers, such as Hoist GmbH from Germany and Portfolio Recovery Associates, Inc. from the United States, among others, have become active in the UK debt purchase market and compete for the acquisition of debt portfolios in the UK. In light of the enhanced regulatory environment, we expect to see continued consolidation within the purchase and collections market, especially in the UK.

Although we also have a debt collections business, we continue to focus on the purchase of debt portfolios. Some of our competitors, however, have more significant debt collection businesses, in addition to operations involving the purchase of debt portfolios. These competitors may be able to offer originators a ''bundle'' of services, or they may be able to better use the consumer data provided at the DCA stage to help them price debt portfolios more accurately. Competitors have acquired, and may in the future acquire, DCAs that we place accounts with. This, and potential consolidation of DCAs, may result in accounts being recalled. In the future, we may not have the resources or the ability to compete successfully.

We may not be able to maintain the advantages in tracing technology, customer profile development or low Collection Activity Costs that we believe we currently possess. Moreover, the industry may shift away from a debt purchase model of collecting distressed debt. If we are unable to develop and expand our business or adapt to changing market needs as effectively as our current or future competitors do, or if our competitors are able to operate at a lower cost of capital or make improvements in their pricing or collections methods that we are not able to make, we may be unable to access, and be successful in, competitive sale processes for debt portfolios, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are highly dependent on our data analytics systems and proprietary customer profiles, and if we lost access to such data or if the quality and quantity of such data is reduced, or if competitors develop comparable tools, our business, financial condition and results of operations could be materially and adversely affected.

Our core data analytics systems and customer databases provide information that is critical to our business.

We rely on publicly available data provided by multiple credit reference agencies, servicing partners and other sources, to operate our business. In particular, we rely on Experian to operate and maintain the PCB, one of the UK's first debt collection focused credit bureaus. The PCB improves customer matching and tracing and improves our overall customer account placement strategy and related compliance performance through better data accuracy and expanded use of DCAs where customers are already making payments. Experian currently has the right to sell a data analytics platform (known as the Experian Collection Network (***ECN***)) similar to the PCB (but not the underlying PCB data) to others, including other market participants. As far as we are aware, to date, Experian has not successfully sold an ECN to another market participant but has made efforts to sell ECNs and other collections enhancing and customer matching products to creditors and our competitors. Such products, when made available to our competitors, may undermine our competitive data advantage. In addition, our contract with Experian is subject to periodic renewal. Although in 2013 we renewed our contract with Experian through 2023, should we fail to renew the contract in the future, we would lose a key partner and the servicer of the PCB, which would have a material adverse effect on our financial performance and results of operation. For more information, see ''Business—Data Platforms—PCB.''

We could lose a significant competitive advantage and our business could be negatively affected if:

- any third-party sources were to stop providing this data for any reason, including a change in laws or regulations, or considerably raise the price of their services;
- any of the proprietary information or data that we use were to become public, including as a result of a change in law or regulation;

- the UK were to introduce measures that have the effect of facilitating the tracing of consumers (such as a national identification system which, unlike the National Insurance number system, is accessible as part of the credit process); or
- the current data processing restrictions were to change such that credit market participants could access credit bureau data before the purchase of portfolios, or the PCB was not able to be used in the way that it currently is.

Furthermore, private or public providers of our data could make claims that the way in which we use information and data violates terms and conditions applicable to such use, and, whether or not such claims have merit, our reputation could be harmed and our ability to continue to use such information and data in the manner in which it is currently used could be impaired.

If our competitors are able to develop or procure similar or more effective systems or methods to develop and process data, or if we become unable to continue to acquire, aggregate or use such information and data in the manner or to the extent in which it is currently permitted, we may lose a significant competitive advantage and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Moreover, if the volume and/or quality of data contributed to the PCB were to fall, this may have a material adverse impact on our ability to match accounts and, consequently, on our business and results of operations. For example, the acquisition of DCAs by our competitors has resulted, and may in future result, in the loss of contributors to the PCB. In addition, as a result of the Capquest acquisition and our continued rationalization of our core panel of DCAs, DCA participation in the PCB may decrease. Under the PCB agreements with Experian, we have the right, subject to certain conditions, to charge creditors or other clients for access to PCB information. We do not currently exercise that right but, were we to decide to do so in the future, this could result in increased interest from creditors in purchasing their own ECN products from Experian instead of participating in the PCB. Additionally, our ability to promote the PCB as an industry-wide solution, should we choose to do so, may be resisted by current partners.

Further, if our competitors, Debt Sellers or other third parties create similar or more effective data sharing platforms, we may lose some or all of our data advantage. For example, other data providers may develop products similar to PCB. Any ECN products or data analytics tools developed by third parties could improve the quality of data available to Debt Sellers, enabling better tracing of customers and improving collections, thus diminishing their incentive to sell debt to debt purchasers such as us and reducing the availability of debt portfolios for purchase.

Finally, a change to the laws, regulations or Steering Committee on Reciprocity Rules governing the PCB and our operations could require us to make certain changes to the PCB and the way it is used by us, which may make it less effective.

Any of the foregoing could have a material adverse effect on our business, financial condition, and results of operations.

We may not succeed in growing our debt servicing and asset management revenue and/or such revenue sources may become less profitable.

Our current and potential servicing and asset management arrangements may not produce as much revenue as we are anticipating based on the historical trends. We may not be successful in entering into new asset management arrangements in the future. Moreover, our collection costs pursuant to servicing and asset management arrangements may exceed our compensation under the arrangements, thereby negatively affecting our return from such arrangements. Any of the above may have a material adverse effect on our financial condition and results of operations.

We might be unable to maintain key relationships necessary to conduct our business.

We rely on key relationships with Debt Sellers, DCAs, law firms, third-party IT providers and data providers such as Experian, among others, to conduct our business.

A significant decrease in the volume of debt available for purchase from any of our principal Debt Sellers on acceptable terms would force us to seek alternative sources of debt to purchase. In addition to the factors that impact the supply of debt portfolios generally, Debt Sellers with whom we have strategic relationships may not continue to sell debt portfolios to us on desirable terms or in acceptable quantities, and we may not be able to replace such purchases with purchases from other Debt Sellers. A Debt

Seller's decision to sell debt to us is based on various factors, including the price and terms offered and the quality of our reputation, scale, track record of completed transactions and compliance history. The loss of a key relationship with a Debt Seller could jeopardize our existing relationships with other Debt Sellers or our ability to establish new relationships with other Debt Sellers. We may be unable to find alternative sources from which to purchase debt and, even if such purchases could be successfully replaced, the search could take time or the debt could be of lower quality or higher cost, any of which could materially and adversely affect our business, financial condition and results of operations.

Our top 10 DCAs achieved approximately 34.5% of our Core Collections collected by DCAs in the year ended December 31, 2016. The loss of a key DCA relationship could reduce or jeopardize our Core Collections and we may not be able to replace a strategic DCA partner in a timely manner, on favorable terms or at all. We may be required under our debt purchase agreements to allocate accounts to a particular DCA, and the loss of a relationship with such DCA could jeopardize our ability to purchase debt portfolios from, and undermine our relationship with, certain Debt Sellers. In addition, we would lose any potential data contributions from that DCA to the PCB.

At present, we outsource a significant amount of our collections and partially rely on our relationships with DCAs to conduct our business. We may lose a key DCA relationship for a number of reasons, including as a result of an acquisition by one of our competitors or the financial failure of a DCA. This would further increase our dependence on our remaining key DCA relationships. If competitors were to acquire a significant number of DCAs, particularly among our core panel of DCAs, this might have a material adverse impact on our business and results of operations. The acquisition of DCAs by our competitors may also reduce our preparedness to acquire in-situ debt portfolios, whose accounts are already placed with such DCAs, may reduce the number of DCAs to whom we are willing or able to outsource collections and may cause some breakages in collections from Paying Accounts that are moved to an alternative DCA. Further, consolidation in the DCA industry as a result of more stringent regulatory standards may also lead to an increase in commissions charged by DCAs. See ''—We would be adversely affected if third parties, including DCAs and law firms servicing the underlying accounts in our debt portfolios, perform poorly or fail to comply with applicable laws and regulatory requirements.''

In relation to the PCB, we have proprietary rights to the PCB matched data, while Experian is responsible for housing the underlying data, and running the platform that matches the data. If Experian terminates or does not renew its services contract in the future, we may not be able to find a suitable operator for the PCB on desirable terms or at all. See ''—We are highly dependent on our data analytics systems and proprietary customer profiles, and if we lost access to such data or if the quality and quantity of such data is reduced, or if competitors develop comparable tools, our business, financial condition and results of operations could be materially and adversely affected.''

We also rely on two key third-party IT service providers to supply the majority of our core IT applications, systems, infrastructure, back-up, storage, data recovery and disaster recovery systems. See ''—Our operations are highly dependent upon access to, and the functioning and integrity of, core IT applications, systems and infrastructure.''

The loss of IT support could have a material adverse effect on the Consolidated Group's business and results of operations. Moreover, if any of our own significant Debt Sellers, DCAs, data providers such as Experian or other credit reference agencies or our third-party technology providers terminate or modify their relationship with us, our business and results of operations could be materially and adversely affected.

We would be adversely affected if third parties, including DCAs and law firms servicing the underlying accounts in our debt portfolios, perform poorly or fail to comply with applicable laws and regulatory requirements.

Our master servicing model (used for most of our business) includes the outsourcing of debt collections in the UK to a core panel of six DCAs (four in the UK, one in Portugal and one in the Netherlands) and three law firms in the UK with whom we have strategic relationships, as well as five additional specialist DCAs in the UK providing collections for specialist accounts such as those subject to individual voluntary arrangements or being administered by third-party debt managers. Our top 10 DCAs achieved approximately 34.5% of our Core Collections collected by DCAs in the year ended December 31, 2016. In the UK, we also outsource a portion of accounts in our debt portfolios to three litigation servicers for collection. We pass on debtors' personal data to such DCAs and law firms, and may also pass on such data to other third parties, such as tracing agencies.

In addition to risks posed to us were we to lose any key DCA relationships, any failure by DCAs and law firms to adequately perform collection services for us or to remit collections to us on a timely basis for any reason (including insolvency) could materially reduce our cash flows, income and profitability, and adversely affect our reputation and results of operations. In 2016, a DCA used by us went into administration and we may have been defrauded by an insolvency practitioner with whom we placed accounts for collection, both of which events resulted in customer payments not being remitted to us. Further failures of DCAs or other third-party service providers could have a material adverse effect on our income and profitability.

We rely on our third-party DCAs and law firms to direct collection activities, to ensure compliance, and to prepare forecasted collection estimates in connection with our portfolios. We rely on these third parties to effectively manage our operations and to meet our servicing needs efficiently, but these third parties may not have the resources, employee training or management experience that we require, particularly in Portugal. This may negatively impact their ability to comply with applicable laws, other regulatory requirements and our requirements.

Further, these third parties could commit fraud with respect to the customer accounts that we place with them or fail to comply with applicable laws and regulations such as data protection requirements or to provide us with accurate data on the accounts they are servicing. For example, under the new UK consumer credit regime, the concept of a ''group license'' was removed, which meant that the law firms on which we rely and which previously were permitted to carry on consumer credit activities under an OFT group consumer credit license held by the Law Society of England and Wales (and without each firm needing to hold an individual license) ceased to be able to do so. Law firms that carry on regulated consumer credit activities must be authorized by the FCA or fall within a relevant exemption under FSMA. Any failure by a law firm carrying on regulated consumer credit activities to respond to this change, by ensuring that it is appropriately authorized or exempt, as required, would result in that firm committing a criminal offence under FSMA and in its inability to provide services to us. Further, if any third-party carrying on regulated consumer credit activities in the UK (including the DCAs with which we do business) were unable to obtain full FCA authorization at the relevant time, we may have to recall accounts from that third-party, which could interrupt customer payments and result in financial loss for us. See ''—Our UK operations are subject to significant oversight by UK regulators that view our operations as ''higher risk'' consumer credit activities.''

To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us, as, in the UK in particular, the FCA expects regulated businesses, such as the CC Companies, to comply with its rules and guidance on outsourcing, which means that regulated businesses need to carefully select any third parties with whom they work and, to a certain degree, take responsibility for any third-party compliance violations.

Furthermore, the ICO could hold us directly liable for any failure by our DCAs to comply with UK data protection requirements. We may also suffer losses pursuant to our agreements with Debt Sellers who have required, and may require, us to ensure compliance by sub-contractors with applicable laws or other regulatory requirements. Furthermore, we may not be aware of the occurrence of any such violations. See ''—Our UK operations are subject to significant oversight by UK regulators that view our operations as ''higher risk'' consumer credit activities. '' for further information.

In addition, a financially weak DCA may be unable to continue to fund activity, including taking steps to actively manage accounts assigned to it, without our support. Such support, and any strategies that we may implement in respect of underperforming DCAs, may not result in anticipated benefits. If one or more of our DCAs were to experience financial difficulties or enter into administration or become insolvent, this could cause disruptions and delays to our cash flows or prevent us from recovering the full amount paid to the DCA on our account. Although we may select DCAs based on prior relative performance, there is no guarantee of future performance, and any underperformance on the part of DCAs and other counterparties, whether as a result of failing to meet our financial targets required by us or otherwise, could materially and adversely affect our financial condition and results of operations.

Our growth may strain our resources, affect our ability to maintain our levels of collections or affect our ability to implement effective portfolio pricing standards, which could materially and adversely affect our business.

We have experienced significant growth in our business. Our 120-Month Gross ERC grew to £1,544.5 million as of December 31, 2016 from £1,085.4 million as of December 31, 2014. Future growth at a significant pace, among other things, could place a strain on our resources. Future growth of our business could put pressure on resources in our portfolio pricing, finance and accounting departments, as well as require the expansion of our procedures for monitoring internal accounting functions and continued compliance with regulatory requirements and our reporting obligations. Our expansion into Portugal, the Netherlands and Belgium and expected expansion into Italy will require additional investment of both financial and management resources to ensure that the business performs as a single enterprise and that the oversight and monitoring processes are applied consistently in all locations. Any resulting growth of our employee base may also increase our need for internal audit, training and monitoring processes that are more extensive and broader in scope than those that we have historically required. Failure to manage our growth effectively could have a material adverse effect on our prospects and results of operations.

Our operations are highly dependent upon access to, and the functioning and integrity of, core IT applications, systems and infrastructure.

Our success depends in large part on the ability to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for pricing and collection activities. We also use our systems to identify large numbers of customers, store personal data of our customers, analyze and segment accounts, place them with suitable partner DCAs and monitor the results of collection efforts. Information stored about customers includes (i) personal information of the customer, such as name and account number; (ii) location information relating to the address and telephone numbers for the customer; and (iii) account-specific information such as the date of loan origination, issuance of the card or debt default, write-off date and write-off balance for the account. Furthermore, while we have various means of disaster recovery protection, the insolvency, liquidation or entering into administration of our cloud-based IT providers or the developers of our data management systems, could disrupt operations and materially and adversely affect our respective businesses.

These and other systems could be interrupted by events, including terrorist acts, natural disasters, telecommunications and network failures, power losses, physical or electronic security breaches, fraud, identity theft, process failures, computer viruses, computer hacking attacks, malicious employee acts or similar events. For example, in March 2014, the Capquest Group identified that certain of its servers were compromised through unauthorized external activity.

Any material disruption to, or failure of, our systems, the systems of our third-party service providers or the systems of the banking and other sectors that are integral to our businesses, especially if it also impacts our backup or disaster recovery systems, would disrupt our operations and materially and adversely affect our businesses. Any temporary or permanent loss of our ability to use computer equipment and software systems, or any disruption to or loss of data could disrupt our operations, result in increased capital expenditure and insurance and operating costs, cause us to suffer a competitive disadvantage and materially and adversely affect our business and results of operations. Any security or privacy breach of our systems could expose us to liability and regulatory scrutiny, increase expenses relating to the resolution of these breaches, harm our reputation and deter Debt Sellers from selling debt portfolios to us.

Our continued authorization from the FCA is partially dependent on the adequacy of our IT systems and controls. We may identify, and have identified in the past, weaknesses in our IT systems and controls. Failure to present adequate IT systems and controls to the FCA on an ongoing basis could jeopardize our authorization by the FCA.

The Capquest Group implemented its new technology platform and converted in excess of 2.3 million accounts in 2015 and 825,000 accounts in 2016. Further development is required before the remaining accounts can be converted from legacy systems, which may encounter technical or operational difficulties that delay the completion of the project. Further conversions may require us to remedy problems that arise, which could require further substantial expenditure, time and other resources, which could materially adversely affect our financial performance and results of operations.

We currently are upgrading the IT system of the InVesting Group, and we may encounter technical or operational difficulties with the project that could delay the upgrade.

Further, as some of the systems, technologies and programs that we use have been developed internally, our level of development documentation may not be comparable to that of third-party software packages. We may also have certain employees that possess important, undocumented knowledge of our systems. If any such employee no longer worked for us, our ability to maintain, repair or modify our data analytics systems and platforms may be limited. These risks exist within all of our business systems regardless of geography.

Any of the foregoing could have a material adverse effect on our business and results of operations.

We outsource most of our core IT applications, systems and infrastructure to third-party service providers and may have difficulty identifying and retaining suitable alternative service providers.

In the UK, we outsource our core IT applications and infrastructure, including hosting and network services, to a third-party service provider. We separately outsource our back-up, storage, data recovery and disaster recovery systems to a different third-party service provider. Both service providers use a cloud computing-based model and data are replicated between them. In Portugal, we outsource our data center and infrastructure to a third-party and in the Netherlands, the majority of our core IT applications and infrastructure is outsourced to third-party service providers, increasingly based on a cloud computing model, with arrangements in place for data back-up and disaster recovery. We may not be able to find and retain alternative providers if our current or future providers become financially unstable in the future, are not performing at a level expected of them by us or are no longer able to service our needs. If we are not able to find and retain suitable alternative service providers on a timely basis as and when needed, our business and results of operations may be materially and adversely affected.

We may not be able to successfully anticipate, manage or adopt technological changes within the debt purchase and collection industry.

We may not be successful in anticipating, managing or adopting technological changes within the debt purchase and collection industry on a timely basis, which could reduce profitability or disrupt operations and harm our business. While we believe that our existing information systems are sufficient to meet current demands and continued expansion, our future growth may require additional investment in these systems. We depend on having the capital resources necessary to invest in new technologies to acquire and service our debt portfolios. We may not have adequate capital resources available when we need to make such investments and if we are unable to obtain such resources our business and results of operations may be materially adversely affected.

The need to adapt to customers' changing circumstances or circumstances impacting customers may result in increased Collection Activity Costs, reduced cash flow or imprecise modeling.

If there are adverse changes in the financial circumstances of our customers after we have acquired their accounts, including as a result of any reduction in customers' income or in government benefits received by customers or indirectly as a result of a further general deterioration in the macroeconomic environment, this could lead to reduced collections and/or increased servicing costs on the part of our DCA partners, which may lead to higher commission rates for collecting on accounts and, as a result, increase commission costs and reduce portfolio returns. Such reduced collections would negatively impact our Gross ERC, while higher commission costs and lower portfolio returns would impact our results of operations and cash flows. Our modeling for future collections may be rendered less reliable if the quantity and identity of customers who may reduce their debt payments, or the amounts of such reductions, cannot be accurately predicted. As a result, our business and results of operations may be materially and adversely affected.

Further, we may seek to recover on customer accounts that may become subject to insolvency procedures under applicable laws and also may purchase customer accounts that are currently subject to insolvency proceedings. Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. Under some insolvency procedures, a person's assets may be sold to repay creditors, but because the customer accounts serviced by us are generally unsecured, the DCA employed by us is often unable to collect on such customer accounts. The ability to successfully collect on our debt portfolios may decline with an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures.

In particular, in the UK, the Enterprise and Regulatory Reform Act 2013 made provision for a new Adjudicator (this role to be undertaken by the Insolvency Service) rather than the courts to consider debtor petition applications for bankruptcy, which would replace the current court procedure with an administrative process. This service started on April 6, 2016, and is provided on a ''digital-by-default'' basis. An increased ease of access to bankruptcy procedure, without the need to go before a judge, might encourage more customers to take this route, which would have a corresponding reduction in our ability to collect affected debts.

If actual collections with respect to debt portfolios are significantly lower than our own projections when we purchased such portfolios, our business and results of operations could be materially and adversely affected.

Uneven debt portfolio supply patterns may prevent us from pursuing all of the debt purchase opportunities we would like to, and may result in us experiencing uneven cash flows and financial results.

Debt portfolios do not become available for purchase on a consistent basis during the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, become available for purchase concurrently, which may prevent us from pursuing all of the debt purchase opportunities that we would like to. This may mean that we fail to maintain market share.

The inconsistency in the availability of debt portfolios for purchase may mean that during certain financial reporting periods we may make few or no purchases of debt portfolios. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Seasonality.''

In addition, there can be a gap between the time of acquisition of a debt portfolio and the time that we begin earning returns on the acquired portfolio, as we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on an acquired portfolio. As a result, we may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period then this would increase net debt or reduce our cash on hand without generating cash or contributing to Adjusted EBITDA for the relevant period. See ''—We may not be able to procure sufficient funding to purchase further debt portfolios as they become available on acceptable terms or at all. ''

Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers or collectors, including us, may have a negative impact on a customer's willingness to pay a debt owed to us and may diminish our attractiveness as a counterparty for Debt Sellers and other third parties.

The following factors, among others, may cause consumers to be more reluctant to pay their debts in full or at all, or more willing to pursue legal actions against us (including through claims management companies or other similar third-party agencies), even if such actions are not warranted:

- online, print and broadcast media may publish, from time to time, stories about the debt collection or debt purchasing industry that may cite specific examples of real or perceived abusive collection practices as well as regulatory investigations and enforcement actions. Online articles, blogs and tweets, in particular, can lead to the rapid dissemination of a story and increase the exposure to negative publicity about the debt purchase and debt collection industry in general or in relation to Arrow Global in particular;
- the internet has websites where consumers list their concerns about the activities of debt collectors and seek online guidance from others on how to react to collection efforts mostly in the UK. These websites are increasingly providing consumers with legal forms and other strategies to frustrate collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase; and

- consumer ''blog'' sites and claims management companies are becoming more common and add to the negative attention given to the debt purchase and debt collection industry. Certain of these organizations may also enable consumers to negotiate a larger discount on their payments than we would otherwise agree to.

Negative publicity could also result from the Arrow Group being named in published industry complaint data sites, us receiving negative attention due to internal disputes, including disputes with former employees, or any of our DCA partners violating law or other regulatory requirements or acting inappropriately in their conduct of business. As we now also have in-house collections and increased litigation operations following the Capquest acquisition, the potential for negative publicity may be exacerbated. As consumer awareness increases, there may be an increase in the level of complaints. Any such negative publicity could jeopardize our existing relationships with Debt Sellers or our ability to establish new relationships with other Debt Sellers or diminish our attractiveness as a counterparty generally. Additionally, we are, and may in future be, contractually required to reassign debt portfolios if a debt portfolio attracts negative media attention towards a Debt Seller. Negative publicity could result from media interest in the actions or behavior of any of our senior management, including that of our Non-Executive Board members. Any of the foregoing could impact our ability to purchase debt portfolios, our ability to collect on the debt portfolios that we purchase, and may materially and adversely affect our business and results of operations.

Our senior management team members and key employees are important to our continued success and the loss of one or more members of our senior management team or one or more of our key employees could materially and adversely affect our business, prospects, financial condition and results of operations.

The loss of the services of one or more of our key management team members, including Lee Rochford (CEO), Robert Memmott (CFO), and Zachary Lewy (CIO) or any of our other key employees, could disrupt our operations.

Some of the employment agreements that we have in place contain non-compete and confidentiality provisions that survive termination of employment. However, these agreements do not and will not assure the continued services of the senior management team members and key employees and we may not be able to enforce such non-compete and confidentiality provisions. Senior management team members maintain strong relationships with a number of the largest UK and European Debt Sellers. Further, some key employees possess important undocumented knowledge of our data analytics and technology systems. If any such employee no longer worked for us, our ability to maintain, repair or modify our data analytics systems and platforms may be reduced. Our success depends on the continued service and performance of our senior management team members and other key employees, and we may not be able to retain the services of such individuals. Further, we may not be able to continue attracting similarly qualified and skilled individuals to join our staff and senior management.

In addition, under the new UK consumer credit regime, certain individuals are required to obtain FCA approval to carry on specified functions within the CC Companies (including, for example, the roles of CFO, and executive and non-executive director). If a relevant individual is unable to gain approval, or subsequently has his or her approved person status withdrawn by the FCA, he or she would be unable to continue in the role and a suitable replacement would need to be found and would need to be approved by the FCA. See ''Regulation and Compliance—Regulatory Framework—United Kingdom—Approved Persons Regime''.

A portion of our collections depends on success in individual lawsuits. In pursuing legal collections, we may be unable to obtain accurate and authentic account documents for some of the accounts that we purchase.

A portion of our collections is achieved through litigation. Accordingly, a portion of our future collections will be dependent on success in individual lawsuits. When we commence collection actions through legal proceedings, courts may require a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce account documents when required to do so, the account may be legally unenforceable. Furthermore, if any of the account documents possessed by us were found to be inaccurate, non-authentic or legally unenforceable, courts may deny, or reduce the value of, our claims. We typically rely on Debt Sellers to provide account documentation, including notices and correspondence with accountholders, to us in an accurate and timely fashion. We may also rely on DCAs to store key information and documentation, which is especially relevant when complaints are escalated, and for the purpose of legal action further along the collections cycle. Our inability to obtain these documents from the Debt Sellers, or our own errors in producing account documents, or DCAs' failure to adequately store key information, may negatively impact the liquidation rate on such accounts that are subject to judicial collections.

In addition, if DCAs fail to respond to communications in a timely manner, or allow any litigation or judicial process to lapse or become delayed, it may negatively impact the success of a lawsuit, and have a material adverse effect on our collections.

Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, or shorter statutes of limitation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business and results of operations.

In particular, in the UK, the Ministry of Justice consulted on a new Pre-Action Protocol for Debt Claims. The consultation documents stated an anticipated implementation date of April 2015, though it is now likely to be implemented in 2018. A core principle of the proposed protocol is that debtors should be provided with sufficient information to enable them to obtain advice on their position prior to the issue of a claim from the creditor. The proposed changes would require the provision of various documentation before proceedings are commenced, including, for example, a full statement of account, a copy of the original credit agreement and details of any assignment together with details of the notice of assignment. If the proposed protocol is implemented as proposed, as well as resulting in increased costs, compliance with the protocol would present practical issues for us and the debt collection and debt purchase industry more widely due to the potential unavailability of account documents, and could therefore limit the circumstances in which proceedings may be commenced.

Additionally, our ability to collect by means other than legal proceedings may be affected by laws that require that certain types of account documentation be in our possession prior to the commencement of any collection activities, which could also have a material adverse effect on our business, financial condition and results of operations.

We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the credit agreements unenforceable.

In the normal course of our debt portfolio purchases, and in the management of any Forward Flow Agreements that we may enter into from time to time, some individual accounts may be included in the portfolios that fail to conform to the terms of the purchase contracts and we may seek to return these accounts to the Debt Seller for payment or replacement. Such Debt Seller may, however, be unable to meet its obligations to us or we may not identify non-conforming accounts soon enough, or at all, to qualify for recourse to the Debt Seller. Contracts entered into with Debt Sellers have imposed and may impose restrictions on our ability to return non-conforming accounts by imposing a minimum threshold value that must be met. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, have been subject to fraud, those that have an incorrect balance or those where the customer is serving time in prison. Accounts that would be eligible for recourse if discovered in a timely fashion, but that we do not discover in time for such recourse, are likely to yield no return.

We may also be unable to enforce on accounts where any underlying debt documentation is legally defective. The CCA and CONC contain detailed and, in some cases, prescribed requirements relating to the form, content and execution of regulated credit agreements as well as the pre-contractual and post-contractual obligations, including disclosure and documentary requirements (similar obligations are set out in MCOB in respect of regulated mortgage contracts). Non-compliance with some or all of these requirements may, for example, render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded, in addition to potentially giving rise to an enforcement action by the FCA.

A technical breach of some of these requirements may render the credit agreement unenforceable and require us to undertake a remediation exercise that may result in balance adjustments and/or cash refunds due on the purchased accounts. In some cases, such remediation exercises may result in the amounts of compensation exceeding the purchase price and therefore resulting in total loss of the portfolio value and potentially additional expenditure on our part. While we carry out appropriate due diligence on each of the proposed purchases, the quality of historical customer documentation may not allow, in each case, the discovery of past breaches relating to form and content requirements which would impair our ability to correctly assess the value of the portfolio, resulting in the risk of loss or reduction in the particular purchased portfolio's value.

As our business relies on our ability to enforce the contracts underlying our owned customer accounts, a contract found to be invalid or unenforceable could hinder our ability to recover from purchased accounts. If we purchase debt portfolios containing too many accounts that do not conform to the terms of the purchase contracts or contain accounts that are otherwise uncollectable or unenforceable, we may be unable to recover a sufficient amount, or anything at all, and such a portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the Debt Seller has been in compliance in connection with the underlying accounts at a sufficiently early stage. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets.

We may not be able to collect on a portfolio to which someone else held legal ownership, or would need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. Moreover, in instances where underlying documentation does not prove the existence, ownership or enforceability of an account, or where an account balance is incorrect, we may not always have the right to transfer such accounts back to the Debt Seller. Additionally, in such instances, we may be contractually required to repurchase accounts that we have subsequently sold to third parties.

Any of the foregoing could materially and adversely affect our financial condition, financial returns and results of operations.

Limitations and requirements imposed by Debt Sellers of debt portfolios on us may hinder our operational flexibility.

We derive a substantial portion of our revenue from purchasing debt portfolios from Debt Sellers, particularly Debt Originators. Contracts entered into with Debt Sellers have imposed and may impose various restrictions on our realization of value from the portfolios, including restrictions on our ability to assign accounts or resell portfolios or use particular DCAs. Debt Originators may also restrict our flexibility in pursuing certain enforcement and collection activities, and may have rights to repurchase portfolios if procedures used by or on our behalf are deemed inappropriate or excessive. In addition, Debt Sellers may have the right to compel us to undertake or refrain from taking certain actions, including in respect of litigation claims that relate to the Existing Portfolios. Further, Debt Sellers may have rights to repurchase portfolios and require reassignment to protect against factors such as reputational risk, or in instances where accounts are fraud-sensitive, or where an accountholder has raised a complaint against the Debt Seller with the FOS, among other things. Debt Sellers may remove us from their panels if we breach any of the contractual obligations under a purchase agreement. Debt Originators may also have rights under such agreements which are triggered upon a direct or indirect change of control of a member of us. Any of the foregoing may adversely impact the profitability of debt portfolios that we purchased and, therefore, have a material adverse effect on our financial condition and results of operations.

Examinations and challenges by tax authorities, or changes in tax laws or regulations, or the application thereof, could materially and adversely affect our business, financial condition and results of operations.

Consolidated Group tax returns are prepared in accordance with applicable tax legislation and prevailing case law. Certain tax positions taken by us are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to tax compliance, sales and use value-added, permanent establishment, classification of income, treaty relief, withholding tax, franchise, gross receipts, payroll, property and income tax issues, including tax base and apportionment. It is possible that the tax authorities will not agree with the views taken by us. We are subject to periodic tax audits and any challenges made by tax authorities to our application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our financial condition and results of operations.

Our effective tax rate may also be affected by changes in UK or overseas tax laws or the interpretation of UK or overseas tax laws, including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters. Our effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. One factor affecting our effective tax rate is the relevant standard rate of corporation tax which is subject to change. Any increase in our effective tax rate in future periods could have a material adverse effect on our results of operations and financial condition.

We are subject to ongoing risks of litigation under consumer credit, collections and other laws.

In recent years, there has been a substantial increase in the UK in consumer claims being brought through the courts and before the FOS in attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fueled by a substantial rise in the number and level of activity of claims management companies that aggressively advertise for potential claimants and then help them to bring claims in the hope and expectation that they will be paid a portion of any debt written off. Certain of these claims have been made in relation to payment protection insurance premiums (which on occasion may be included as part of the debt being collected on our behalf) and other types of charges added on to credit accounts. Such a claim may, for example, result in a court determining that an ''Unfair Relationship'' exists with the borrower whereby the court then has the power to grant certain remedies. Additionally, as a result of payment protection insurance refund policies, we may experience a reduction in the collectable balances of debt portfolios and an increase in administrative burden.

Claims could also be brought in relation to other areas of alleged non-compliance with regulation or in relation to minor technical breaches of form and content requirements, which could affect a large portfolio of agreements. For example, breach of the content requirement for annual statements by a particular lender in the UK in 2013 gave rise to an extensive remediation exercise by the lender, including substantial interest and account charge refund amounts payable to borrowers. Press reports indicate that the OFT (the predecessor regulator, at the time) subsequently wrote to 50 UK lenders asking them to confirm that they had complied with the relevant CCA requirements and it has further been reported that a number of major lenders have since made substantial refund payments to borrowers. These breaches may have occurred prior to our acquisitions of such portfolios, and could extend to our non-UK businesses, such as, for example, with any of the InVesting Group's portfolios, and this could subject us to regulatory penalties and costs associated with providing redress to customers affected.

In addition, any publicity relating to breaches by our competitors could result in an increased number of customer complaints, FOS or court claims (including group claims and increased claims management companies' activity) and, more generally, alter customers' behavior in making repayments. The current spotlight on the consumer credit sector due to the new FCA regime and the highly publicized work being undertaken by the FCA may result in more cases of alleged non-compliance and more customer complaints as customers become more aware of potential instances of malpractice.

We may in the future be named as defendants in litigation, including under consumer credit, tax, collections, employment, competition and other laws. Such claims against us, including bulk litigation, regardless of merit, could lead to costly litigation and divert management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend certain collection efforts or pay damages, be subject to enforcement orders or have our registration with a particular regulator revoked, and our reputation, financial condition, financial returns and results of operations could be materially and adversely affected. In addition, claims management companies and consumer rights groups could increase their focus on the debt collection industry and, in particular, the collection of debts owed under regulated agreements. Such negative publicity or attention could result in increased litigation against us, including class action suits.

We may be held liable for the acts of third parties if we fail to develop, implement, monitor and enforce our own risk and compliance policies.

We rely on intermediaries, such as DCAs, and we may be held liable for the acts of intermediaries if we cannot demonstrate that we have adequate procedures in place to prevent acts of non-compliance with regulations to which we are subject, such as with respect to bribery. For example, Debt Sellers typically require us to assume responsibility for the acts of our third-party intermediaries in relation to compliance with consumer protection regulation. Further, the procedures we have in place to monitor and prevent employee misconduct may be insufficient (for example, to detect or prevent employee fraud). Failure (or the perception that we have failed) to develop, implement, monitor and, when necessary, pre-emptively upgrade our risk management policies and procedures could give rise to reputational issues for both us and any associated Debt Sellers, and may result in breaches of regulatory or contractual obligations by us, for which we may incur substantial losses and face removal from Debt Sellers' purchasing panels. For example, we were exposed to negative publicity in April 2014 in connection with collections on certain student loan portfolios in the UK, which we hold as part of a consortium. Failure or perceived failure to develop, implement, monitor and enforce our own risk and compliance policies could have a material adverse effect on our business, prospects, results of operations and financial condition.

We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources.

In addition to our acquisition of portfolios in the ordinary course, we may seek to grow our business by acquiring or combining with other businesses through purchases of either assets or corporate entities, as we have with the acquisitions of the Capquest Group, Whitestar, Gesphone and the InVesting Group. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired business into the Consolidated Group.

If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Our assessments of, and assumptions regarding, acquisition targets may prove to be incorrect, and actual developments may differ significantly from expectations. We may not be able to integrate acquisitions successfully into our business or such integration may require more investment than expected, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to, among others, customers, employees, suppliers, government authorities or to other third parties, which may impact our results of operations. Acquisitions of businesses that operate in jurisdictions other than the UK, Belgium, the Netherlands and Portugal, would subject us to market practices, as well as regulatory requirements, that differ from those we currently are familiar with, which may subject us to unanticipated risks. We may also have ongoing obligations to Debt Sellers under the sale and purchase documentation.

In addition, prior to the completion of such acquisitions, the entities in the target group will not be subject to the covenants included in the Indenture. As such, we cannot assure you that, prior to such date, the seller or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

Once an acquisition has occurred, the process of integrating businesses, such as the potential integration of the Zenith Group in Italy, may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- legal, regulatory, contractual and other issues;
- accounting impairments;
- difficulty in standardizing information and other systems;
- difficulty in realizing operating synergies;
- diversion of management's attention from our day-to-day business; and
- failing to maintain the quality of services that we have historically provided.

Moreover, any acquisition may be funded by additional debt, which could reduce our profitability and harm our business.

We may also choose to enter into joint ventures, business alliances or consortiums to acquire assets or other types of investments (whether under instruments, participations or sub-participations, a total return or pass-through contracts or any other similar arrangements), which could involve the same or similar risks and uncertainties as are involved in acquisitions of control. Moreover, to the extent we subsequently increase our level of participation or acquire 100% of the interests in the assets of any of these joint ventures, business alliances or consortiums, we may be required to pay deferred consideration. For more information, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Acquisitions and other arrangements.''

Any arrangement in which we do not fully control business operations have in the past presented, and may in the future present, greater financial, legal, operational and/or compliance risks.

The Zenith Group may have liabilities that are not known to us that could subject us to liabilities or contingent liabilities that could otherwise have an adverse impact on us, and the indemnity the sellers have agreed to provide may not compensate us in full or at all.

As part of the Zenith acquisition, we will acquire the Zenith Group and assume all of its liabilities. As a result, we would be required to bear the costs of contingent or other liabilities of the Zenith Group. Such liabilities could specifically arise, for example, due to contractual obligations that we were not aware of at the time of acquisition.

The sellers have provided customary warranties and indemnities with respect to certain costs and losses that we may incur upon consummation of the Zenith acquisition. However, the warranty and indemnity coverage is subject to a cap, is limited in duration and may not cover all losses that we could incur. Consequently, the Zenith acquisition may expose us to certain liabilities for which we will not be entitled to recover for breach of warranty and/or indemnification, or the warranties and indemnities the sellers have agreed to provide may be insufficient to compensate us for these liabilities. Such losses would need to be borne by us. There may also be contingent or other liabilities unknown to us that we would assume upon consummation of the Zenith acquisition.

The failure of our confidentiality agreements to protect our proprietary processes and systems could materially and adversely affect our business.

We rely upon unpatented proprietary know-how, continuing technological innovation, and other trade secrets, to develop and maintain our competitive position. Certain employees possess valuable trade secrets about our models, customer databases and business processes, and the risk of disclosure of such proprietary know-how could be heightened if any such employee ceased to work for us. While it is our policy to enter into confidentiality agreements with employees and third parties to protect our proprietary know-how, there can be no assurance that:

- these confidentiality agreements will not be breached or will be of sufficient duration;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and proprietary know-how.

In addition, others may obtain knowledge of these trade secrets through independent development or other access by legal means.

We have in the past initiated, and may in the future initiate, lawsuits to enforce confidentiality agreements and the ownership of our intellectual property. Initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their day-to-day responsibilities. In many cases it may not be possible to initiate a lawsuit prior to the disclosure of our trade secrets or proprietary know-how, at which point the damage to our competitive position may be severe or irreparable. Furthermore, we may not be successful in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others to our intellectual property or confidentiality agreements may result in the use by competitors of our technologies or processes, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We use a number of estimates and assumptions in the preparation of our consolidated financial statements, which could prove to be incorrect or cause our earnings to fluctuate.

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by management to be reasonable under the circumstances at the time. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources.

Areas requiring more complex judgments may shift over time, based on changes in accounting policies or on changes in our business profile. More complex judgments are required in relation to revenue recognition, impairment of our purchased loan portfolios and cash flow forecasts, among others. For example, the estimates used in the EIR method of revenue recognition to calculate the projected Gross IRR on our loan portfolios are primarily based on historical cash collections and payer dynamics. If actual future cash collections are materially different in amount or timing than the Gross ERC, our earnings could be affected, either positively or negatively. Higher collection amounts or cash collections that occur sooner than projected will have a favorable impact on revenue in the form of yield increases or impairment reversals. In addition, higher collection amounts or cash collections that occur sooner than projected will have the effect of reducing the expected future value of our loan portfolios, requiring us to purchase additional loan portfolios in order to maintain our level of expected future cash flows, which we might not be able to do. Lower collection amounts or cash collections that occur later than projected will have an unfavorable impact and may result in an impairment of the purchased loan portfolio. Impairments cause reduced and fluctuating earnings.

In the future, should actual results differ from management's estimates and assumptions (particularly with respect to revenue recognition and cash flow forecasts), this could have a material adverse effect on our business, prospects, results of operations and financial condition.

Forward Flow Agreements may contractually require us to purchase portfolios at a higher price than desired.

We occasionally employ the use of Forward Flow Agreements (which involve the purchase of portfolios based upon a contract that requires the purchase of multiple portfolios from a Debt Seller at a fixed price). In the year ended December 31, 2016, of the debt we purchased, 7.5% involved Forward Flow Agreements. Depending upon the length of the contractual arrangements, Forward Flow Agreements typically contain termination clauses that allow the arrangement to be terminated only in certain limited circumstances. We may be required to purchase debt under a Forward Flow Agreement for an amount higher than we would otherwise agree at the time of purchase, which could result in reduced returns. In a more competitive environment for the sale and purchase of debt, we could be faced with a decision to either decrease our purchasing volume or agree to Forward Flow Agreements at increased prices or with fewer contractual protections, any of which could have a material adverse effect on our results of operations. We generally contemplate future fluctuations in the value of the debt that we purchase through Forward Flow Agreements, but such fluctuations in value may exceed expectations. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to fluctuations in foreign exchange rates.

We report our financial results in pounds sterling, but receive part of our income in euros as the result of our activities in France, Portugal, Belgium and the Netherlands, and upon completion of the Zenith acquisition, in Italy. Collections received on any euro-denominated accounts are generally reported in euros and then translated into pounds sterling at the applicable exchange rate for inclusion in the financial statements, thus exposing us to currency translation risk. Consequently, to the extent that foreign exchange rate exposures are not hedged, any change in the exchange rate between the euro and the pound sterling will affect our financial statements when the results of our European portfolios are translated into pounds sterling for reporting purposes. The exchange rate between these currencies may fluctuate substantially, which could, to the extent that foreign exchange rate exposures are not hedged, materially and adversely affect our results of operations.

As we increase our exposure to euro-denominated loan portfolios as part of our European expansion strategy, the related currency translation risks are expected to increase in the absence of hedging. For example, due to the acquisition of significant euro-denominated portfolios in Portugal and the Netherlands during the years ended December 31, 2014 and December 31, 2015, fluctuations between the euro and the pound sterling had a more significant impact on our equity, net assets and net profit as of and for the years ended December 31, 2015 and December 31, 2016. Following the vote in the UK Referendum, the pound sterling lost over 10% of its value against the euro (calculated using exchange rate data on June 23, 2016 and March 15, 2017). See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure of Market Risk—Foreign currency risk—Foreign currency sensitivity analysis.''

To the extent that we purchase debt portfolios in other jurisdictions, it would be subject to similar currency translation risk between the currency of such jurisdiction and pound sterling.

Derivative transactions may expose us to unexpected risk and potential losses.

We enter into certain derivative transactions, such as foreign exchange contracts and interest rate contracts, to hedge against certain financial risks. To the extent that we hedge our exposures, we forgo the benefits we would otherwise experience if interest rates or currency exchange rates were to change in our favor. Changes in the fair value of these derivative financial instruments that are not cash flow hedges are reported in income, and accordingly could materially and adversely affect our reported income in any period. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses on both the hedging transaction and the instrument being hedged. Use of hedging activities may not prevent significant losses. Moreover, in light of current economic uncertainty and the potential for financial institution failures, we may be exposed to the risk that our counterparty in a derivative transaction is unable to perform its obligations as a result of becoming subject to an insolvency procedure. If we are unable to manage these risks effectively, we may experience losses that could materially adversely affect our financial condition, financial returns and results of operations.

Risks Relating to Our Indebtedness, including the Notes and the Guarantees

Our substantial indebtedness and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

We have, and following the issuance of the Notes will continue to have, a substantial amount of debt and significant debt service obligations. As of December 31, 2016, after giving effect to the Offering and the use of proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, we would have had *pro forma* net debt of £785.5 million (which excludes deferred consideration, accrued interest and the amounts outstanding under the Non-Recourse Facility). For a detailed description of our debt other than the Notes, see ''Description of Other Indebtedness.''

Our substantial debt could have important negative consequences for us and for you as a holder of Notes. For example, our substantial debt could:

- make it difficult for us to satisfy our obligations with respect to our other debt and to the Notes;
- require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for working capital, acquisitions, business opportunities and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in reacting adequately to changes in our business or the industry in which we operate;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do;
- limit our ability to borrow additional funds and increase the costs of any such additional borrowings; and
- limit our ability to make acquisitions.

For a discussion of our cash flows and liquidity, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.''

We are subject to covenants that limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Existing Indentures and the Arrow Global Revolving Credit Facility restrict, and the Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;

- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create or permit to exist liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

These covenants are subject to exceptions and qualifications. See ''Description of Other Indebtedness—2023 Notes—Covenants and events of default,'' ''Description of Other Indebtedness—2024 Notes—Covenants and events of default'' and ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility—Covenants.''

Any future indebtedness may include similar or other restrictive terms. These restrictions could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities or consummate transactions that may be in our best interest.

Many of the covenants in the Existing Indentures and the Indenture will be suspended if the Existing Notes and the Notes, respectively, are rated investment grade with a stable outlook by both of S&P and Moody's Investor Service, Inc. (***Moody's***). The covenant suspension will occur following S&P and Moody's rating change provided at such time no default under the applicable Indenture has occurred and is continuing. There can be no assurance that the Notes or the Existing Notes will ever be rated investment grade, or that if they are rated investment grade, that they will maintain such ratings. See ''Description of the Notes—Certain Covenants—Suspension of covenants on achievement of Investment Grade Status.''

Our failure to comply with applicable debt covenants, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, financial returns and results of operations.

The Arrow Global Revolving Credit Facility requires us to maintain an LTV Ratio and a SSLTV Ratio, each as defined in the Arrow Global Revolving Credit Facility, of 0.75 to 1.00 and 0.25 to 1.00, respectively. See ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.'' Our ability to meet these financial ratios could be affected by deterioration in our operating results, as well as by events beyond our control, including decreases in collections and unfavorable economic conditions, and we cannot assure you that we will be able to meet these ratios. Moreover, the Arrow Global Revolving Credit Facility includes certain events of default (such as breach of representations and warranties and cross-payment defaults) that are in addition to the events of default set forth in the Indentures. If an event of default occurs under the Arrow Global Revolving Credit Facility or any other of our debt instruments and is not cured or waived, borrowings under any other debt instruments that we have outstanding, including the Existing Notes and the Notes, that contain or will contain cross-acceleration or cross-default provisions may also be accelerated or become payable on demand, together with accrued and unpaid interest and other fees payable thereunder. In these circumstances, our assets and cash flow may not be sufficient to repay in full all of our indebtedness that has been accelerated, including the Existing Notes and the Notes then outstanding, which could force us into bankruptcy or liquidation. We might not be able to repay our obligations under the Notes in such an event.

We may be able to incur significant additional amounts of debt.

Although the Indenture will contain, and the Arrow Global Revolving Credit Facility and the Existing Indentures contain, restrictions on our incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and amount of debt incurred in compliance with such restrictions could be substantial. For example, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as the 2023 Indenture and the 2024 Indenture are in effect and/or the Arrow Global Revolving Credit Facility so provides, our consolidated fixed charge coverage ratio is greater than 2.5 to 1.0 (in the case of the Arrow Global Revolving Credit Facility) and is greater than 2.25 to 1.0 (in the case of the 2023 Notes and the 2024 Notes), and our LTV Ratio and a SSLTV Ratio are met (as required by the Arrow Global Revolving Credit Facility). We are also able to incur secured indebtedness so long as on a pro forma basis our senior secured leverage ratio is no greater than 4.0 to 1.0, and, so long as the 2023 Indenture is in effect and/or the Arrow Global Revolving Credit

Facility so provides, our Secured LTV Ratio (as defined in the Existing Indentures) is less than 0.65. Incurring such additional debt could further increase the related risks we now face, as described in this Offering Memorandum.

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our debt, and to fund working capital, to purchase new debt portfolios and to make capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy, the continued predictability of our Gross ERC and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these ''Risk Factors,'' many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that revenue growth, cost savings and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

If our future cash flows from operations and other capital resources (including borrowings under the Arrow Global Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and any capital expenditures;
- sell assets;
- breach our Forward Flow Agreements;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Existing Notes and the Arrow Global Revolving Credit Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations.

Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

Borrowings under the Arrow Global Revolving Credit Facility and the Existing Notes bear interest at per annum rates equal to LIBOR or EURIBOR, in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms.

Any impairment of our ability to draw funds under the Arrow Global Revolving Credit Facility could adversely and materially impact our business operations.

Currently, our operations are primarily financed using cash generated in our operations and funds drawn under the Arrow Global Revolving Credit Facility. We use the Arrow Global Revolving Credit Facility to service our portfolio purchases and working capital needs, and for various other purposes. Should we lose the ability to access funds under the Arrow Global Revolving Credit Facility, we may not be able to make new purchases of debt portfolios, which would negatively and adversely impact future collections, and consequently future cash flows. If our owned debt portfolios were to become depleted due to our inability to purchase new debt portfolios, we may face difficulty in accessing sources of credit, as potential creditors may require security over our debt portfolios. Further, if we were unable to draw funds under the Arrow Global Revolving Credit Facility, we may need to decrease our level of debt portfolio purchases and the size of our owned debt portfolios would decrease over time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements.

Our ability to draw under the Arrow Global Revolving Credit Facility depends, among other things, on our ability to maintain an LTV Ratio of 0.75 to 1.00 and an SSLTV Ratio of 0.25 to 1.00, and our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including events beyond our control. See ''—Our failure to comply with applicable debt covenants, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, financial returns and results of operations.'' Any inability to borrow funds at a time of low levels of cash flow could constrain our ability to purchase portfolios and/or maintain our operations, which could materially and adversely affect our business.

The Issuer and the Parent Guarantors have no revenue-generating operations of their own and depend on cash received from our operating companies to be able to make payments on the Notes or the Guarantees, as applicable.

The Issuer and the Parent Guarantors conduct no business operations of their own. The Issuer has no subsidiaries and its only material assets and only sources of revenue are inter-company loans to other members of the Consolidated Group. The ability of the Issuer to make payments on the Notes is, therefore, dependent on the payments received from its inter-company loans. If the payments from the borrowers of these loans are not made, for whatever reason, the Issuer is not likely to have any other sources of funds available to it that would permit it to make payments on the Notes. In such an event, holders of the Notes would have to rely upon claims for payment under the Guarantees, which are subject to the risks and limitations described herein. The Parent Guarantors will be dependent upon the cash flow from our operating subsidiaries in the form of dividends and other distributions to meet their obligations under their Guarantees.

No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.

Our obligations under the Notes will be secured only by the Collateral. No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to perform its obligations under the Notes. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, general market and economic conditions, the condition of the market for the Collateral, the ability to sell Collateral in an orderly sale, the fair value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the ability to readily liquidate the Collateral, whether there was any restriction on collection, assignment or onward sale was placed on the Collateral by the originator, the availability of buyers and the condition of the Collateral and exchange rates. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action.

We believe our purchased loan portfolios represent the significant majority of the value of the Collateral. These assets, in particular, may be subject to significant changes in value due to economic or regulatory trends. In addition, it may be challenging for you to realize the value of our purchased loan portfolios as these are financial assets, not physical assets, and represent liabilities of non-performing consumers. Consumer debt receivables typically decline in value over time. To realize the value of the Collateral, you may need to rely on third-party collection resources. If you have to rely on third parties, you may be required to make significant upfront payments to cover collection expenses. In addition, the institutions from which we purchase receivables may be unwilling to provide you with the account level documentation you may need to successfully collect on accounts, which may significantly reduce the realizable value of the Collateral for you. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of this Collateral will be sufficient to pay our obligations under the Notes.

By its nature, some or all the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangements governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all.

Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in satisfaction of obligations under the Arrow Global Revolving Credit Facility and thereafter towards application to repay on a *pari passu* basis the obligations of the Issuer and the Guarantors under the Notes and the holders of *pari passu* additional debt, including the Existing Notes. In addition, the Existing Indentures allow, and the Indenture will allow, incurrence of certain additional permitted debt in the future that is secured by the Collateral on a priority or *pari passu* basis. The incurrence of any additional debt secured by the Collateral would reduce amounts payable to you from the proceeds of any sale of the Collateral.

To the extent that any other first priority and pre-existing security interests permitted under the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture and other rights encumber the Collateral securing the Notes, those parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose on the Collateral.

The liens over the Collateral, and the Guarantees, could be released in certain circumstances without the consent of the holders of the Notes.

The Existing Indentures and the Intercreditor Agreement provide, and the Indenture will provide, that the Security Agent is authorized to release the liens over the Collateral and, in the case of the Collateral consisting of shares in the capital of a Subsidiary Guarantor, the Guarantee of the Notes provided by the relevant Subsidiary Guarantor, in certain circumstances, including:

- in connection with the disposal of an asset, where such disposal is not in violation of the covenant set forth in ''Description of the Notes—Certain Covenants—Limitation on sales of assets and subsidiary stock'' and the other provisions of the Indenture;
- in connection with the enforcement of the Collateral in accordance with the Intercreditor Agreement; and
- upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

In addition, under various circumstances, the Guarantees will be released automatically, including the following:

- upon the sale of any Guarantor (other than the Parent Guarantors);
- in connection with certain enforcement actions in accordance with the Intercreditor Agreement; and
- upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

Creditors under the Arrow Global Revolving Credit Facility and certain priority hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes and proceeds of the Collateral recovered by the holders of the Notes will be shared with holders of the Existing Notes.

The obligations under the Notes and Guarantees are secured on a first-priority basis with security interests over the Collateral, which also secures our obligations under the Arrow Global Revolving Credit Facility, the Existing Notes and certain priority hedging obligations. The Indenture will permit the Collateral to be pledged to secure additional indebtedness in accordance with the terms of the Indenture and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the Arrow Global Revolving Credit Facility and certain priority hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the outstanding claims under the Arrow Global Revolving Credit Facility and such hedging obligations are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Arrow Global Revolving Credit Facility and such hedging obligations have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes, the Existing Notes and certain other hedging obligations, including the Currency Hedging Arrangements that we expect to enter into simultaneously with or shortly after the closing of the Offering, and any other obligations secured by the Collateral.

Holders of the Notes may not control certain decisions regarding the Collateral.

The Notes will be secured initially by the same Collateral securing the obligations under the Arrow Global Revolving Credit Facility and the Existing Notes. In addition, under the terms of the Indenture, we will be permitted to incur significant *pari passu* additional indebtedness and other obligations that may be secured by the same Collateral.

As a result of the voting provisions set out in the Intercreditor Agreement, certain amendments and waivers under the Intercreditor Agreement and in relation to the Collateral will have to be consented to by the required majority of holders of the Notes and the Existing Notes, the required majority of holders of any *pari passu* additional indebtedness, and the required majority of ''super senior creditors'' (being the lenders under the Arrow Global Revolving Credit Facility (and their respective creditor representatives) and any hedge counterparties). The required majority will vary with the type of amendment or waiver being sought. See ''Description of Other Indebtedness—Intercreditor Agreement.'' The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Arrow Global Revolving Credit Facility, the Existing Notes, the Notes, our hedging obligations and any additional secured debt permitted to be incurred by the Indenture, and will act only as provided for in the Intercreditor Agreement.

For the purposes of enforcement of the Collateral, the Lenders and their creditor representatives and the Hedge Counterparties (but, in the case of the Hedge Counterparties, solely in their capacity as parties to any hedging document pursuant to which super senior interest rate Hedging Liabilities (***Super Senior Interest Rate Hedging Liabilities***) are owed by a Debtor) are referred to as the Super Senior Creditors.

If any of the Super Senior Creditors, the holders of the Existing Notes, the holders of the Notes or the *Pari Passu* Creditors wishes to enforce the Collateral, either (i) 66⅔% by credit participation value of the Super Senior Creditors, or (ii) by credit participation value (including capitalized interest, if applicable) of the holders of the Existing Notes, the holders of the Notes, *Pari Passu* Creditors and Hedge Counterparties (but, in the case of the Hedge Counterparties, solely in their capacity as parties to any hedging document pursuant to which non-super senior interest rate Hedging Liabilities or FX Hedging Liabilities (***Senior Hedging Liabilities***) are owed by a Debtor) (all such creditors, ***Senior Creditors***) must give five business days' notice of the proposed enforcement instructions to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30-day consultation period during which time the creditor representatives for each of the creditor classes must consult with each other in good faith as to the manner of enforcement. See ''Description of Other Indebtedness—Intercreditor Agreement—Limitations on enforcement'' and ''Description of Other Indebtedness—Intercreditor Agreement—Conflicting enforcement instructions.''

Disputes may occur between the holders of the Notes, or between the holders of the Notes and the holders of *pari passu* additional debt, including the Existing Notes or lenders under the Arrow Global Revolving Credit Facility as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral. In such an event, the holders of the applicable Notes may be bound by any decisions of the holders of the *pari passu* additional indebtedness, including the Existing Notes or lenders under the Arrow Global Revolving Credit Facility if the circumstances are such that the instructions of the holders of the *pari passu* additional indebtedness, including the Existing Notes or lenders under the Arrow Global Revolving Credit Facility prevail, which may result in enforcement action in respect of the shared Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders. The creditors under the Arrow Global Revolving Credit Facility or any *pari passu* additional indebtedness, including the Existing Notes, may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies under the Security Documents at a time when or in a manner which would otherwise be disadvantageous for the holders of the Notes to do so. See ''Description of Other Indebtedness—Intercreditor Agreement'' and ''Description of the Notes—Release of Liens on the Collateral.''

The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will, subject to the terms of the Arrow Global Revolving Credit Facility, the Existing Indentures and the Indenture, allow the Issuer and the Guarantors to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Arrow Global Revolving Credit Facility, the Existing Indentures or the Indenture is occurring or would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral will be subject to exceptions, defects, encumbrances, liens, security interests and other imperfections permitted under the Existing Indentures, the Indenture or the Arrow Global Revolving Credit Facility and accepted by other creditors that have the benefit of first priority security interests in the Collateral from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, security interests and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, or statutory liens.

The Collateral includes shares of the Subsidiary Guarantors, certain of which are CC Companies. As regulated entities, the Subsidiary Guarantors that are CC Companies are subject to the change of control regime under Part XII of FSMA (See ''Regulation and Compliance—Regulatory Framework—United Kingdom—Controllers Regime'') and, accordingly, any enforcement in respect of the shares of such regulated entities will be subject to change of control approvals, which may delay or otherwise impair the ability of the Security Agent to realize or foreclose on such shares. Moreover, the security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third-party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease as a result.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes.

The security interests in the Collateral that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Intercreditor Agreement provides, and the Indenture will provide, that only the Security Agent has the right to enforce the Security Documents. As a consequence, the holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the relevant Trustee, who will provide instructions to the Security Agent in accordance with the applicable Indenture and the Intercreditor Agreement. Holders of the Notes will also bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. In the Netherlands, due to the laws and jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, the collateral will secure only so-called ''parallel debt'' obligations in favor of the Security Agent rather than secure the obligations under the Notes directly. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the parallel debt construct has not been tested in court in this jurisdiction and we cannot assure you that it will be recognized or that it will eliminate or mitigate the risk of invalidity and unenforceability of the pledge. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

We may not be able to obtain the funds required to repurchase the Notes upon a Change of Control and the Change of Control provisions contained in the Existing Indentures and that will be contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Upon a Change of Control (or a similar type of event under the Existing Indentures and as will be defined in the Indenture), we would be required to make an offer to repurchase the Existing Notes and the Notes at 101% of their respective principal amounts. The source for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by our subsidiaries. If a Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) occurs, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Existing Notes or Notes, or that the restrictions in the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) is a mandatory prepayment event under the Arrow Global Revolving Credit Facility, and may result in an event of default under, or acceleration of our other indebtedness. The repurchase of the Notes and the Existing Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. If a Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek consent from the lenders of such indebtedness to purchase the Notes or we may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. Further, any failure by the Issuer to offer to purchase the applicable Notes would constitute a default under the applicable Indenture, and to the extent the applicable Trustee becomes entitled to declare the Notes as being due and payable, would constitute an event of default under the Arrow Global Revolving Credit Facility, the Existing Indentures and the Indenture. See ''Description of the Notes—Change of Control.''

The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a Change of Control (or a similar type of event as defined in the Existing Indentures) may be limited by our then-existing financial resources. In addition, under the terms of the Arrow Global Revolving Credit Facility, under certain circumstances, we are required to repay an equal amount of debt under the Arrow Global Revolving Credit Facility if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. In addition, we may require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing.

The Change of Control provision contained in the Existing Indentures, and that will be contained in the Indenture, may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control. Except as described under ''Description of the Notes—Change of Control,'' the Indenture will not (and Existing Indentures do not) contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

It may not be certain that a Change of Control as defined in the Indenture (or a similar type of event as defined in the Existing Indentures) has occurred or will occur.

One of the ways a Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) can occur is upon a sale of ''all or substantially all'' our assets. With respect to the sale of assets referred to in the definition of Change of Control in the Existing Indentures, and that will be referred to in the Indenture, the meaning of the phrase ''all or substantially all'' as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of ''all or substantially all'' of the assets of a person and therefore it may be unclear whether a Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) has occurred and whether we are obligated to undertake a Change of Control offer. In addition, we will only be obligated to make a Change of Control offer upon the occurrence of a Change of Control (or a similar type of event as defined in the Existing Indentures and as will be defined in the Indenture) if certain additional requirements are met. See ''Description of the Notes—Change of Control.''

Certain debt purchase agreements and portfolios acquired pursuant to debt purchase agreements require the consent of the underlying seller in order for us to grant security over our interests in them and/or to assign or transfer our interests in them which we may not be able to obtain.

Certain of our debt purchase agreements require the consent from the relevant counterparty in order to assign, transfer or charge our rights under the relevant debt purchase agreement, portfolio accounts and receivables.

No security will be granted over those debt purchase agreements, accounts and receivables which are the subject of such restrictions (***Relevant Assets***) until such time as consent is granted. The Agreed Security Principles (as defined in ''Description of the Notes'') will provide that where assets are subject to third-party arrangements which prevent those assets from being granted as security, they will be excluded from any Collateral provided that, for material assets, reasonable endeavors to obtain consent to grant security are used by the relevant company. In an enforcement scenario, these assets will not be available to be realized and applied towards repayment of the Notes.

Even where the required consent to granting of security has been obtained or where consent to security is not required, some Relevant Assets may contain a further restriction on the transfer or assignment to third parties. As a result, to enforce any Collateral, the Security Agent may need to obtain the consent of the underlying seller prior to any sale of any Relevant Asset. In addition, the nature of our assets and the complex laws and regulations related to the consumer debt ownership and collection industry may limit the number of potential purchasers of the assets. See ''—Risks Relating to Our Business.''

Certain debt purchase agreements contain change of control provisions which require notice to be provided to the underlying seller of any change in control of the purchaser or which provide either counterpart with the option to terminate the debt purchase agreement upon such a change of control.

In relation to certain debt purchase agreements, we are required to notify the underlying seller prior to or upon a change in control of us or a relevant company within us. Such change of control may give rise to the right of the underlying seller to terminate the debt purchase agreement or the right of the underlying seller to repurchase the assets sold under that debt purchase agreement. The definition of change of control varies between the relevant debt purchase agreements.

In an enforcement scenario, where the enforcement process involves a sale of us or relevant companies within us, the Security Agent is required to notify the underlying seller of a potential change in control and may have to obtain the underlying seller's consent prior to such sale. The Security Agent may then be required to sell the relevant receivables to the underlying seller rather than any other third-party or the relevant debt purchase agreement may be terminated by the underlying seller.

Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.

The obligations of the Issuer under the Notes and of the Guarantors under the Guarantees will be subject to the restrictions and limitations detailed herein, secured by the Collateral. The Collateral may be subject to claims that it should be limited or subordinated in favor of our existing and future creditors under English, New York, Guernsey or other applicable law. In addition, enforcement of the security will be limited to the extent of the amount that can be secured by the Issuer and the Guarantors without rendering the security voidable or otherwise ineffective under applicable law. Enforcement of the Collateral against the Issuer and the Guarantors will be subject to certain defenses available to security providers generally. These laws and defenses include those that relate to insolvency, voidable preference, financial assistance, corporate purpose or benefit, the preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally.

The insolvency laws of England and Wales may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer and certain Guarantors are incorporated under the laws of England and Wales. The bankruptcy, insolvency, administrative and other laws of England and Wales may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive. See ''Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations.''

The insolvency laws of Guernsey may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

Certain Guarantors are incorporated under the laws of Guernsey. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Guernsey or other relevant jurisdictions. Such multi-jurisdictional proceedings may be complex and more costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Guarantors' jurisdictions of organization or incorporation may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive. See ''Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations.''

You may be unable to serve process on us or our directors and officers in the United States and enforce U.S. judgments based on the Notes.

The Issuer is a public limited company incorporated under the laws of England and Wales, and the Parent Guarantors are a non-cellular company limited by shares incorporated under the laws of Guernsey and a public limited company incorporated under the laws of England and Wales. Substantially all of the directors and executive officers of the Issuer and the Parent Guarantors live outside the United States. Substantially all of the assets of the directors and executive officers of the Issuer and the Parent Guarantors are located outside the United States. As a result, it may not be possible for you to serve process on such persons in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer or the Parent Guarantors based on civil liability provisions of the securities laws of the United States.

Neither England nor Guernsey currently has a treaty with the U.S. providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England or Guernsey. In order to enforce any such U.S. judgment in England and Guernsey, proceedings must first be initiated before a court of competent jurisdiction in England and Guernsey. In such an action, the English or Guernsey court, as the case may be, would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English or Guernsey court, as the case may be, in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English or Guernsey conflicts of laws principles, as the case may be;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court that pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English or Guernsey, as the case may be, public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English or Guernsey, as the case may be, principles of natural justice;
- there not having been a prior inconsistent decision of an English or Guernsey court, as the case may be, between the same parties; and
- the English or Guernsey, as the case may be, enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Only subject to the foregoing may investors be able to enforce in England or Guernsey, as the case may be, judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Notwithstanding, we cannot assure you that those judgments will be recognized or enforceable in England or Guernsey, as the case may be. In addition, we cannot assure you whether an English or Guernsey court, as the case may be, would accept jurisdiction and impose civil liability if the original action was commenced in England or Guernsey, as the case may be, instead of the United States, and predicated solely upon U.S. federal securities laws.

If a bankruptcy petition under U.S. law were filed by or against us, the Issuer or any of the Guarantors, holders of the Notes may receive a lesser amount for their claim than they would have been entitled to receive under the Indenture.

If a bankruptcy petition were filed by or against us, the Issuer or any of the Guarantors under the U.S. Bankruptcy Code after the issuance of the Notes, the claim by any holder of the Notes for the principal amount of such Notes may be limited to an amount equal to the sum of:

- the original issue price for the Notes; and
- that portion of the original issue discount (***OID***), if any, that does not constitute unmatured interest for purpose of the U.S. Bankruptcy Code.

Any OID that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the Notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the Indenture, even if sufficient funds are available to pay such holders the unamortized portion of any OID as of the bankruptcy filing.

The Notes will be structurally subordinated to the liabilities of Non-Guarantor Subsidiaries.

At the Issue Date, the Guarantors will guarantee the Notes. However, under various circumstances, the Guarantees may be released and newly incorporated subsidiaries of the Consolidated Group may not be required to guarantee the Notes. Unless a subsidiary is a Guarantor, such subsidiary will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, Non-Guarantor Subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such companies before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any Non-Guarantor Subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary; and
- creditors of such Non-Guarantor Subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such company before any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distribution from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of any Non-Guarantor Subsidiaries.

As of December 31, 2016, the Guarantors held 96.0% of the AGGHL Group's assets and were responsible for 97.3% of the AGGHL Group's total liabilities on a consolidated basis. For the year ended December 31, 2016, the Guarantors contributed 100.2% of the AGGHL Group's Adjusted EBITDA on a consolidated basis, and 100.0% of the AGGHL Group's total revenue on a consolidated basis. If certain changes to tax law were to occur, we would have the option to redeem the Notes.

If certain changes in the law of any relevant tax jurisdiction, as defined under ''Description of the Notes—Additional Amounts'' become effective that would impose withholding taxes or other deductions on the payments on the Notes or Guarantees, we may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. We are unable to determine whether such changes to any tax laws will be enacted, but if such changes do occur, the Notes will be redeemable at our option.

You may face foreign exchange risks by investing in the Notes denominated in foreign currencies.

The Notes will be denominated and payable in euros. An investment in Notes denominated in a currency other than the currency by reference to which you measure the return on your investments will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the pound sterling, the euro or the U.S. dollar, as applicable, relative to other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the euro against other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments.

An active trading market may not develop for the Notes.

Although we have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities (including the Existing Notes) and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transferability of the Notes may be limited under applicable securities laws.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See ''Transfer Restrictions.'' It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

You may have limited recourse against our independent auditors.

In respect of the audit reports relating to the consolidated financial statements of AGG for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 reproduced herein, KPMG LLP, our current independent auditor, provides: ''This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, and for our audit work, for this report, or for the opinions we have formed.''

You should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to Arrow Global with respect to those reports. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including the United Kingdom, and the legal effect of these statements in the audit reports is uncertain. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against our prior (or current) auditors for damages arising out of an investment in the Notes.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes will trade in book-entry form only and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, who will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the applicable Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the applicable Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See ''Description of the Notes—Transfer and Exchange.''

The adoption of the proposed financial transactions tax may impact trading in the Notes.

On February 14, 2013, the European Commission published a proposal for a Directive for a common financial transactions tax (***FTT***) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The FTT could, if introduced in the form proposed on February 14, 2013, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions would be exempt and therefore the issuance of Notes in this Offering should be exempt if the FTT were to be in existence on the Issue Date. Should the FTT be adopted, secondary market transactions in the Notes could become taxable in certain circumstances, which could materially adversely affect the liquidity of the Notes and their price in the secondary market.

Under the proposal, the FTT would be a tax primarily on ''financial institutions'' in relation to ''financial transactions'' (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments). Under the current proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it could apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or may be deemed to be, ''established'' in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate, although certain Member States have expressed strong objections to the proposal. Speaking in the European Parliament in January 2017, the European Commissioner in charge of Employment, Social Affairs, Skills and Labour Mobility suggested that a draft text for an FTT could be provided in the middle of 2017. Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

USE OF PROCEEDS

The proceeds of the Notes, together with cash on hand, will be used to redeem all of the Issuer's outstanding 2021 Notes. Actual amounts will vary from estimated amounts depending on several factors, including the differences between estimated and actual fees and expenses.

Sources of funds	Amount[1]		Uses of funds[1]	Amount	
	(£m)	(€m)		(£m)	(€m)
Notes offered hereby[2]	306.9	360.0	Redemption of the 2021 Notes[3]	285.6	335.0
Cash from the balance sheet	1.2	1.4	Redemption costs[4]	16.6	19.5
			Estimated fees and expenses[5]	4.7	5.5
			Accrued and unpaid interest[6]	1.1	1.3
Total sources	**308.0**	**361.4**	**Total uses**	**308.0**	**361.4**

(1) Euro amounts have been converted to pound sterling amounts at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016. You should not view such translations as a representation that such pound sterling amounts actually represent such converted euro amounts, or could be or could have been converted into pound sterling at the rate indicated or at any other rate. In particular, the exchange rate at which the proceeds of the Notes will be converted into pounds sterling may be materially different. See ''Exchange Rate Information.''

(2) Represents the aggregate principal amount of the Notes assuming no original issue discount.

(3) Reflects the aggregate principal amount of outstanding 2021 Notes (€335.0 million). Does not include accrued and unpaid interest.

(4) Represents the redemption premium of 5.8% for the 2021 Notes (€19.5 million), assuming the redemption date of March 30, 2017.

(5) Represents estimated fees and expenses in relation to the Offering, including fees and commissions payable to the Initial Purchasers, advisory fees and other transaction costs and professional fees. £4.7 million of the estimated fees and expenses comprise unamortized debt issuance costs and will be capitalized over the life of the Notes.

(6) Represents accrued and unpaid interest on the 2021 Notes since the last interest payment date (March 1, 2017) to the assumed redemption date (March 30, 2017).

CAPITALIZATION

The following table sets forth AGGHL's consolidated capitalization and certain other balance sheet information:

- on an actual basis as of December 31, 2016; and
- on an as adjusted basis to give effect to the Offering and the use of proceeds thereof, together with cash on hand, to redeem the 2021 Notes in full, as well as to the refinancing of the InVesting Facility with additional amounts borrowed under the Arrow Global Revolving Credit Facility.

As adjusted information below is illustrative only and does not purport to be indicative of the capitalization of AGGHL following the completion of the foregoing.

You should read this table together with the sections of this Offering Memorandum entitled ''Use of Proceeds'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and with our consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

	As of December 31, 2016[11]		
	Actual	Adjustments	As adjusted
		(£ in millions)	
Cash and cash equivalents[1]	23.2	(1.2)[1]	22.0
Debt:			
Arrow Global Revolving Credit Facility[2][3]	76.9	6.4	83.3
InVesting Facility/ Portuguese Facility /Non-Recourse Facility[4][5][12]	19.8	(6.4)	13.4
2021 Notes[6]	285.6	(285.6)	—
2023 Notes[7]	196.1	—	196.1
2024 Notes[8]	220.0	—	220.0
Notes offered hereby[9]	—	306.9	306.9
Total debt	**798.3**	**21.3**	**819.6**
Total equity attributable to shareholders[10]	**121.5**	**—**	**121.5**
Total capitalization	**919.8**	**21.3**	**941.1**

(1) See ''Use of Proceeds.'' As of March 15, 2017, our cash and cash equivalents were £29.3 million, and AGGHL's cash and cash equivalents were £29.3 million.

(2) Excludes any utilization of the Arrow Global Revolving Credit Facility since December 31, 2016. As of March 15, 2017, our borrowings under the Arrow Global Revolving Credit Facility, pre-netting of transaction fees, were £99.9 million, compared to £76.9 million as of December 31, 2016. See ''Use of Proceeds'' and ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.''

(3) Presented as ''Revolving credit facility'' in our and AGGHL's consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(4) Presented as ''Bank overdrafts'' and ''Other borrowings'' in our and AGGHL's consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(5) Converted into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016. Excludes any utilization of the facilities since December 31, 2016.

(6) Represents the aggregate principal amount of the 2021 Notes (converted into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) and includes unamortized debt issuance costs of €11.5 million (£9.8 million). The amount is shown net of unamortized debt issuance costs in our and AGGHL's consolidated balance sheets. Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(7) Represents the aggregate principal amount of the 2023 Notes (converted into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) and includes unamortized debt issuance costs of €7.0 million (£6.0 million). The amount is shown net of unamortized debt issuance costs in our and AGGHL's consolidated balance sheets. Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(8) Represents the aggregate principal amount of the 2024 Notes. The amount is shown net of unamortized debt issuance costs of £4.8 million in our and AGGHL's consolidated balance sheets. Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(9) Represents €360.0 million aggregate principal amount of the Notes offered hereby (converted into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) and not adjusted for £4.7 million of unamortized debt issuance costs. However, these amounts will be shown net of unamortized debt issuance costs on our future consolidated balance sheets.

(10) Excludes goodwill, investments (with the exception of our stake in MCS), intercompany adjustments, accrued interest on our indebtedness and the redemption costs of the 2021 Notes. The total equity attributable to shareholders and total capitalization do not reflect any decrease from the utilization of cash and cash equivalents.

(11) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL as of December 31, 2016.

(12) See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables summarize our historical consolidated financial information as of the dates and for the periods indicated, which has been derived from the audited consolidated financial statements of AGG as of and for the years ended December 31, 2014, 2015 and 2016 and the related notes, in each case, included elsewhere in this Offering Memorandum. Our results of operations for prior periods are not necessarily indicative of the results to be expected for any future period. For further information on the basis of presentation of our consolidated financial statements, see ''Presentation of Financial and Other Information.''

The following financial information should be read in conjunction with our financial statements included elsewhere in this Offering Memorandum and with ''Presentation of Financial and Other Information'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Consolidated Statement of Comprehensive Income Data

	For the year ended December 31,		
	2014	**2015**	**2016**
Revenue			
Income from purchased loan portfolios	107,984	150,238	188,914
Income from asset management	1,933	14,713	46,315
Other income/profit on portfolio and loan note sales(1)	825	503	701
Total revenue	**110,742**	**165,454**	**235,930**
Operating expenses			
Collection Activity Costs	(34,150)	(52,303)	(70,261)
Professional fees and services(2)	(1,737)	—	—
Other operating expenses	(28,475)	(38,514)	(70,637)
Of which exceptional items(3)(4)	(11,991)	(4,309)	(5,022)
Other operating expenses excluding exceptional items(3)	(16,484)	(34,205)	(65,615)
Total operating expenses before exceptional items	**(52,371)**	**(86,508)**	**(135,876)**
Exceptional items	(11,991)	(4,309)	(5,022)
Total operating expenses	**(64,362)**	**(90,817)**	**(140,898)**
Operating profit	**46,380**	**74,637**	**95,032**
Finance income and costs	(22,257)	(36,608)	(66,841)
Of which exceptional items(3)(5)	(848)	—	(17,994)
Finance income and costs excluding exceptional items(3)	(21,409)	(36,608)	(48,034)
Share of profit in associates(6)	—	1,243	2,363
Profit before tax	**24,123**	**39,272**	**31,367**
Taxation charge on ordinary activities	(5,852)	(7,523)	(5,061)
Profit for the period attributable to:			
Owners of the Company	18,271	31,749	26,305
Non-controlling interest	—	—	1
Profit for the period(7)	**18,271**	**31,749**	**26,306**

(1) Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes, as applicable.

(2) For the years ended December 31, 2015 and 2016, we have included amounts previously reported under the Professional fees and services line item within the Other operating expenses line item.

(3) We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

(4) See note 10 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for components of exceptional items (referred to in such financial statements as non-recurring items) included under other operating expenses.

(5) See note 8 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for the components of exceptional items (referred to in such financial statements as non-recurring items) included under finance income and costs.

(6) Represents our investment in MCS (see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and other arrangements'').

(7) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Consolidated Balance Sheet Data

	As of December 31,		
	2014	2015	2016
		(£'000)	
Assets			
Non-current assets[1]	**74,644**	**117,441**	**184,872**
Current assets			
Cash and cash equivalents	14,542	10,183	23,203
Purchased loan portfolios	477,513	609,793	782,792
Loan notes	—	—	21,315
Other current assets[2]	16,569	34,781	35,484
Total current assets	508,624	654,757	862,794
Total assets	**583,268**	**772,198**	**1,047,666**
Equity			
Total equity attributable to shareholders	**121,874**	**145,356**	**167,391**
Liabilities			
Non-current liabilities			
2021 Notes, 2023 Notes and 2024 Notes/Senior secured notes[3]	378,564	447,545	681,158
Other non-current liabilities[4]	2,852	12,044	16,580
Total non-current liabilities	**381,416**	**459,589**	**697,738**
Current liabilities			
Trade and other payables (excluding other current liabilities)	33,058	83,906	76,261
Arrow Global Revolving Credit Facility[5]	35,404	71,479	74,169
InVesting Facility/Portuguese Facility/Bank overdrafts[6]	—	—	7,648
2021 Notes, 2023 Notes and 2024 Notes/Senior secured notes[3]	7,289	6,832	5,430
Non-Recourse Facility/Other borrowings[7]	—	—	12,077
Other current liabilities[8]	4,227	5,036	6,902
Total current liabilities	**79,978**	**167,253**	**182,537**
Total liabilities	**461,394**	**626,842**	**880,275**
Total equity and liabilities[9]	**583,268**	**772,198**	**1,047,666**

(1) Non-current assets consist of intangible assets, property, plant and equipment, investment in associates, loan notes and deferred tax asset, as applicable.

(2) Other current assets consist of other receivables, derivative asset, current tax asset, and deferred tax asset, as applicable.

(3) Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(4) Other non-current liabilities consist of deferred consideration and deferred tax liability, as applicable.

(5) Presented as ''Revolving credit facility'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(6) Presented as ''Bank overdrafts'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(7) Presented as ''Other borrowings'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.'' See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

(8) Other current liabilities consist of current tax liability, derivative liability and deferred consideration, as applicable.

(9) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

Consolidated Statement of Cash Flow Data

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Net cash flow from operating activities before purchases of loan portfolios and loan notes	90,200	143,535	196,798
Purchases of loan portfolios	(142,631)	(176,310)	(201,700)
Purchases of loan portfolios to be resold[1]	—	(23,519)	—
Purchases of loan notes	—	—	(21,315)
Net cash used in operating activities	(52,431)	(56,294)	(26,217)
Net cash used in investing activities	(109,670)	(24,461)	(79,242)
Net cash flow generated by financing activities	129,057	76,042	117,266
Net increase/(decrease) in cash and cash equivalents	**(33,044)**	**(4,713)**	**11,807**
Cash and cash equivalents[2]	**14,542**	**10,183**	**23,203**

(1) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

(2) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for the years ended December 31, 2014, 2015 and 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References below to ''2014,'' ''2015'' and ''2016'' are to the financial years ended December 31, 2014, December 31, 2015 and December 31, 2016, respectively.

The following discussion and analysis of our financial condition and results of operations covers the consolidated financial condition and results of operations of AGG, which was incorporated in August 2013 in connection with the IPO and since then has been our ultimate parent holding company, for the periods ended December 31, 2014, December 31, 2015 and December 31, 2016.

Accordingly, the following discussion and analysis should be read in conjunction with the consolidated financial statements of AGG as of and for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 (collectively, the ***periods under review****) and related notes, included elsewhere in this Offering Memorandum.*

Further, this discussion contains certain illustrative data. The illustrative data are intended to provide a high level overview of our business model, and to provide background for some of our key financial metrics, which, we believe, is beneficial to investors. They have not been prepared on the basis of any recognized accounting framework or in accordance with any recognized accounting guidance. The illustrative data are based on hypothetical assumptions, and as such may not give a fair and accurate view of our future financial position, results of operations, cash flows or prospects.

The financial information presented in tabular form in the following discussion has been rounded to the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column.

This discussion includes forward-looking statements that reflect our plans, estimates and beliefs, and involves risks and uncertainties. Our actual results could differ materially from those discussed in these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum.

Overview

We are a leading European purchaser and manager of debt principally operating in the UK, Portugal, Belgium and the Netherlands. We also have a 15% interest in the French market leader, MCS. We believe that we are one of the top three of the UK's providers of debt purchase and receivables management solutions measured by 120-Month Gross ERC, which stood at £1,544.5 million as of December 31, 2016. We are the market leader in Portugal, with €7.4 billion (£6.4 billion) of assets under management measured by face value and 120-Month Gross ERC of £461.8 million as of December 31, 2016. During the year ended December 31, 2016, we enhanced our servicing capabilities, increasing income from servicing and asset management to £46.3 million, or 19.6%, of our revenue. We are targeting income from servicing and asset management to increase to approximately 25% of revenue in the year ending December 31, 2017. Following the completion of the Zenith acquisition, we will begin to operate in Italy.

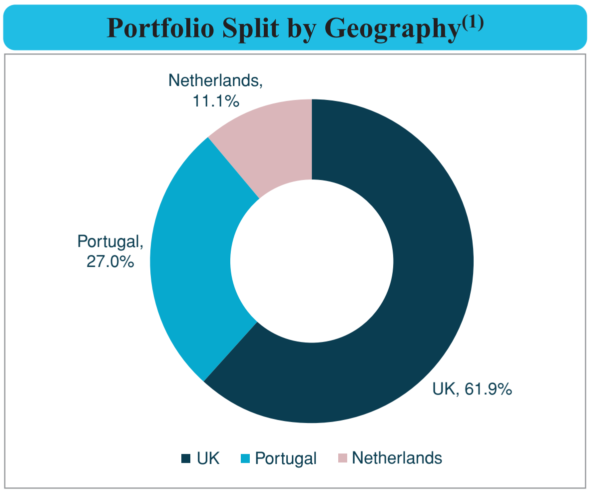
We use our proprietary data and analytical capabilities to acquire and manage defaulted debt portfolios originated by major creditors. A critical component of the management function is to locate defaulted customers by improving inaccurate or incomplete data relating to those customers with our data assets. We seek to build a consolidated profile of each defaulted customer's circumstances so that an affordable repayment solution can be formulated for each customer. Our strategy has enabled us to convert previously defaulted assets into reliable cash flow streams, with an 84-Month Gross ERC of £1,339.1 million and a 120-Month Gross ERC of £1,544.5 million as of December 31, 2016.

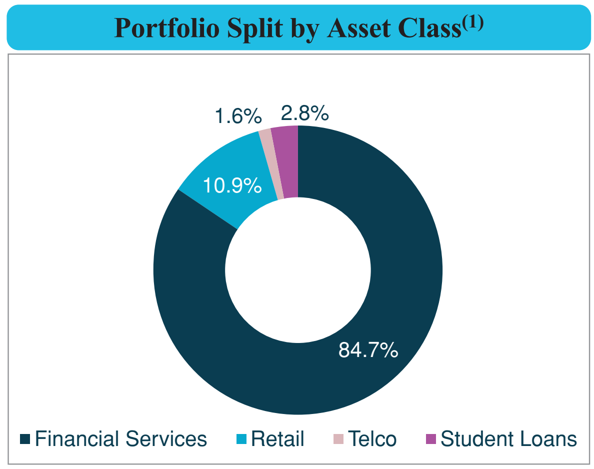
We are focused principally on financial services loan portfolios, which provide us with stable long-term cash flows because these assets tend to have a higher average balance (relative to other loan portfolio segments) that are typically restructured into small, regular, annuity-like payments. In geographical terms, a substantial portion of our purchased debt portfolios have originated in the UK, with the remaining portion originating in Portugal and the Netherlands and Belgium.

In 2015, we diversified our origination capabilities by adding new asset classes to our Portuguese operations, investing in secured loan portfolios in an increased proportion in the UK and adding Dutch operations. We now hold portfolios in 10 different asset classes. In the second quarter of 2016, we have strengthened our European market position with the InVesting acquisition. In total, we deployed

£305.1 million of capital in 2016, which comprised acquisitions of companies in the amount of £82.1 million and organic debt purchases of £223.0 million.

The following charts set forth a breakdown of our debt portfolios by asset class and geography as of December 31, 2016.





(1) Cumulative purchase price as of December 31, 2016.

As of December 31, 2016, we had 9.3 million owned customer accounts and £16.4 billion (based on face value) in purchased loan portfolios and a further £18.8 billion (based on face value) in managed loan portfolios.

Our Adjusted EBITDA, which we believe is representative of our operating cash generation, grew from £101.0 million in 2014 to £209.2 million in 2016.

Our total revenue grew from £110.7 million in 2014 to £235.9 million in 2016.

Our profit for the year attributable to the equity shareholders grew from £18.3 million in 2014 to £26.3 million in 2016.

Our business model

The table below provides a high-level overview of our business model by looking at an example of the purchase of a loan portfolio with a face value of £100.0 million for £11.7 million (which was the average price that we paid for every £100 million in face value of loan portfolio purchases in 2016). The example is based on our loan portfolio purchases from 2016 only.

On the basis of a Collection Cost Ratio of 15.0% over 84 months and 120 months (which is not typical of all of our purchased loan portfolios and which may be higher than 15% going forward), our Net Core Collections over the 84-month period would equal £17.9 million, and Net Core Collections over the 120-month period would equal £19.9 million, with collections remaining beyond 120 months. See ''—Significant Factors Affecting Results of Operations—Core Collections.''

Example of our business model economics for debt purchase

	84 months	120 months
	(£m, except as otherwise indicated)	
Face value of purchased loan portfolio	100.0	100.0
Price paid for the loan portfolio	11.7	11.7
Core Collections/Collections in the period(1)	21.1	23.4
Gross Cash-on-Cash Multiple(2)	**1.8x**	**2.0x**
Collection Cost Ratio(3)	**15.0%**	**15.0%**
Net Core Collections/Collections in the period(4)	17.9	19.9
Net Cash-on-Cash Multiple(5)	**1.5x**	**1.7x**

(1) Represents actual collections from the date of purchase to December 31, 2016 on our portfolios purchased in 2016 plus the proportion of Gross ERC required to take the number of months of collections on the portfolios to 84 months or 120 months from the date of purchase, as applicable.

(2) Represents Collections to Date (*i.e.*, Core Collections to date plus putbacks (portions of portfolios reassigned to the Debt Seller) plus disposal proceeds on portfolio account sales) plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, all divided by the purchase price for each portfolio.

(3) Represents the ratio of Collection Activity Costs (*i.e.*, the direct costs of in-house and external collections related to our purchased loan portfolios such as commissions paid to third-party outsourced providers, credit bureau data costs and legal costs associated with collections) to Core Collections.

(4) Represents Core Collections less Collection Activity Costs.

(5) Represents Collections to Date plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, net of Collection Activity Costs, all divided by the purchase price for each portfolio.

The table above has been provided for illustrative purposes only, and does not purport to represent what our total loan portfolio returns have been in the past, nor does it purport to represent our total loan portfolio returns for any future date. In particular, the Collection Cost Ratio of 15% that we assume for purposes of the example above applied only to our 2016 vintage purchase is based on Collection Activity Costs excluding costs relating to PCB (because PCB-related costs cannot be assigned to portfolios of any particular vintage), and is based on our expectations for the 2017 purchase vintage at December 31, 2016, which takes into account the quality of the acquired portfolio and collection arrangements with DCAs in respect of the acquired portfolio. Our Collection Cost Ratio (including PCB costs) for 2014, 2015 and 2016 was 22.7%, 22.4% and 22.1%, respectively.

Historical returns on loan portfolios are not indicative of future performance on loan portfolios. See ''Risk Factors—Risks Relating to Our Business—The value of our Existing Portfolios may deteriorate, or we may not be able to collect sufficient amounts on our debt portfolios to take advantage of opportunities for debt portfolio purchases as they arise in the market.'' See also ''Risk Factors—Risks Relating to Our Business—The statistical models and analytical tools we use in our business, including in our calculation of Gross ERC, may prove to be inaccurate and we may not achieve anticipated recoveries.''

Example of our business model economics for servicing and asset management

	(£m)(1)
Income from servicing and asset management	46.3
Costs to collect	(24.5)
Net contribution to profit	**21.8**

(1) Represents servicing and asset management revenue for 2016.

The table above has been provided for illustrative purposes only, and does not purport to represent what our returns from servicing and asset management have been in the past, nor does it purport to represent our returns from servicing and asset management for any future date.

Our cash conversion and reinvestment

We believe that we are highly operationally cash generative, with relatively small investment required to maintain our existing asset base. This, we believe, provides us with surplus cash available to grow and reinvest in our business.

As of December 31, 2016, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £116.8 million per year are required to maintain a constant 84-Month Gross ERC and £122.6 million per year are required to maintain a constant 120-Month Gross ERC (which is dependent on the mix of portfolios held by us, collections, the performance of existing loan portfolios, and the return characteristics of new loan portfolio acquisitions).

In 2016, we generated net cash flow from operating activities before purchases of loan portfolios and loan notes of £196.8 million from Core Collections of £286.0 million. With discretion as to the purchase of loan portfolios (in terms of both timing and amount), we believe that we have significant control over our liquidity, and the ability to grow our business.

Significant Factors Affecting Results of Operations

Set forth below are certain key factors that historically have affected our results of operations, and which may impact our results of operations in the future.

Purchases of loan portfolios

Our performance is dependent on our ability to purchase, in the ordinary course, loan portfolios that meet our investment criteria, including the ability to generate returns at or in excess of a certain rate of return. Our purchases of loan portfolios are driven by the volume of debt made available for sale by Debt Originators and Secondary Sellers, market competition, our ability to price loan portfolios accurately and our access to financial resources at the time loan portfolios are available for sale.

In 2016, we acquired purchased loan portfolios with an aggregate face value of £2.2 billion, comprising approximately 732,000 owned customer accounts. As of December 31, 2016, we had an 84-Month Gross ERC of £1,339.1 million and a 120-Month Gross ERC of £1,544.5 million. The balance sheet carrying value of the purchased loan portfolios and loan notes under IFRS was £804.1 million as of December 31, 2016 (December 31, 2015: £609.8 million; December 31, 2014: £477.5 million).

Our average replacement investment rate has increased from 2015 to 2016 reflecting the increase of secured debt portfolios as a proportion of our overall portfolios. Secured debt portfolios generally have reduced tail collection curves compared to unsecured debt portfolios, that is, secured debt is collectable quicker than unsecured debt. As the secured debt is collected at a faster rate, the amount that we must spend to maintain the current level of Gross ERC has increased.

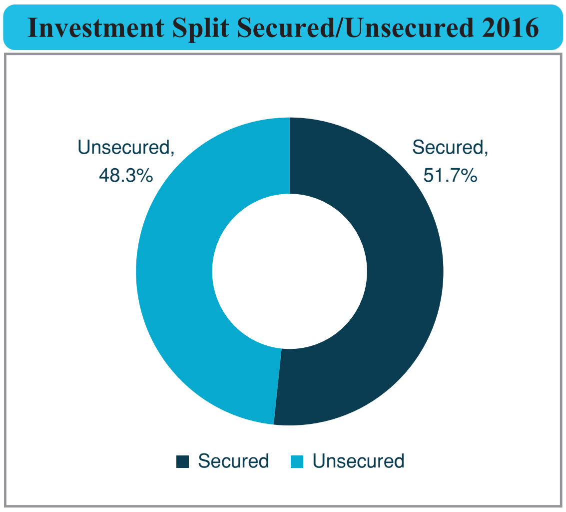
When we acquire a new portfolio, the portfolio value is recorded on our balance sheet at purchase cost under the IFRS amortized cost methodology. We begin to recognize revenues from and subsequent to amortization of the purchased loan portfolio as and when we record Core Collections following portfolio implementation and the initiation of a collection strategy.

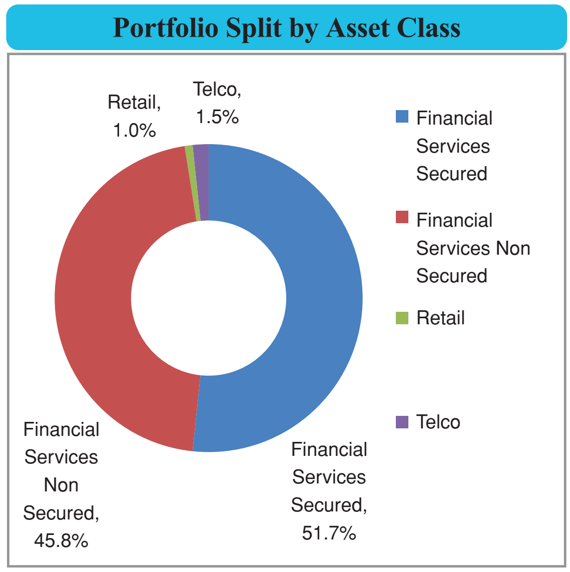
The table below summarizes our loan portfolio purchasing activity by setting out our key purchasing metrics by vintage during the periods under review. In any period, we purchase loan portfolios that can vary in age, type and ultimate collectability, which explains the period-to-period variation in average prices paid and face value indicated in the table below.

	Vintage[(1)] Year ended December 31,		
	2014	**2015**	**2016**
Portfolio purchases—costs (*£m*)	241.7	180.3	258.4
Face value (*£m*)	5,432.8	1,505.8	2,200.3
Price paid for Paying Accounts as % of face value	35.6%	33.4%	49.2%
Price paid for non-Paying Accounts as % of face value	6.0%	8.0%	6.8%
Total price paid as % of face value	4.5%	12.0%	11.7%

(1) Amounts for each period include purchases committed under Forward Flow Agreements that were entered into during that period but that may have been funded in subsequent periods.

Out of the £258.4 million portfolio purchases in 2016, £223.0 million were purchased organically (as opposed to £35.4 million acquired as part of the InVesting acquisition), 71.9% of which were in continental Europe. In addition, in 2016, the secured and unsecured split, and the split by asset class, of our investment in purchased portfolios (by purchase price) were as follows:





Over time, the price paid as a percentage of the face value of our loan portfolios has increased as we have directed our purchases of loan portfolios towards portfolios with a higher proportion of Paying Accounts.

The portfolio purchases in 2014 were higher than the historical average due to the effect of the purchasing of loan portfolios by the Capquest Group.

We have also purchased loan portfolios in Portugal from some of the existing Debt Sellers from whom we have purchased UK portfolios. The table below sets forth our purchased loan portfolios by region as of December 31, 2016 since our inception.

Country	Accounts		Face Value (FV)		Purchase Price		Average Account Balance		84-Month Gross ERC		120-Month Gross ERC	
	('000)	(%)	(£m)	(%)	(£m)	(%)	(% of FV)	(£)	(£m)	(%)	(£m)	(%)
UK	8,022.1	85.9	11,551.1	70.4	649.5	61.9	5.6	1,440	756.3	56.5	890.9	57.7
Portugal	694.9	7.4	4,015.3	24.5	283.2	27.0	7.1	5,778	413.4	30.8	461.8	29.9
Netherlands(1) .	624.3	6.7	835.6	5.1	116.3	11.1	13.9	1,338	169.4	12.7	191.9	12.4
Total	**9,341.3**	**100.0**	**16,401.9**	**100.0**	**1,049.0**	**100.0**	**6.4**	**1,756**	**1,339.1**	**100.0**	**1,544.5**	**100.0**

(1) Includes portfolios purchased in Belgium.

The availability of loan portfolios for purchase each year is driven by (a) the existing defaulted consumer debt already held by Debt Sellers, (b) the new consumer debt defaulting and becoming non-paying within the year and (c) the propensity of Debt Sellers to sell defaulted consumer debt in the year. Debt Originators' propensity to sell loan portfolios is driven by their individual debt recovery strategies. The volume of loan portfolios sold each year is also affected by the pricing of loan portfolios as Debt Originators determine whether it is more economically attractive for them to sell the debt or to warehouse it for further in-house or outsourced collections activity. See ''Industry—Overview of Defaulted Debt Sale Market.''

During the loan portfolio acquisition process, we use internally developed models and other data analytics tools to price and bid on loan portfolios. The information we assess is provided to us by third parties or generated from our data assets. If such information is not accurate or we do not have access to it, or our models are incorrect, we could overpay for loan portfolios or may fail to acquire loan portfolios if our offered price is too low.

Competition with other debt purchasers seeking to purchase the same loan portfolios also affects our ability to purchase loan portfolios. The majority of loan portfolios are currently offered to the market through competitive tender processes and we believe that we are invited to bid in nearly all public auction processes across the sectors in which we operate. In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of purchasers due to the development of certain market dynamics, including the need for debt purchasers to be able to benefit from high-quality data assets acquired over an extended period of time, a robust compliance framework and strong relationships with DCAs and Debt Sellers. However, it is possible that there will be new entrants or companies re-entering the debt purchase market as funding becomes more broadly available and Debt Sellers seek to maximize competitive dynamics. We compete primarily on the basis of our industry reputation and our ability to purchase a diverse range of asset classes and debt types, which we believe is enhanced by our ability to apply our sophisticated data analytics, as well as by the following strengths:

- *Compliance and Debt Seller relationships.* We believe that, due to the complexity of the due diligence and compliance process that Debt Sellers undergo before selling debt to a debt purchaser, Debt Sellers are increasingly looking to sell portfolios only to small panels of trusted partners with scale, a reputation for high compliance standards and a track record of completed transactions. In the UK, we believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 40 FOS filed complaints received by us and our DCAs per one million accounts during the year ended December 31, 2016. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer. In addition, we have implemented a ''three lines of defense'' risk management framework, supported by the CRO, the Board and Non-Executive Directors with financial services experience.

  Further, our senior management team has built strategic and operational level relationships with major European Debt Sellers. We believe that, in our core markets, we are on the panels of the majority of large Debt Sellers. As of December 31, 2016, we had purchased loan portfolios from over 110 Debt Sellers, and approximately 60.6% of our portfolio acquisitions in the UK since 2010 (72.4% for 2016) were completed outside typical auctions in bilateral transactions with Debt Sellers from whom we have previously purchased portfolios, reflecting the strength of our bilateral relationships with Debt Sellers.

  The top 10 originators of the loan portfolios that we owned as of December 31, 2016 (regardless of the Debt Sellers that ultimately sold such loan portfolios to us) accounted for 51.7% (by purchase price) of our loan portfolios during the periods under review with the top two originators accounting for 20.5%.

- *Price.* We believe our increased access to information relative to our competitors gives us an advantage in pricing loan portfolios at acquisition. We believe that our strength in data analytics and master servicing model enable us to evaluate and competitively price diverse loan portfolios. Our access to a high volume of customer data and our comprehensive suite of account verification and tracing tools, including UniView (a sophisticated single customer view system that consolidates customer account data) and the PCB (one of the UK's first debt collection focused credit bureaus, which we launched in partnership with Experian), are critical components in identifying customers and matching accounts to existing customers. We have the capability of matching up to approximately 23.8 million records through the PCB as of December 31, 2016, which we believe is a strong competitive advantage when assessing the risk and appropriate price for a loan portfolio at the time of purchase.

- *In-situ.* Our DCA partners perform collections for many large Debt Sellers, and Debt Sellers are increasingly selling in-situ loan portfolios where certain customer accounts are already placed with a DCA. We believe that our business model is well-suited to leaving accounts in-situ primarily because, unlike other debt purchasers that have in-house collection teams, we do not generally remove purchased Paying Accounts from the current DCA. We believe that our strong relationships with the members of our DCA panel is an important debt origination tool that gives us an advantage in the portfolio bidding process by giving us access to in-situ loan portfolios already placed with DCAs. Following the Capquest acquisition, we have continued to work with our core panel of DCAs and specialist servicers to identify origination opportunities in addition to offering ''place-to-sell'' capabilities through the Capquest Group's in-house collection business.

The ability to purchase debt portfolios is also dependent on our internally generated cash resources and our access to financing at the time loan portfolios become available for purchase. From 2011, we have been able to secure credit facilities and increase the number of our credit facility providers, enabling us to fund additional loan portfolio purchases. In addition, in January 2013, we accessed the debt capital markets through our inaugural issuance of the 2020 Notes. In October 2013, we accessed the equity markets through the IPO. We accessed the debt capital markets through our issuance of the 2021 Notes in November 2014 and September 2015, our issuance of the 2023 Notes in April 2016 and our issuance of the 2024 Notes in September 2016. Historically, we were also able to access funds on a bilateral basis via loans from our shareholders. We believe that we will be able to continue to access financing (bank debt as well as capital markets debt and through equity issuances by AGG) subject to market conditions. We currently service our loan portfolio purchases, working capital needs and other expenditures with cash generated from our operating activities and borrowings, if any, under the Arrow Global Revolving Credit Facility. See ''Liquidity and Capital Resources—Overview.''

From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

Core Collections

The main driver of our revenue recognized in our statement of comprehensive income is Core Collections (which is referred to as ''collections in the period'' in certain of the consolidated financial statements included in this Offering Memorandum).

We benefit from what we believe is a predictable and diversified collection base. Our Existing Portfolio produced Core Collections of £148.5 million in 2014, £218.5 million in 2015 and £286.0 million in 2016. The majority of our collection base is primarily driven by small, regular, annuity-like payments from approximately 600,000 individual customers as of December 31, 2016. The face value of these accounts was approximately £1.7 billion as of December 31, 2016. This represented 1.1 times our 120-Month Gross ERC as of December 31, 2016. The carrying value of our Existing Portfolios on our balance sheet was £782.8 million as of December 31, 2016, £609.8 million as of December 31, 2015 and £477.5 million as of December 31, 2014.

Our primary source of cash flow is the proceeds received from customer accounts in our purchased loan portfolios. Following the Capquest acquisition, we began to operate a hybrid operating model that combines our customer-focused in-house collection capabilities with our master servicing model. We believe this hybrid model provides us with an enhanced collection model from a cost, operational and regulatory perspective. Our in-house collection capabilities also provide us with the opportunity to collect and service debt on behalf of third-party clients on a contingent basis. Servicing on behalf of third parties provides us with a regular stream of account placements, which we believe provides greater insight into prevailing payment trends across debt types and demographics.

Using data analytics to determine the most efficient, effective and regulation-compliant collection strategy, we place accounts that we choose not to collect in-house with DCAs. During the past three years, we have reduced the number of DCAs that we place accounts with in order to target stronger collections by improving the selection of servicers to match their skill and expertise to each debt type and vintage. Currently, we place accounts with a core panel of six DCAs (four in the UK, one in Portugal and one in the Netherlands) and three law firms in the UK with whom we have strategic relationships, as well as up to five additional litigation servicers and five specialist DCAs. As a result of the Capquest acquisition, we have accelerated the DCA panel rationalization process to result in a core group of strategic DCA partners.

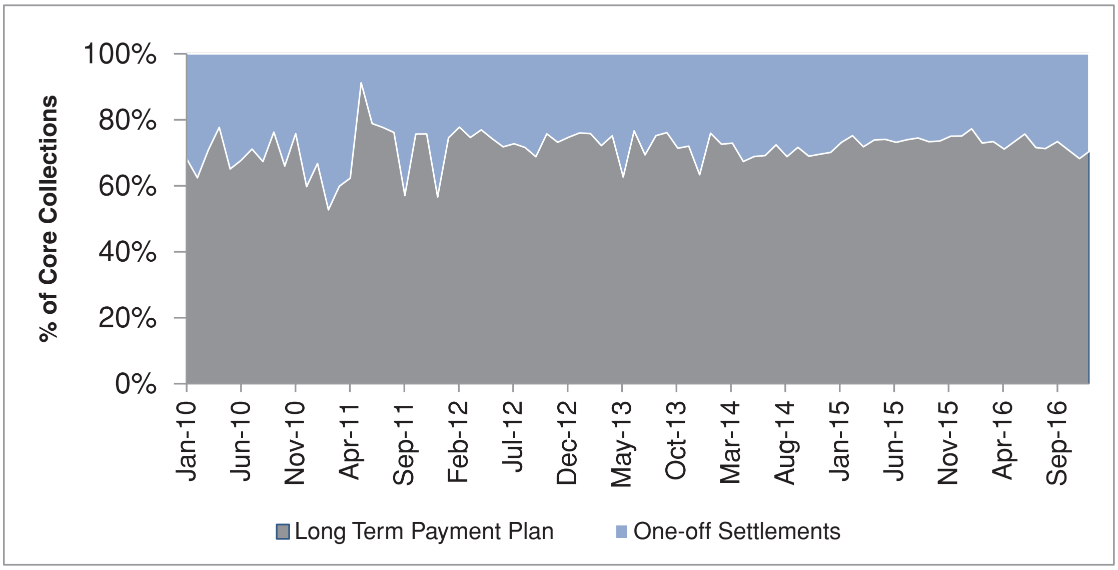
Our top 10 DCAs achieved approximately 34.5% of our Core Collections collected by DCAs in 2016 (compared to 47.5% in 2015 and 58.0% in 2014).

Each DCA works with customers to develop a payment solution appropriate for a customer's individual circumstances within parameters agreed with us.

We pursue two broad types of collection activities:

- Payment plans: most customers pay by entering into long-term repayment plans, which provides us significant cash flow visibility.
- One-off payment: arise when a payment (less than the full amount) leads to the closure of the account and any remaining balance is written off. We make a settlement assumption on each portfolio when it is purchased, which has an impact on the purchase price.

The following chart sets forth the collections by type as a percentage of Core Collections during the periods under review to December 31, 2016.



For loan portfolios purchased in the UK, for 2016, approximately 72.8% of our Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements, and the remaining 27.2% were on one-off payment arrangements, which can include a discount to the face amount of the loan outstanding.

From 2014 to 2016, we grew our total Core Collections from £148.5 million to £286.0 million, as a result of acquisitions of portfolios and other businesses and improving our data analytics. Our Core Collections in 2016 increased by 30.9% over Core Collections of £218.5 million in 2015, with the increase being driven by purchases during 2016 and improvements in collections driven by our data analytics tools.

Our forecasted collections are partially dependent on historical collection experience. We forecast collections using our proprietary Gross ERC forecasting model. The Gross ERC forecasting model uses logistic regression to forecast account-level liquidation for a 12-month period. At the end of the 12-month period, we apply decay rates to groups of accounts with particular characteristics to determine the future curve shape. We have historically achieved accurate collections performance against collections forecast used for the computation of Gross ERC.

We place accounts that we choose not to collect in-house with carefully selected specialist external DCAs that we actively audit. After placing an account with a DCA, we monitor the account's performance. We typically interface weekly with the DCAs to share transaction details and to update them with any applicable data enhancements. Generally, the DCAs remit cash to us on at least a weekly basis. We typically pay DCAs a contingent fee in arrear based on the amount of debt they are able to collect weekly. See ''Business—Our Current Operations—Account placement.'' We are conducting a pilot program that involves paying DCAs for specific operational activities in relation to collections. The amount a particular customer pays generally varies depending on the portion of such customer's disposable income available to service defaulted debt. We believe that in more difficult economic times, customers have a lower ability to repay their outstanding balances over a shorter period of time, resulting in lower average monthly installments with greater duration and fewer one-off payments.

We believe that the following factors have enabled us to achieve stable and predictable cash flows:

- *Sophisticated data assets and analytics capabilities.* We have built our databases and system processes around the creation of a single customer profile. We believe that we are an innovator in focusing on a single customer view and that, given our data assets and our refined analytical capabilities, we are well placed to ascertain a customer's propensity to pay. We use these data and analytical capabilities to segment the payer base and manage it in a way that minimizes leakage and identifies changes in circumstances that could provide an appropriate basis to vary customer payments. In addition, we have developed and improved our pre-purchase matching capability through our data assets and the PCB. We have increased the size of our data assets significantly. For example, our monthly import of trace data has increased from approximately nine million records per month in 2012 to approximately 73.0 million per month in 2016. The trace data includes names, addresses and contact information. Our monthly import of employment and home ownership records has increased from 5.3 million per month in 2011 to approximately 10.1 million per month in 2016. We have also imported approximately 3.4 million new telephone numbers in 2016, compared with 1.5 million in 2012. These increases have improved our value-based segmentation, enabling us to better predict the value of each account and better predict which DCA is best placed to service that account, thereby increasing collection rates.

- *Tailored collection strategy driven by value-based segmentation.* We analyze our portfolios and design our collection strategy individually at the account level through a value-based segmentation model whereby we classify an account as a High Value Account, Medium Value Account or Low Value Account in line with our expectations of the collectable value of the account over the next six months. The model can identify those of our accounts that generate a large percentage of all of our Core Collections, which enables us to negotiate lower commissions on better quality accounts and prioritize the activity to improve returns on portfolios. The model also enables us to group similar accounts for operational simplicity or to follow specific strategies.

Over time, we have significantly improved our ability to identify High Value Accounts within our purchased loan portfolios, which is the main driver of our collection performance. We believe that our ability to identify High Value Accounts will lead to increased collections at lower commission rates.

We have undertaken several initiatives to improve collections performance. These include:

- seeking to increase submissions into the PCB by increasing the number of third-party contributors to the PCB;
- procuring bureau information from Callcredit Information Group Limited, a private UK company which offers consumer marketing data solutions, which enriches the address and contact data to provide DCAs with a better chance of contacting an account holder. It also improves internal data quality and helps to link Paying Accounts; and
- procuring data from GB Group PLC, a public UK company specializing in identity data intelligence, which provides telephone number validation and insolvency information to minimize false dialing, improve collections and avoid customer complaints.

Revenue recognition, impairment of purchased loan portfolios and estimation of cash flow forecasts

The following paragraphs describe how the IFRS accounting under the amortized cost methodology recognizes the carrying value of purchased loan portfolios in our balance sheet, and the returns generated through cash collections on such portfolios in our statement of comprehensive income. These IFRS measures are derived from a number of other measures that are not determined in accordance with IFRS, including Gross ERC.

Revenue recognition

Income from purchased loan portfolios includes the following:

- Purchased loan portfolios are accounted for and recorded on the balance sheet under IFRS initially at fair value and subsequently at amortized cost using the EIR method. The EIR method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in our statement of comprehensive income. During each accounting period, the EIR of each purchased loan portfolio is used to calculate the income from purchased loan portfolios for the period. Core Collections in excess of the calculated income from purchased loan portfolios are recognized as amortization of the purchased loan portfolio carrying value.
- The EIR is the rate that exactly discounts estimated future Core Collections for purchased loan portfolios through their expected life. The EIR is determined at the time of purchase of the loan portfolio based upon estimated cash collections over the next 84 months (i.e., it is equivalent to the Gross IRR of the portfolio over 84 months) and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on our income from purchased loan portfolios. When an individual portfolio’s carrying value is completely recovered, we recognize any subsequent collections as income from purchased loan portfolios as it is received.

- We recognize upward revaluations (''uplifts'') as portfolio write-ups in the statement of comprehensive income. We also record subsequent reversals of such uplifts in the portfolio write-ups line. If such reversals exceed cumulative revenue recognized to date, we recognize a provision for impairment, which is reflected as a separate line item in the statement of comprehensive income.

The table below outlines an illustrative example of portfolio revenue recognition and change in portfolio carrying value under the EIR methodology under IFRS.

Illustrative example of IFRS EIR methodology monthly accounting
(£m, except as otherwise indicated)

Purchases of loan portfolio(1)	100
Purchased loan portfolio at the beginning of the month(2)	**100**
Estimated Gross IRR (84 months)(3)	25.4%
EIR(4)	25.4%
Income from purchased loan portfolios(5)	**1.9**
Core Collections/Collections in the period(6)	4.0
Amortization of purchased loan portfolios(7)	(2.1)
Purchased loan portfolios at the end of the month(8)	**97.9**

(1) Assumed as of the beginning of the month.

(2) Portfolios are recorded at acquisition cost.

(3) Gross cash receipts estimate equivalent to 2.0 times cash multiple over 84 months.

(4) Equivalent to 84-month Gross IRR.

(5) Computed as ((1+EIR) ^ (days in month/365) − 1) multiplied by purchased loan portfolio at the beginning of the month.

(6) As actually experienced in the month.

(7) Difference between Core Collections and income from purchased loan portfolios recognized.

(8) Opening value netted by amortization recognized in the month.

The foregoing table is provided for illustrative purposes only, and does not purport to represent actual information relating to our purchased loan portfolios.

Impairment of purchased loan portfolios

Our loan portfolios are reviewed for any possible indications of impairment at each balance sheet date in accordance with IAS 39. Where loan portfolios exhibit objective evidence of impairment (for example, when the latest 84-Month Gross ERC is lower than the previous estimate), we record a negative adjustment to the carrying value of the portfolio. If the forecast portfolio collections (or 84-Month Gross ERC) exceed previous estimates, we record an adjustment as an increase in the carrying value of the loan portfolio and include it in income from purchased loan portfolios in our statement of comprehensive income. Where portfolios have been newly acquired, we identify an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the estimated cash flows for the purposes of EIR calculations is not adjusted. The incubation period lasts for no more than 12 months after the acquisition date of a portfolio. If the forecast portfolio collections (or 84-month Gross ERC) are lower than previous estimates, the cumulative revenue recognized is considered as described in the revenue recognition accounting policy (see ''—Critical Accounting Policies and Use of Estimates—Revenue recognition'').

Estimation of cash flow forecasts

The estimation of cash flow forecasts is a key uncertainty within our policies on revenue recognition and impairment of purchased loan portfolios.

We establish estimates of cash flows that determine the EIR for each purchased portfolio at the time of purchase and for each portfolio over 12 months old. The estimates are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. We revalue the portfolios based on the rolling 84-Month Gross ERC at the revaluation date. This Gross ERC is updated with the Core Collections experience to date on a monthly basis using our proprietary Gross ERC model.

Other sources of revenue

In the UK, we currently have five debt servicing agreements, under which we manage loan portfolios that are owned by third parties. We believe that asset management activities provide us with the opportunity to diversify our sources of revenue and to access markets where the Debt Seller is not able to sell the underlying loan portfolios and also provide a potential future pipeline for loan portfolio purchases. Our service contracts provide long-term revenue, with some extending to 10 years. We recognize income from such asset management activities when the right to receive revenue is reasonably assured and can be measured reliably. We measure the right to receive such revenue with reference to services rendered based on the stage of completion, regardless of milestone payments received.

We improved the diversification of our revenues with the InVesting acquisition, the Capquest acquisition and the Portuguese acquisitions, which have contributed to the increase in our asset management revenues to 19.6% of our revenue for 2016.

In the past, we entered into certain lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios in return for secured loan notes. We no longer enter into lending arrangements of this type.

Core Collections to revenue

The following table sets forth a reconciliation of our Core Collections to total revenue. Income from purchased loan portfolios is total revenue excluding portfolio write-up, income from asset management and other income.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Core Collections/Collections in the period	148,547	218,515	285,960
Portfolio amortization	(40,563)	(68,277)	(97,046)
Income from purchased loan portfolios	**107,984**	**150,238**	**188,914**
Income from asset management	1,933	14,713	46,315
Other income(1)	825	503	701
Total revenue	**110,742**	**165,454**	**235,930**

(1) Consists of profit/(loss) on portfolio and loan note sales, and interest income from secured loan notes, as applicable.

During the periods under review, income from purchased loan portfolios varied as a percentage of Core Collections as described in the table below.

	For the year ended December 31,		
	2014	2015	2016
		(%)	
Portfolio amortization as a % of Core Collections/Collections in the period(1)	27.3	31.2	33.9
Income from purchased loan portfolios as a % of Core Collections/Collections in the period	72.7	68.8	66.1

(1) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

Collection Activity Costs and operational efficiency

Operational efficiency is key to our business model. We operate a hybrid operating model that combines our customer-focused in-house collection capabilities with our master servicing model. We use our extensive data assets and analytics capabilities, including the PCB and our value-based segmentation, to place customer accounts with the DCAs considered to be the most appropriate to service that type of debt. We regularly update DCAs with any data enhancements, thereby improving servicing efficiency and increasing collections over the lifetime of the debt.

We operate what we consider to be a flexible cost model and estimate that 59.1% of our cost base in 2016 was variable (2015: 64% and 2014: 68%). Our fixed costs are limited almost entirely to office accommodation, staff, data platform, compliance and IT infrastructure expenses, intended to provide us with scalability at a low incremental overhead. Fixed costs as a percentage of Core Collections have decreased overall, in part due to the Capquest acquisition. Because they are primarily driven by collections in a certain period, Collection Activity Costs in a period are largely variable and mainly comprise in-house collection costs and fees to our DCA network. Commission rates to be paid to the DCAs are set at the time of placement and are largely contingent on collections. In Portugal and the Netherlands, Collection Activity Costs tend to be higher than in the UK due to the differences in local conditions.

Prior to placement, we apply our value-based segmentation, which determines the relative value of a placement and is the basis for commission rates. We believe that DCAs have confidence in the quality of our data and collections forecasts and that they have, therefore, historically accepted lower percentage contingent fees on the basis that their collection profitability has not been reduced. In addition to DCA commissions, Collection Activity Costs include in-house collection costs, credit bureau costs and legal costs associated with collections.

Collection Activity Costs have increased year-on-year as they are driven by Core Collections, which also increased. Our Collection Cost Ratio decreased from 22.7% in 2014 to 21.1% in 2016 as set forth in the table below. The Collection Cost Ratio is impacted by the costs of collecting revenue generated by our asset management activities, which impact increased in 2016 when our asset management revenue reached 19.6% of our revenue in 2016. The table below presents Collection Activity Costs during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Core Collections/Collections in the period[1]	148,547	218,515	285,960
DCA commissions and equivalent costs	26,311	46,156	63,067
Other collection costs	7,839	6,147	7,194
Collection Activity Costs[2]	**34,150**	**52,303**	**70,261**
Collection Cost Ratio[3]	22.7%	22.4%	21.1%

(1) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(2) Collection Activity Costs represent the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third-party outsourced providers, in-house collection costs, credit bureau data costs and legal costs associated with collections.

(3) Collection Cost Ratio is the ratio of Collection Activity Costs to Core Collections and income from asset management.

We believe that the decline in our Collection Cost Ratio during the periods under review has been driven by (a) the significant improvements in our operational efficiency as a result of our value-based segmentation methodology (which enables us to attract lower contingent fees for higher value debt), (b) improved terms from our DCA partners who have gained confidence in our data analytics and collections forecasts, (c) changes in the volume and mix of debt purchased, (d) our increasing scale (as a result of our hybrid model that combines in-house collection capabilities with a contingent outsourced collection model, allowing us to take on additional portfolio opportunities at low incremental overhead and capital costs) and (e) our being one of the largest placing creditors in the industry (as a result of not having internal debt collection operations until the Capquest acquisition and continuing to retain our master servicing model for a large percentage of Core Collections following the Capquest acquisition).

Trends in average monthly payments

Average monthly payments on a payment plan are driven by how much a customer can afford, and are therefore intrinsically linked to their net disposable income. In recent years, we have typically experienced a decrease in the average payment installments of our customers. We believe this reduction has been partly driven by economic conditions resulting in customers having reduced disposable incomes and partly as a result of our enhanced affordability checks to ensure we agree sustainable payment plans with customers.

The trend in declining average payments increases our Collection Cost Ratio in the early phase of a portfolio's collection period, as collections are lower, but the cost of establishing the payment plan is the same. We believe the impact is a matter of timing and does not signify a drop in the overall amount of collections over the life of the account, although the collection curve elongates. Over the life of the portfolio, we therefore expect our Collection Cost Ratio on portfolios to remain substantially the same. This downward trend in average payments has been gradual, and as such has primarily impacted the phasing of collections on new portfolios. As our financial results demonstrate, during periods presented, the trend in declining average payments did not prevent us from decreasing our Collection Cost Ratio during the periods under review. By systematically tracking and analyzing performance trends on our portfolios, we were able to proactively adjust the collection curves and cost profiles on the basis of which we priced these portfolios. We may not always be able to adjust in such a way in the future. See ''Risk Factors—Risks Relating to Our Business—The need to adapt to customers' changing circumstances or circumstances impacting customers may result in increased Collection Activity Costs, reduced cash flow or imprecise modeling.''

Declines in average monthly payments are, we believe, likely to encourage customers to continue to make payments under payment plans and reduce the risk of payment breakages.

Macroeconomic conditions

Macroeconomic conditions in the markets in which we operate can have various effects on our loan portfolio purchases from Debt Sellers and our Core Collections from customers. For example, a deterioration in macroeconomic conditions may (a) reduce Debt Sellers' propensity to sell defaulted consumer debt at the prices prevailing in the market, thereby decreasing the volume of loan portfolios available for us to purchase and, thereafter, increase sales by Debt Sellers as they seek to sell loan portfolios in order to free up capital, thereby increasing the volume of debt available for us to purchase and (b) reduce the ability of customers to repay their debt, thereby decreasing our Core Collections. On the other hand, improved economic conditions may (a) reduce Debt Sellers' propensity to sell defaulted consumer debt as they seek to recover the defaulted amounts themselves and through their DCAs, as a result of which the volume of debt available for us to purchase may decrease and (b) improve the ability of customers to repay their debt, thereby increasing our Core Collections.

Following the UK Referendum, we expected a temporary reduction in the willingness of Debt Sellers to sell defaulted debt and the UK loan sale market did drop sharply during 2016 compared to 2015, with only €13 billion (by face value) of completed sales of loans in 2016, compared to €40 billion (by face value) in 2015. Deloitte believes that the disruption was only temporary, and that the defaulted debt sales will recover in 2017. We also considered that counterparty risk may have increased generally following the UK Referendum, particularly in Portugal, which led us to reassess acceptable exposure levels.

We conducted an analysis of the effects that the last recession had on a cohort of our existing paying accounts from the 2005–2010 vintage. The analysis considered the following metrics from our internal models used to forecast ERC:

- Breakage rates, which reflect the percentage of customers who fail to comply with their payment arrangements;
- Payment values, which is the growth in the value of the payment arrangements with customers in a quarter;
- Cumulative settlement rate, which is the cumulative proportion of customers making a one-off settlement; and
- Settlement liquidation rate, which is the proportion of current balances which is paid to us as a settlement.

The analysis indicated that even though the increase in payment values which is observed in non-recessionary times was suppressed in the recession, the remaining three metrics did not exhibit significant shocks during the last recession. Based on this analysis and the affordable payment arrangements that we enter into with our customers, we believe that the impact of macroeconomic uncertainty on our ERC should be within tolerances in the near- to medium-term in a similar recession. We expect to undertake further analysis and monitoring of the macroeconomic impacts as the process of withdrawal of the UK from the EU unfolds.

Regulatory considerations

Our results of operations are affected by a number of laws and regulations in the jurisdictions in which we operate. The regulatory environment for debt collection in the UK requires considerable investment in processes, know-how and management. See ''Risk Factors—Risks Relating to Our Business—Our UK operations are subject to significant oversight by UK regulators that view our operations as ''higher risk'' consumer credit activities.'' and ''Regulation and Compliance.''

Any changes in the laws and regulations in the jurisdictions in which we operate could constrain our ability to operate. See ''Risk Factors—Risks Relating to Our Business—Changes to the regulatory environment in the future in the UK, Portugal, Belgium, the Netherlands or Italy or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business and/or increase our costs.'' We have invested, and intend to continue to invest, in a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. See ''Management—Operational Committees.''

Acquisitions and other arrangements

From time to time, we consider acquisitions where they offer a strategic opportunity to further accelerate growth. We also enter into certain other arrangements in connection with certain portfolio acquisitions and in connection with certain origination and servicing arrangements.

Acquisitions

Capquest acquisition. On November 28, 2014, we acquired the Capquest Group for £159.5 million. The Capquest Group is a UK debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors. As well as servicing its owned purchased portfolios, the Capquest Group collects and services debt on behalf of four strategic clients in the financial services sector on a commission basis.

We believe that the Capquest acquisition provided us with strong strategic and financial benefits, including an enhanced market position, a reinforced business model that combines the Capquest Group's customer-focused in-house collections capability with our master servicing model, diversification of origination sources and enhanced data capabilities.

MCS acquisition. On December 15, 2014, we acquired a 15% interest in Promotoria MCS Holding SAS, the holding company of the MCS group, for £11.4 million. MCS is a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and SME loans and personal guarantee segments. Our CIO, Zachary Lewy, is a member of the board of directors of MCS.

Gesphone acquisition. On April 1, 2015, we acquired Gesphone for €8.1 million, payable over four years. Gesphone is one of the leading servicers of non-performing loans in Portugal and has serviced purchased loan portfolios owned by us since 2010. In connection with the acquisition of Gesphone, we acquired €77.2 million face value of portfolios of non-performing loans.

We believe that Gesphone provides us with strong strategic and financial benefits, including an enhanced market position in Portugal and reinforces our business model.

Whitestar acquisition. On April 22, 2015, we acquired 33.0% of Silver Parallel S.A., the parent company of Whitestar. Full voting control and a 100% economic interest in Silver Parallel S.A. passed to us upon payment of the initial consideration of €19.9 million on April 22, 2015. We increased our holding to 75% of the shares for a further payment of €19.3 million on April 1, 2016 (including working capital adjustments), and we intend to complete the acquisition of 100% of the shares on April 1, 2017 for a final payment of €10.6 million, bringing the total consideration to €49.8 million. See ''—Contractual obligations and commercial commitments.''

Whitestar is a market leader in servicing mainly non-performing loans and has established relationships with leading banks and consumer finance companies in Portugal. Whitestar has approximately 460 employees and managed portfolios with a face value of €4.2 billion as of December 31, 2016. We believe that Whitestar provides us with strong strategic and financial benefits, including an enhanced market position in Portugal, and reinforces our business model.

Redrock acquisition. On February 29, 2016, we purchased Redrock, a Portuguese debt servicer, for £2.9 million.

InVesting acquisition. On May 4, 2016, we acquired the InVesting Group, a leading consumer debt purchaser, asset manager and outsourced collections provider with operations in the Netherlands and Belgium, for €100.0 million.

Together with our Dutch portfolio purchases during 2015 and 2016, the InVesting acquisition helped us to create a leading debt service and management business in the Benelux region, has complemented our leading positions in the UK and Portugal and has reinforced our position as one of Europe's leading purchasers and managers of debt.

Zenith acquisition. On December 6, 2016, we agreed terms to acquire Zenith Service S.p.A., a leading servicing business in the Italian structured finance market, for an enterprise value of €17.0 million. The transaction is subject to regulatory approval by the Bank of Italy.

Other arrangements

Cerberus consortium. In the second quarter of 2013 and in February 2014, we and Cerberus, acting as a consortium, purchased two portfolios worth £223.0 million (in face value) in total from a Debt Originator. The portfolios were split equally and at random between the consortium partners, with Cerberus' accounts held by us (acting as master servicer across the entirety of both portfolios).

On March 31, 2014, Cerberus agreed to assign, and we agreed to purchase, Cerberus' portion of the purchased loan portfolios, for a total purchase price of £20.4 million. The consideration for our purchase of these portfolios was paid in two tranches, with 50% paid in March 2014 and 50% paid in March 2015. Distributions of £1.1 million made to Cerberus in relation to January and February 2014 collections were deducted from the first installment, resulting in an initial consideration of £9.1 million and a further payment of £10.2 million in March 2015.

CarVal Investors asset management arrangement. In May 2011, CarVal Investors acquired a loan portfolio from a Debt Originator. We have serviced the loan portfolio since its migration in June 2011. In 2012, portions of the loan portfolio were sold to three debt purchasers, including us. We purchased the remaining £24.0 million face value of the loan portfolio in March 2014 for £4.7 million. This purchase reduced our fees from asset management activities and increased our total purchased loan portfolios.

CarVal Investors strategic partnership. We have acquired more than €5 billion face value of portfolio assets across Portugal and the UK through our strategic relationship with CarVal Investors, which we formalized into a strategic partnership on April 1, 2015. The strategic partnership formalizes this relationship in Portugal by establishing a five-year agreement to jointly originate Portuguese investments and a formal five-year servicing commitment.

Co-investment. In December 2016, we co-invested with CarVal in a €1.7 billion portfolio (by face value) of predominantly performing secured loans in the Netherlands. The loan portfolio comprised approximately 9,300 high quality loans for primarily buy-to-let residential and mixed usage properties, with a smaller proportion of commercial real estate assets typically being industrial, retail, leisure or office properties. The loans have an average loan-to-value ratio of 66%. We invested £21.3 million in the form of loan notes issued by the vehicle that holds the loan portfolios. We also entered into a five-year agreement to service the entire loan portfolio. By acquiring the servicing capabilities of the prior owner of the portfolio, we augmented our specialist service expertise. We believe that engaging in co-investment transactions is an attractive model for growing our business, as it allows us to participate in larger deals without having to deploy significant amounts of capital, while benefiting from servicing revenue on the entire portfolio and gaining access to additional data sets.

We agreed to acquire the entity that owned the asset servicing platform and loan origination platform as legal title to the loans is required to be held by an appropriately licensed entity. On December 31, 2016, the closing of the transaction, we acquired the entity with title to the platforms, including approximately 60 employees. The purchase price was paid by the vehicle that holds the loan portfolio. It has been agreed that we will transfer the loan origination platform and legal title to the loans via demerger of the part of the business containing these assets once the required license has been granted to the vehicle (we will retain the asset servicing platform).

Improvements in Systems and Processes

We intend to make investments in our capabilities to support the added complexity and growth of a more diversified business. We expect to invest to improve our IT infrastructure, to help embed our risk management framework group-wide, improve systems and processes across the Group and develop our capital allocation and portfolio management capabilities. We expect our capital expenditure to increase by approximately £5 million in 2017 compared to our historical capital expenditure in 2016. As we continue to grow our business, particularly through the anticipated acquisition of the Zenith Group and the transition of the servicing team for our co-investment in the Netherlands to our payroll, we expect that our costs will increase commensurately.

Seasonality

The timing of our loan portfolio purchases is likely to be uneven during a financial year due to fluctuating supply and demand within the market, with a corresponding impact on leverage and earnings. We typically purchase more loan portfolios in terms of purchase price in the fourth quarter (when Debt Sellers (financial institutions in particular) aim to sell assets before their year-end) compared to each of the first three quarters. However, we aim to purchase a particular amount of loan portfolios annually and, during some financial years, we may purchase a higher proportion of our targeted purchases earlier in the year. See ''Risk Factors—Risks Relating to Our Business—Uneven debt portfolio supply patterns may prevent us from pursuing all of the debt purchase opportunities we would like to, and may result in us experiencing uneven cash flows and financial results.''

Certain items in our consolidated statement of comprehensive income can be impacted, positively or negatively, by short-term, non-cash movements in the carrying value of loan portfolios. Movements in these items may not be reflective of their long-term trends. In addition, these items may be impacted by the timing of our purchase of loan portfolios. This is due to the fact that the carrying value of loan portfolios is not generally updated until sufficient collection experience and other data and analyses are obtained to provide evidence of a change in the profile and amount of expected cash receipts, no more than 12 months from the date of purchase. Until such time, the expected cash flow is generally the cash flow forecast determined by us at the time of purchase. Subsequently, our proprietary Gross ERC forecasting model projects expected future Core Collections based on the Core Collections achieved to date. As a result, changes in the carrying value of loan portfolios for which actual cash flows perform differently from the expected cash flows at the time of our purchase of loan portfolios can impact the items in our consolidated statement of comprehensive income to a different degree in each period. These factors can affect comparability between short measurement periods disproportionately because movements in the carrying value of our loan portfolios are adjusted against a smaller income base in shorter periods. See ''—Critical Accounting Policies and Use of Estimates.''

Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Adjusted EBITDA

We have experienced significant growth in the value of our Existing Portfolios and Adjusted EBITDA, which we believe is the result of the growing volume of loan portfolios we have been able to purchase, our pricing discipline, our cost model, and the sophistication of our data analytics and account placement operations.

Following the purchase of a loan portfolio, we seek to locate the relevant consumers, build a consolidated profile of each such consumer's circumstances and formulate an appropriate repayment solution by using our proprietary data sources. This can result in a lag between the time of acquisition of a loan portfolio and the time that we begin collecting on the acquired portfolio. The lag varies from portfolio to portfolio. However, cash inflows have historically remained relatively stable due to our low fixed cost base enabling us to remain competitive in our pursuit of portfolio acquisition opportunities.

Purchased loan portfolios

As described in ''Significant Factors Affecting Results of Operations—Revenue recognition, impairment of purchased loan portfolios and estimation of cash flow forecasts,'' the IFRS balance sheet carrying value of purchased loan portfolios is derived from our latest 84-Month Gross ERC forecast for our Existing Portfolios. For a description of our loan portfolio valuation methods, see ''—Critical Accounting Policies and Use of Estimates—Revenue recognition.'' As a result, we believe it is important to assess our purchased loan portfolios by analyzing the development of our Gross ERC.

The following table sets forth our 84-Month Gross ERC and 120-Month Gross ERC on purchased loan portfolios by vintage as of December 31, 2016.

Vintage[(1)]	84-Month Gross ERC	120-Month Gross ERC
	(£m)	
Pre-2010	31.1	38.3
2010	29.9	35.6
2011	111.6	136.1
2012	89.6	107.8
2013	108.7	135.0
2014	289.8	339.4
2015	280.5	316.4
2016	397.9	435.9
Total	1,399.1	1,544.5

(1) Amounts for each vintage include a portion of Forward Flow Agreements that were entered into during that period but that may have been funded in subsequent periods.

Gross ERC means our estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, which represents the expected future Core Collections on purchased loan portfolios over the 84-month or 120-month period (calculated at the end of each month, based on our proprietary Gross ERC forecasting model). We do not deduct future Collection Activity Costs in calculating Gross ERC. Gross ERC is calculated as of a point in time assuming no additional purchases are made thereafter. These estimates are based on historical and current loan portfolio collection performance data, and trends and assumptions about future collection rates. We cannot guarantee that we will achieve such collections within the specified time periods, or at all. See ''Presentation of Financial and Other Information.''

Gross ERC is a measure that is also often used by other companies in the industry in which we operate; however, it may be calculated differently by different companies. We present Gross ERC because it represents an estimate of the anticipated future cash collections on our purchased loan portfolios at any point in time, which is an important supplemental measure for our management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month Gross ERC to reflect the longer-term value of our Core Collections because of the high proportion of financial services loan portfolios in our purchased loan portfolios, which have higher average account balances, combined with a large proportion of Paying Accounts. We use 84-Month Gross ERC for accounting purposes and also because the Arrow Global Revolving Credit Facility and the Existing Notes use, and the Notes will use, 84-Month Gross ERC to test our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness.

As set forth in the table below, we have experienced significant Gross ERC growth, primarily as a result of portfolio purchases, the Capquest acquisition and improvements in our data analytics.

	As of December 31,		
	2014	2015	2016[(1)]
		(£m)	
84-Month Gross ERC	897.3	1,028.6	1,339.1
120-Month Gross ERC	1,085.4	1,224.5	1,544.5

(1) As of December 31, 2016, our 84-Month Gross ERC on our UK, Portugal and Netherlands loan portfolios was £756.3 million, £413.4 million and £169.4 million, respectively, and our 120-Month Gross ERC was £890.9 million, £461.8 million and £191.9 million, respectively. The table below summarizes our total purchased loan portfolio by breaking down our 84-Month Gross ERC and 120-Month Gross ERC by asset class as of December 31, 2016.

Asset class	Months 0–12	13–24	25–36	37–48	49–60	61–72	73–84	84-Month Gross ERC	Months 85–96	97–108	109–120	120-Month Gross ERC
								(£m)				
Financial services	262.2	240.0	205.1	175.9	135.0	100.6	80.8	1,199.6	69.5	59.7	50.7	1,379.5
Retail	18.0	15.0	13.2	11.7	10.4	9.3	8.6	86.2	7.8	7.3	6.5	107.8
Telecommunications	2.7	2.0	1.3	0.9	0.7	0.5	0.4	8.6	0.3	0.3	0.3	9.5
Student loans	8.2	9.0	8.3	7.0	5.8	4.1	2.3	44.8	1.4	0.9	0.7	47.8
Total	**291.0**	**266.0**	**228.0**	**195.6**	**151.9**	**114.6**	**92.1**	**1,339.1**	**79.1**	**68.2**	**58.1**	**1,544.5**

As of December 31, 2016, 89.3% of our 120-Month Gross ERC was derived from financial services loan portfolios. The average account balance of our financial services loan portfolios, retail loan portfolios and telecommunications loan portfolios and student loan portfolios was £2,028, £1,153, £592 and £3,963, respectively. Individual accounts within our financial services loan portfolios have a higher average balance relative to accounts within retail loan portfolios and telecommunications loan portfolios. The higher average balance typically results in customers entering into long-term repayment plans consisting of small and regular annuity-like repayments. Consequently, financial services loan portfolios tend to produce a higher Gross Cash-on-Cash Multiple relative to retail loan portfolios and telecommunications loan portfolios (albeit with a similar Net IRR).

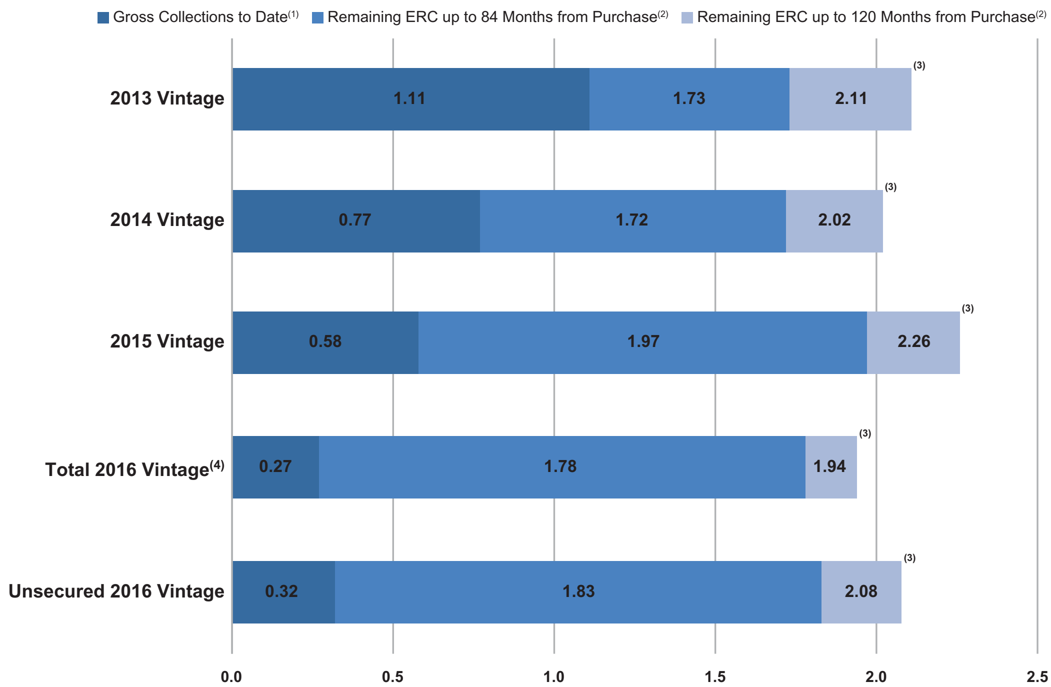
As we continue to diversify our business geographically, our Gross ERC will be affected to a greater extent by the rates of exchange between pounds sterling and the euro, since Gross ERC is calculated using the exchange rate in effect on the date of the calculation.

Returns on purchased loan portfolios

To further understand the underlying trends in the performance of our purchased loan portfolios, and the Gross ERC development with respect to such portfolios, we believe it is important to analyze the returns and payback period expected on purchased loan portfolios, which are expressed as Gross Cash-on-Cash Multiple.

We believe that Gross Cash-on-Cash Multiple is a key measure of our performance because it illustrates the underlying profitability of our purchased loan portfolios and assists investors in understanding the performance of companies in the debt purchase industry. Unsecured loan portfolios attract a higher rate of return than secured debt loan portfolios. On a weighted average basis, the Gross Cash-on-Cash Multiple may be lower for the entire portfolio comprised of both secured and unsecured loans than it is for unsecured loan portfolios only, as was the case with the 2016 vintages.

The following graph sets forth certain data related to our purchased loan portfolios by vintage, as of December 31, 2016.



(1) Represents actual collections from the date of purchase to December 31, 2016.

(2) Estimated collections represents Collections to Date plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, meaning Core Collections to December 31, 2016, plus forecasted collections for the following 84 or 120 months, respectively, after December 31, 2016.

(3) The Gross Cash-on-Cash Multiple presented for each vintage represents the Collections to Date plus a portion of the Gross ERC up to 84 months and up to 120 months, respectively, all divided by the purchase price for each portfolio. See ''Presentation of Financial and Other Information—Other Financial Information and ''Use of Terms.''

(4) Includes both secured assets (which represented 51.7%) and unsecured assets presented as unsecured 2016 Vintage above.

The Gross Cash-on-Cash Multiples vary by vintage based upon the mix of assets within each vintage. Gross Cash-on-Cash Multiples vary by asset class, with secured assets generally having a lower return than unsecured assets. Gross Cash-on-Cash Multiples also vary to generally reflect (a) the proportion of Paying Accounts and primary debt, which are inherently less risky and therefore attract lower returns and (b) the effect of our data analytics capabilities, operational improvements and collection efficiencies on our purchasing methodology. For the Gross Cash-on-Cash Multiple, as portfolios mature, the incorporation of Core Collections to date in addition to the 120-Month Gross ERC increases the return. Individual accounts within our financial services loan portfolios have a higher average balance relative to accounts within retail loan portfolios and telecommunications loan portfolios. The higher average balance typically results in customers entering into long-term repayment plans consisting of small regular repayments. Consequently, financial services loan portfolios tend to produce a higher Gross Cash-on-Cash Multiple relative to retail loan portfolios and telecommunications loan portfolios (albeit with a similar Net IRR).

Operating cash flow generation before purchases of loan portfolios and loan notes

We are highly operationally cash generative before purchases of loan portfolios and loan notes. Adjusted EBITDA represented 73.2% of our Core Collections in 2016 (2015: 70.0% and 2014: 68.0%). Net cash used in operating activities (which includes purchases of loan portfolios and loan notes) was £26.2 million in 2016 (2015: £56.3 million; 2014: £52.4 million).

We believe we have achieved such levels of operational cash flow generation by using our sophisticated data analytics tools and value-based segmentation to determine the most appropriate DCA to collect on a particular account. We believe that, over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and that, therefore, we are able to agree commission rates based on our forecast of individual accounts' liquidation. In addition to DCA commissions, Collection Activity Costs include in-house collection costs, credit bureau data costs and legal costs associated with collections.

We define Adjusted EBITDA as (loss)/profit for the period adjusted to exclude the effects of finance income and costs (other than exceptional items), taxation charge on ordinary activities, exceptional items included under finance income and costs, profit on disposal of purchased loan portfolios, depreciation and amortization, foreign exchange gains/(losses)(net), amortization of acquisition and bank facility fees (included in operating expenses), share-based payments (not included in exceptional items), exceptional items included under other operating expenses and adjusted for the effect of portfolio amortization.

Reconciliation of Adjusted EBITDA to net cash flow. For supplemental purposes, we have also included a reconciliation of net cash used in operating activities to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents net cash used in operating activities adjusted to exclude the effects of purchases of loan portfolios and loan portfolios to be resold, purchases of loan notes, gains on disposal of property, plant, equipment and intangibles, income taxes paid, working capital adjustments, share of profit in associates, amortization of acquisition and bank facility fees, and exceptional items, and include the effect of exchange rates on cash and cash equivalents.

Reconciliation of Adjusted EBITDA to Core Collections. Additionally, for supplemental purposes, we have included a reconciliation of ''Core Collections,'' which is included in our consolidated financial statements that are presented in accordance with IFRS, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Core Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our liquidity. For purposes of this reconciliation, Adjusted EBITDA represents Core Collections (which includes income from purchased loan portfolios and portfolio amortization), including the effects of income from asset management, other income/(profit/(loss) on portfolio and loan note sales, operating expenses and share of profit in associates, and excluding the effects of depreciation and amortization, foreign exchange gains/(losses)(net), amortization of acquisition and bank facility fees (included in operating expenses), share-based payments and exceptional items.

We present Adjusted EBITDA because we believe that it may enhance an investor's understanding of our performance, of our ability to service our debt and other obligations, to maintain our operations and to fund our continued growth, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies. Because Adjusted EBITDA is adjusted for the effect of portfolio amortization, which can differ from others in the industry as a result of varying accounting treatments, we believe that the measure allows comparison of performance across the industry.

Adjusted EBITDA is not a measure determined in accordance with IFRS and our use of the term Adjusted EBITDA may vary from others in the industry in which we operate. See ''Presentation of Financial and Other Information.'' Adjusted EBITDA should not be considered as an alternative to net cash flow from operating activities, (loss)/profit for the period, Core Collections or any other performance measures determined in accordance with IFRS.

The following tables set forth the reconciliations of (loss)/profit for the period, net cash flow from operating activities, and income from loan portfolios, in each case, to Adjusted EBITDA for the periods indicated.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Profit for the period	18,271	31,749	26,306
Finance income and costs (other than exceptional items)[(a)]	21,409	36,608	48,034
Taxation charge on ordinary activities	5,852	7,523	5,061
Share of profit in associates	—	(1,243)	(2,363)
Exceptional items[(b)]	848	—	17,994
Operating profit	**46,380**	**74,637**	**95,032**
Portfolio amortization[(c)]	40,563	68,277	97,046
Depreciation and amortization	1,090	4,176	8,658
Foreign exchange gains/(losses) (net)[(d)]	975	(592)	(1,510)
Profit on disposal of purchased loan portfolios	(825)	(503)	(701)
Amortization of acquisition and bank facility fees (included in operating expenses)	278	303	276
Share-based payments (not included in exceptional items)	568	1,210	3,061
Share of profit in associates	—	1,243	2,363
Exceptional items[(b)]	11,991	4,309	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Net cash used in operating activities	(52,431)	(56,294)	(26,217)
Purchases of loan portfolios	142,631	176,310	201,700
Purchases of loan portfolios to be resold[(e)]	—	23,519	—
Purchases of loan notes	—	—	21,315
Income taxes paid	7,039	6,624	2,850
Share of profit in associates	—	1,243	2,363
Working capital adjustments[(f)]	(6,652)	(1,941)	1,938
Amortization of acquisition and bank facility fees	278	303	276
Gains on disposal of property, plant, equipment and intangibles	(143)	—	—
Foreign exchange gains/effect of exchange rates on cash and cash equivalents[(d)]	66	354	—
Exceptional cash items[(b)(g)]	10,232	2,943	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Income from loan portfolios	107,984	150,238	188,914
Portfolio amortization	40,563	68,277	97,046
Core Collections/Collections in the period(h)(i)	**148,547**	**218,515**	**285,960**
Other income/profit/(loss) on portfolio and loan note sales(j)	—	—	
Income from asset management	1,933	14,713	46,315
Operating expenses	(64,362)	(90,817)	(140,898)
Depreciation and amortization	1,090	4,176	8,658
Foreign exchange gains/(losses)(net)(d)	975	(592)	(1,510)
Amortization of acquisition and bank facility fees (included in operating expenses)	278	303	276
Share-based payments (not included in exceptional items)	568	1,210	3,061
Share of profit in associates	—	1,243	2,363
Exceptional items(b)	11,991	4,309	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**

(a) Finance income and costs (other than exceptional items) consist of interest on the 2020 Notes, the 2021 Notes, the 2023 Notes and the 2024 Notes (as applicable), interest on bank loans and the amortization of financing costs, and exclude the effect of the accelerated amortization of financing costs and settlement fees.

(b) The following table sets forth a breakdown of exceptional items during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Other operating expenses:			
Staff costs/IPO-related costs	1,760(i)	1,366	—
Company integration(ii)	—	1,452	—
Settlement provisions(iii)	4,205	—	—
Acquisition of Subsidiary	6,026(iv)	1,491(v)	5,022(vi)
Exceptional items included under other operating expenses	11,991	4,309	5,022(vi)
Exceptional items included under finance income and costs	848(vii)	—	17,994(viii)
Exceptional items(ix)	**12,839**	**4,309**	**23,016**

(i) Reflects share option charges subsequent to the IPO.

(ii) Comprises £1.5 million due to the introduction of the hybrid collections model following the Capquest acquisition.

(iii) Comprises £2.2 million in relation to VAT settlement and £2.0 million of exceptional contract settlements, £1.6 million of which was directly due to the Capquest acquisition, terminating a duplicative servicing contract. See ''—Description of Key Statement of Comprehensive Income Items—Taxation charge on ordinary activities.''

(iv) Comprises £5.5 million of fees incurred in respect of the Capquest acquisition and specific staff costs of £0.5 million.

(v) Comprises £1.5 million of fees incurred in respect of the Portuguese acquisitions.

(vi) Comprises £5.0 million of fees incurred in respect of the InVesting acquisition and the Redrock acquisition, and the agreed anticipated acquisition of the Zenith Group.

(vii) Comprises interest on the settlement of the historical tax issue, discussed in note (iii), of £0.1 million. See ''—Description of Key Statement of Comprehensive Income Items—Taxation charge on ordinary activities.''

(viii) Comprises £18.0 million incurred in relation to the redemption of the 2020 Notes.

(ix) We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

(c) Portfolio amortization represents Core Collections in excess of income from purchased loan portfolios.

(d) Foreign exchange losses/(gains) include costs related to the retranslation of euro-denominated loan portfolios.

(e) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

(f) Working capital adjustments include the net movement on debtors and creditors, excluding our revolving credit facilities, the 2020 Notes and related accrued interest, the 2021 Notes and related accrued interest, the 2023 Notes and related accrued interest, the 2024 Notes and related accrued interest, and corporation tax debtors and creditors. The following table sets forth the working capital adjustments based on our consolidated statement of cash flow for the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
(Decrease)/increase in other receivables	(5,006)	16,285	9,243
Increase in trade and other payables	(1,646)	(18,226)	(7,305)
Working capital adjustments	**(6,652)**	**(1,941)**	**1,938**

(g) In the reconciliation of net cash used in operating activities to Adjusted EBITDA, non-cash adjustments and financing costs are excluded from the presentation of exceptional items, as set forth in the following table:

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Total exceptional items	12,839	4,309	5,022
Non-cash adjustments and financing costs	(2,607)[(i)]	(1,366)[(ii)]	—
Total	**10,232**	**2,943**	**5,022**

(i) Reflects share option charges subsequent to the IPO (£1.8 million) and financing costs (£0.8 million).

(ii) Reflects share option charges in relation to the IPO.

(h) As of December 31, 2016, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £116.8 million per year are required to maintain a constant 84-Month Gross ERC and £122.6 million per year are required to maintain a constant 120-Month Gross ERC (which is dependent on the mix of portfolios held by us, collections, the performance of Existing Portfolios and the return characteristics of new loan portfolio acquisitions).

(i) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(j) Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes, as applicable.

Description of Key Balance Sheet Statement Items

Purchased loan portfolios

Purchased loan portfolios are financial instruments to which IAS 39 applies. Purchased loan portfolios are classified as ''loans and receivables'' and are measured initially at fair value, which equals the cash paid and subsequently at amortized cost using the effective interest method less any impairment.

As part of our litigation strategy to recover customer balances we incur legal costs. Where these legal costs are considered recoverable, they are included within the estimated forecasts of future cash flows within the purchased loan portfolios balance, and we refer to such costs as recoverable litigation expenditure.

The following table sets forth details relating to our purchased loan portfolio at the dates indicated.

	As of December 31,		
	2014	2015	2016
		(£'000)	
Purchased loan portfolios	477,513	586,274[(1)]	782,792
Purchased loan portfolios as a % of total assets	81.9%	75.9%	74.7%

(1) Excludes £23.5 million of portfolio assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From

time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

The difference between the actual cash collected (*i.e.,* Core Collections) and the calculated portfolio revenue (*i.e.* income from purchased loan portfolios in our statement of comprehensive income) represents the amortization of the purchased loan portfolio balance during a period. The Portfolio Review Committee (chaired by the CEO) monitors Core Collections, updated Gross ERC forecasts and operational campaigns. In addition, the Portfolio Review Committee considers any indicators of impairment. Where loan portfolios exhibit objective evidence of impairment and an impairment loss is required to be recognized, we record an adjustment to the carrying value of the loan portfolio. If the forecast loan portfolio collections exceed initial estimates, we record an adjustment to increase the carrying value of the loan portfolio. In accordance with IAS 39, we recognize any change in carrying value in the statement of comprehensive income in the line item ''Portfolio write-up.'' See ''—Critical Accounting Policies and Use of Estimates—Revenue recognition.''

Description of Key Statement of Comprehensive Income Items

Income from purchased loan portfolios

We recognize revenue from purchased loan portfolios in accordance with IAS 39 using the EIR method. The EIR is defined as the loan portfolio's Gross IRR based on the loan portfolio purchase price and forecast 84-Month Gross ERC as of the date of purchase. We reassess and adjust the EIR up to 12 months after the purchase of each loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. The EIR is determined with respect to each portfolio acquired based on the factors described above.

Loan portfolio revenue is calculated by multiplying the carrying value of each loan portfolio as of the beginning of the period by the EIR. Should the actual cash collections exactly match the initial forecast, the portfolio would be fully amortized (*i.e.*, carrying value is zero) after 84 months and remaining collections recognized as received.

Income from servicing and asset management

Income from asset management represents fees and expected income from managed service contracts. Commission rates on such contracts differ; in certain contracts, we earn a relatively high share of collections in addition to the cost recovery, while in more recent contracts, we earn a lower fee on collections and a gain share when a hurdle rate is achieved. Our service contracts provide long-term revenue, with some extending to 10 years.

The level of income over the life of the contract is forecast and a portion is recognized when collections are reasonably assured and can be measured reliably. A portion of this income is therefore based on our forecasted collections and actual performance may differ.

Other income

Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes.

We seek to sell loan portfolios that we do not consider part of our core operations. Profit or loss on portfolio sales represents the results of our loan portfolio sales. Profit or loss on portfolio and loan note sales also includes the sale of some of our non-core accounts.

Interest income from secured loan notes represents income received in connection with our secured loan notes.

Operating expenses

Our operating expenses comprise Collection Activity Costs, expenses related to professional fees and services (which are reported as part of other operating expenses from 2016) and other operating expenses.

The following table sets forth details relating to our operating expenses during the periods under review.

	For the year ended December 31,					
	2014		2015		2016	
	(£'000)	%	(£'000)	%	(£'000)	%
Collection Activity Costs	34,150	53.1	52,303	57.6	70,621	49.9
Professional fees and services(1)	1,737	2.7	—	—	—	—
Other operating expenses	28,475	44.2	38,514	39.8	70,637	50.1
Of which exceptional items(2)	(11,991)	(18.6)	(4,309)	(4.7)	(5,022)	(3.6)
Other operating expenses excluding exceptional items	16,484	25.6	34,205	35.0	65,615	46.6
Total operating expenses	**64,362**	**100.0**	**90,817**	**100.0**	**140,898**	**100.0**

(1) For 2015 and 2016, we have included amounts previously reported under the Professional fees and services line item within the Other operating expenses line item.

(2) The following table sets forth a breakdown of exceptional items included under other operating expenses during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Staff costs/IPO-related costs	1,760(i)	1,366	—
Company integration(ii)	—	1,452	—
Settlement provisions(iii)	4,205	—	—
Acquisition of subsidiary	6,026(iv)	1,491(v)	5,022(vi)
Exceptional items included under other operating expenses	**11,991**	**4,309**	**5,022(vi)**

(i) Reflects share option charges subsequent to the IPO.

(ii) Comprises £1.5 million due to the introduction of the hybrid collections model following the Capquest acquisition.

(iii) Comprises £2.2 million in relation to VAT settlement and £2.0 million of exceptional contract settlements, £1.6 million of which was directly due to the Capquest acquisition, terminating a duplicative servicing contract. See "—Taxation charge on ordinary activities."

(iv) Comprises £5.5 million of fees incurred in respect of the Capquest acquisition and specific staff costs of £0.5 million.

(v) Comprises £1.5 million of fees incurred in respect of the Portuguese acquisitions.

(vi) Comprises £5.0 million of fees incurred in respect of the InVesting acquisition and the Redrock acquisition, and the agreed anticipated acquisition of the Zenith Group.

Collection Activity Costs represent the direct costs of in-house and external collections related to our loan portfolios, such as commissions paid to third-party outsourced providers, credit bureau data costs and legal costs associated with collections, as well as the costs of collecting our asset management revenue. The largest component of our Collection Activity Costs is the contingent fee paid to DCAs proportionate to the amount of cash collected.

The following table sets forth a breakdown of Collection Activity Costs for the periods under review.

	For the year ended December 31,					
	2014		2015		2016	
	(£'000)	%	(£'000)	%	(£'000)	%
DCA commissions	26,311	77.0	46,156	88.2	63,067	89.8
Other collection costs	7,839	23.0	6,147	11.8	7,194	10.2
Collection Activity Costs	34,150	100.0	52,303	100.0	70,261	100.0

Other operating expenses consist of staff costs, other staff-related costs, premises, IT expenses, depreciation and amortization, net foreign exchange gains or losses and other operating expenses, such as travel costs and professional fees and services (the latter, beginning in 2015). Our professional fees and services represent third-party services such as audit and non-audit fees from our independent auditors, company secretarial and legal and outsourced payroll services.

The following table sets forth a breakdown of other operating expenses during the periods under review.

	For the year ended December 31,					
	2014		2015		2016	
	(£'000)	%	(£'000)	%	(£'000)	%
Staff costs	11,117	39.0	19,217	53.2	30,649	43.4
Other staff-related costs	1,745	6.1	4,428	12.3	4,071	5.8
Premises	889	3.1	2,326	6.4	4,678	6.6
IT	1,095	3.8	2,594	7.2	7,033	10.0
Depreciation and amortization	1,090	3.9	4,176	11.5	8,658	12.2
Foreign exchange gains/(losses((net))	975	3.4	(592)	(1.6)	(1,510)	(2.1)
Acquisition of Subsidiary	6,026	21.2	1,491	4.1	5,022	7.1
Other	5,538	19.4	2,477	6.9	12,036	17.0
Total other operating expenses including exceptional items	**28,475**	**100.0**	**36,117**	**100.0**	**70,637**	**100.0**
Exceptional items:						
Acquisition of subsidiary	(6,026)		(1,491)		(5,022)	
Company integration/settlement provision	(4,205)		(1,452		—	
Staff costs/IPO-related costs	(1,760)		(1,366)		—	
Total exceptional items	(11,991)		(4,309)		(5,022)	
Total other operating expenses excluding exceptional items	**16,484**		**31,808**		**65,615**	

Finance income and costs

Our finance income consists of interest income on bank deposits.

Our finance costs represent primarily interest payments related to the Arrow Global Revolving Credit Facility, the InVesting Facility, the 2020 Notes (since January 2013), the 2021 Notes (since November 2014), the 2023 Notes (since April 2016) and the 2024 Notes (since September 2016), the fair value movement on interest rate swaps and the amortization of financing costs.

The following table sets forth details relating to our finance income and costs during the periods under review.

	For the year ended December 31,					
	2014		2015		2016	
	(£'000)	%	(£'000)	%	(£'000)	%
Interest on 2020 Notes/Senior secured notes[(1)]	17,325	76.7	17,325	47.1	12,123	18.1
Interest on the 2021 Notes/Senior secured notes[(1)]	809	3.6	9,707	26.4	14,053	21.0
Interest on the 2023 Notes/Senior secured notes[(1)]	—	—	—	—	6,520	9.8
Interest on the 2024 Notes/Senior secured notes[(1)]	—	—	—	—	3,414	5.1
Interest and similar charges on bank loans	3,168	14.0	8,991	24.5	5,370	8.0
Other interest and fee amortization	856	3.8	737	2.0	7,367	11.0
Total interest expense	22,158	98.0	36,760	100.0	48,847	73.1
Fair value losses/(gains) on interest rate swaps	443	2.0	—	—	—	—
Total finance costs including exceptional items	**22,601**	**100.0**	**36,760**	**100.0**	**66,841**	**100.0**
Exceptional finance costs[(2)]	(848)		—		(17,994)	
Finance income	(344)		(152)		(813)	
Total finance income and costs excluding exceptional items	**21,409**		**36,608**		**48,034**	

(1) The 2020 Notes, the 2021 Notes, the 2023 Notes and the 2024 Notes are presented as "Senior secured notes" in our consolidated financial statements. See "Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group."

(2) Comprises interest on the settlement of the historical tax issue in 2014 and the costs incurred in relation to the redemption of the 2020 Notes in 2016.

Our finance costs for the periods under review currently primarily comprise the following:

- *2020 Notes.* Interest on the 2020 Notes was payable every March 1 and September 1 (beginning September 1, 2013) at a rate of 7.875% per annum. We redeemed the 2020 Notes in full with the proceeds of the 2024 Notes, and therefore we no longer incur interest expense on the 2020 Notes. See "—Liquidity and Capital Resources—Borrowings."
- *2021 Notes.* Interest on the 2021 Notes is payable every March 1, June 1, September 1 and December 1 (beginning March 1, 2015) at a rate of three-month EURIBOR plus 5.25% per annum, reset quarterly. See "—Liquidity and Capital Resources—Borrowings—2021 Notes." The 2021 Notes will be redeemed in full with the proceeds of the Offering.
- *2023 Notes.* From April 2016, interest on the 2023 Notes is payable every March 1, June 1, September 1 and December 1 (beginning September 1, 2016) at a rate of three-month EURIBOR plus 4.75% per annum, reset quarterly, provided that EURIBOR shall never be less than 0%. See "—Liquidity and Capital Resources—Borrowings—2023 Notes."
- *2024 Notes.* From September 2016, interest on the 2024 Notes is payable every March 15 and September 15 beginning on March 15, 2017 at a rate of 5.125% per annum. See "—Liquidity and Capital Resources—Borrowings."
- *Arrow Global Revolving Credit Facility.* Interest on borrowings under the Arrow Global Revolving Credit Facility is payable at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 2.75% per annum. See "—Liquidity and Capital Resources—Borrowings—Arrow Global Revolving Credit Facility."
- *InVesting Facility.* The InVesting Facility bears interest at a floating rate which consists of (i) the one month average EURIBOR rate plus a margin of 3.1%. As of December 31, 2016, €7.5 million was outstanding under the €20.0 million overdraft credit facility and €0.3 million of guarantees were

provided under the €0.55 million guarantee facility. On February 24, 2017, the InVesting Facility was terminated, the amount of €9.7 million (£8.2 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) then outstanding thereunder was repaid with borrowings under the Arrow Global Revolving Credit Facility, and the €0.3 million of borrowings outstanding under the guarantee facility of the InVesting Facility were re-characterized as an ancillary facility under the Arrow Global Revolving Credit Facility.

- *Intercompany interest.* Intercompany interest comprises interest paid by AGL to AGG in respect of a loan from a shareholder. On August 27, 2014, the shareholder loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the Existing Indentures, and which will have the same meaning in the Indenture) with no interest component.
- *Fair value movement on interest rate swaps.* See ''—Qualitative and Quantitative Disclosure of Market Risk—Interest rate risk.''

We disclose certain exceptional items under other operating expenses and finance income and costs (and the related tax effect in the ''taxation charge on ordinary activities'' line). See ''—Critical Accounting Policies and Use of Estimates—Exceptional items.'' Exceptional items are those items that we identify separately by virtue of their size or incidence to allow a full understanding of our underlying performance. We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

Taxation charge on ordinary activities

We have entities in Guernsey, the UK, Portugal, the Netherlands and Poland. Corporation tax is payable in respect of our entities incorporated in the UK, Portugal, the Netherlands and Poland. Given the predominance of our UK activities, the analysis in our consolidated financial statements uses the UK corporate statutory tax rate prevailing in the accounting period in question. Our effective tax rate for 2016 of 16.1% was lower than the standard rate of corporation tax in the UK (being 20%). Our effective tax rate for 2015 of 19.2% was lower than the standard rate of corporation tax in the UK (being 20.25%), and our effective tax rate for 2014 of 24.3% was higher than the standard rate of corporation tax in the UK (being 21.49%).

Current tax, including UK-corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. Our deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 *Income Taxes*. The value of recognized deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it is probable that based upon available evidence, both positive and negative, sufficient taxable profits will be available to allow the asset to be recovered. If it is probable that some portion of these assets will not be realized, then no asset is recognized in relation to that portion. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

The Finance (No.2) Act 2015, as amended by the Finance Act 2016, includes provisions to reduce the rate of UK corporation tax to 19% with effect from April 1, 2017 and 17% with effect from April 1, 2020. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted at the balance sheet date. Accordingly, the deferred tax balances included in our 2016 financial statements which are expected to reverse after April 1, 2017 and April 1, 2020 have been revalued to the lower rates of 19% and 17%, respectively.

In 2014, we were involved in discussions with HM Revenue and Customs (***HMRC***) with respect to the VAT implications of our business activities performed in Guernsey prior to our reorganization in January 2013. HMRC concluded its review and disagreed with our technical analysis. HMRC raised an assessment for VAT but confirmed no penalties were to be levied as it confirmed that we had acted reasonably. Given the time, costs and uncertainties associated with appealing the HMRC decision at a tax tribunal and the fact that this was a historical issue with no impact on our future profitability, we decided to settle the assessment. We incurred an exceptional charge of £2.4 million (including advisors' fees) in 2014.

Results of Operations

The following table sets forth information relating to our balance sheet and the statement of comprehensive income (in the latter case, including as a percentage of total revenue) during the periods under review.

Consolidated Balance Sheet Data

	As of December 31,		
	2014	2015	2016
		(£'000)	
Purchased loan portfolios (asset)	477,513	586,274[(1)]	782,792
2020 Notes, 2021 Notes, 2023 Notes and 2024 Notes/Senior secured notes (liability)[(2)]	385,853[(3)]	454,377[(4)]	681,158[(5)]
Revolving Credit Facility (liability)	35,404	71,479	74,169
InVesting Facility/ Portuguese Facility /Bank overdrafts (liability)	—	—	7,689
Non-Recourse Facility/Other borrowings (liability)[(6)]	—	—	12,077

(1) Excludes £23.5 million of portfolio assets acquired at year-end by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequent to year-end, the portfolio was sold to the investment partner at our cost.

(2) The 2020 Notes, the 2021 Notes, the 2023 Notes and the 2024 Notes are presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(3) Consists of £378.5 million recognized under non-current liabilities on our consolidated balance sheet (*i.e.* principal amount less issuance costs) plus £7.3 million of accrued interest recognized under current liabilities on our consolidated balance sheet.

(4) Consists of £447.5 million recognized under non-current liabilities on our consolidated balance sheet (*i.e.* principal amount less issuance costs) plus £6.8 million of accrued interest recognized under current liabilities on our consolidated balance sheet.

(5) Consists of £681.2 million recognized under non-current liabilities on our consolidated balance sheet (*i.e.* principal amount less issuance costs) plus £5.4 million of accrued interest recognized under current liabilities on our consolidated balance sheet.

(6) See ''—Liquidity and Capital Resources—Borrowings—Non-Recourse Facility'' for an explanation of the Non-Recourse Facility and why it is included in our balance sheet as a liability although we are not an obligor under the facility.

Statement of comprehensive income data

	For the year ended December 31,					
	2014		2015		2016	
	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue
Income from purchased loan portfolios	107,984	97.5	150,238	90.8	188,914	80.1
Income from asset management	1,933	1.7	14,713	8.9	46,315	19.6
Other income/profit on portfolio and loan note sales[(1)]	825	0.7	503	0.3	701	0.3
Total revenue	**110,742**	**100.0**	**165,454**	**100.0**	**235,930**	**100.0**
Collection Activity Costs	(34,150)	(30.8)	(52,303)	(31.6)	(70,261)	(29.8)
Professional fees and services[(2)]	(1,737)	(1.6)	—	(1.4)	—	—
Other operating expenses	(28,475)	(25.7)	(38,514)	(23.3)	(70,637)	(29.9)
Of which exceptional items[(3)(4)]	(11,991)	(10.8)	(4,309)	(2.6)	(5,022)	(2.1)
Other operating expenses excluding exceptional items	(16,484)	(14.9)	(34,205)	(20.7)	(65,615)	(27.8)
Total operating expenses before exceptional items	(52,371)	(47.3)	(86,508)	(52.3)	(135,876)	(57.6)
Exceptional items[(3)]	(11,991)	(10.8)	(4,309)	(2.6)	(5,022)	(2.1)
Total operating expenses	**(64,362)**	**(58.1)**	**(90,817)**	**(54.9)**	**(140,898)**	**(59.7)**
Operating profit	46,380	41.9	74,637	45.1	95,032	40.3
Finance income and costs	(22,257)	(20.1)	(36,608)	(22.1)	(66,841)	(28.3)
Of which exceptional items[(3)(5)]	(848)	(0.8)	—	—	(17,994)	(7.6)
Finance income and costs excluding exceptional items[(3)]	(21,409)	(19.3)	(36,608)	(22.1)	(48,034)	(20.4)
Share of profit in associates[(6)]	—	—	1,243	0.8	2,363	1.0
Profit before tax	**24,123**	**21.8**	**39,272**	**23.7**	**31,367**	**13.3**
Taxation charge on ordinary activities	(5,852)	(5.3)	(7,523)	(4.5)	(5,061)	(3.6)
Profit for the period attributable to:						
Owners of the Company	18,271	16.5	31,749	19.2	26,305	11.1
Non-controlling interest	—	—	—	—	1	—
Profit for the period[(7)]	**18,271**	**16.5**	**31,749**	**19.2**	**26,306**	**11.1**

(1) Other income consists of profit/(loss) on portfolio and loan note sales, interest income and profit on disposal of secured loan notes, as applicable.

(2) For the years ended December 31, 2015 and 2016 we have included amounts previously reported under the Professional fees and services line item within the Other operating expenses line item.

(3) We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. In particular, IFRS permits certain items to be categorized in our consolidated financial statements as non-recurring, whereas U.S. GAAP would not permit such a characterization in similar circumstances. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

(4) See note 10 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for components of exceptional items (referred to in such financial statements as non-recurring items) included under other operating expenses.

(5) See note 8 to the consolidated financial statements of AGG for the years ended December 31, 2014, 2015 and 2016 for the components of exceptional items (referred to in such financial statements as non-recurring items) included under finance income and costs.

(6) Represents our investment in MCS (see ''—Acquisitions and other arrangements'').

(7) See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for a narrative explanation of the differences between the consolidated financial statements of AGG and of AGGHL for 2014, 2015 and 2016.

AGG consolidated balance sheet as of December 31, 2016 compared to AGG consolidated balance sheet as of December 31, 2015

Purchased loan portfolios

Purchased loan portfolios (excluding £23.5 million of portfolios due to be resold) increased £196.5 million, or 33.5%, from £586.3 million as of December 31, 2015 to £782.8 million as of December 31, 2016. This increase was principally due to debt portfolios which we acquired for an aggregate purchase price of £260.0 million including capitalized costs and recoverable litigation expenditure (which are costs which increase the estimated forecasts of future flows within the purchased loan portfolios balance), offset by portfolio amortization of £97.0 million.

The movements in purchased loan portfolio assets were as follows:

	2015	2016
	(£'000)	
As of the period-end brought forward	**477,513**	**609,793**
Portfolios acquired during the current period[1]	177,716	224,640
Portfolios acquired through acquisition of a subsidiary[2]	3,970	35,343
Purchased loan portfolios to be resold[3]	23,519	(23,519)
Core Collections/Collections in the period	(218,515)	(285,960)
Income from purchased loan portfolios	150,238	188,914
Exchange loss on purchased loan portfolios	(5,151)	32,880
Disposal of purchased loan portfolios	503	701
As of the current period-end	**609,793**	**782,792**

(1) Inclusive of capitalized portfolio expenditure of £1.4 million for 2015, and capitalized portfolio expenditure and recoverable litigation expenditure of £22.9 million for 2016.

(2) Relates to the acquisition of Gesphone in 2015.

(3) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

2023 Notes and 2024 Notes

In April 2016, we issued the 2023 Notes in an aggregate principal amount of €230.0 million (£196.1 million). In September 2016, we issued the 2024 Notes in an aggregate principal amount of £220.0 million.

The amount of £681.2 million shown under the senior secured notes under non-current liabilities on our consolidated balance sheet as of December 31, 2016 comprises the principal amounts of the 2021 Notes (€335.0 million), the 2023 Notes (€230.0 million) and the 2024 Notes (£220.0 million), less issuance costs. We have also recognized €0.9 million of accrued interest in relation to the 2023 Notes (£0.8 million), €1.4 million of accrued interest in relation to the 2021 Notes (£1.2 million) and £3.4 million of accrued interest in relation to the 2024 Notes under the senior secured notes under current liabilities on our consolidated balance sheet as of December 31, 2016.

AGG statement of comprehensive income for 2016 compared to AGG statement of comprehensive income for 2015

Total revenue

Total revenue increased £70.4 million, or 42.5%, from £165.5 million in 2015 to £235.9 million in 2016. This increase was principally due to growth in Core Collections, which increased to £286.0 million in 2016 from £218.5 million in 2015, and an increase in asset management revenue, which increased to £46.3 million in 2016 from £14.7 million in 2015, an increase of £31.6 million, or 215.0%. Both our Core Collections and asset management revenue grew as a result of an increase in each of our portfolio assets base and assets under management. While some of the increase in both the portfolio assets base and the assets under management was due to the InVesting acquisition, most of the increase was due to organic growth.

Total operating expenses

Operating expenses increased £50.1 million, or 55.2%, from £90.8 million in 2015 to £140.9 million in 2016. This increase was principally due to the combined effects of the following:

Collection Activity Costs. Collection Activity Costs increased £18.0 million, or 34.4%, from £52.3 million in 2015 to £70.3 million in 2016. Our Collection Activity Costs are largely variable with Core Collections/collections in the year. Our Collection Cost Ratio decreased from 22.4% in 2015 to 21.1% in 2016, reflecting the completion of the rationalization of our UK DCA panel and the associated migration of the accounts to our in-house system.

Other operating expenses. Other operating expenses increased £32.1 million, or 83.4%, from £38.5 million in 2015 to £70.6 million in 2016, principally reflecting the increase in the size of our business.

For 2016, the exceptional items related to the InVesting acquisition, the Redrock acquisition and the agreed anticipated acquisition of the Zenith Group were £5.0 million. In 2015, the exceptional items related to strategic acquisitions, service migration and IPO-related costs were £4.3 million.

The following table sets forth components of our other operating expenses for the periods indicated.

	2015			2016		
	Other operating expenses	Exceptional items	Other operating expenses excluding exceptional items	Other operating expenses	Exceptional items	Other operating expenses excluding exceptional items
			(£'000)			
Staff costs	19,217	(1,366)[1]	17,851	30,649	—	30,649
Other staff-related costs	4,428	—	4,428	4,071	—	4,071
Premises	2,326	—	2,326	4,678	—	4,678
IT	2,594	—	2,594	7,033	—	7,033
Depreciation and amortization	4,176	—	4,176	8,658	—	8,658
Foreign exchange gains/(losses) (net)	(592)	—	(592)	(1,510)	—	(1,510)
Acquisition of Subsidiary	1,491	(1,491)	—	5,022	(5,022)	—
Other[2]	2,477	(1,452)	1,025	12,036		12,036
Total	**36,117**	**(4,309)**	**31,808**	**70,637**	**(5,022)**	**65,615**

(1) Represents IPO-related costs.

(2) Includes principally travel costs and professional fees and services.

Finance income and costs

Net finance costs increased £29.4 million, or 80.3%, from £36.6 million in 2015 to £66.0 million in 2016. This increase included £18.0 million of exceptional costs due to the refinancing of the 2020 Notes in September 2016. The remainder of the increase was primarily due to the issuance of the 2023 Notes in April 2016 to finance the InVesting acquisition, which increased the total amount of our debt outstanding.

Taxation charge on ordinary activities

Taxation charge on ordinary activities decreased £2.4 million from £7.5 million in 2015 to £5.1 million in 2016. This increase was principally due to increased underlying profitability, offset by the cost associated with the redemption of the 2020 Notes.

The effective tax rate for 2016 was 16.1%, compared to 19.2% in 2015.

Profit for the period

As a result of the foregoing factors, profit for the period decreased £5.4 million, or 17.0%, from £31.7 million in 2015 to £26.3 million in 2016. This was largely driven by the increased net finance costs of £29.4 million, partially offset by an increase in operating profit of £20.4 million and a share in profits from associates of £2.4 million. The increase in the net finance costs was primarily due to the issuance of the 2023 Notes to finance the InVesting acquisition in April 2016 and the costs associated with the refinancing of the 2020 Notes in September 2016.

AGG consolidated balance sheet as of December 31, 2015 compared to AGG consolidated balance sheet as of December 31, 2014

Purchased loan portfolios

Purchased loan portfolios (excluding £23.5 million of portfolios due to be resold) increased £108.8 million, or 22.8%, from £477.5 million as of December 31, 2014 to £586.3 million as of December 31, 2015. This increase was principally due to debt portfolios which we acquired for an aggregate purchase price of £180.3 million, offset by portfolio amortization of £68.3 million.

The movements in purchased loan portfolio assets were as follows:

	2014	2015
	(£'000)	
As of the period-end brought forward	**273,932**	**477,513**
Portfolios acquired during the current period[1]	143,220	177,716
Portfolios acquired through acquisition of a subsidiary[2]	104,038	3,970
Purchased loan portfolios to be resold[3]	—	23,519
Core Collections/Collections in the period	(148,547)	(218,515)
Income from purchased loan portfolios[4]	107,984	150,238
Exchange loss on purchased loan portfolios	(3,939)	(5,151)
Disposal of purchased loan portfolios	825	503
As of the current period-end	**477,513**	**609,793**

(1) Inclusive of capitalized portfolio expenditure of £4.8 million in 2014 and £1.4 million for 2015.

(2) Relates to the Capquest acquisition in 2014.

(3) Represents a portfolio of assets acquired at the end of 2015 by us, which was subject to a commitment from an investment partner to acquire the portfolio. Subsequently, the portfolio was sold to the investment partner at our cost. From time to time when offered a large portfolio, we may act with one or more third parties to acquire a portfolio, with each purchasing a separate portion of the portfolio, thereby sharing the benefits and risks. In such cases, we typically will act as the servicer on the entire portfolio.

(4) Also includes the former line item ''Portfolio write-up'' in the amount of £636,000 for 2014, which is presented as a separate line item in the comparison of the movements in purchased loan portfolio assets for 2014 compared with 2013.

2021 Notes

In November 2014, we issued the 2021 Notes in an aggregate principal amount of €225.0 million (£165.8 million, converted into pounds sterling at the rate of €1.3571 to £1.00, the Bloomberg Composite Rate on December 31, 2015). We issued additional 2021 Notes in an aggregate principal amount of €110.0 million (£81.1 million, converted into pounds sterling at the rate of €1.3571 to £1.00, the Bloomberg Composite Rate on December 31, 2015) in September 2015. The amount of £447.5 million shown under the senior secured notes under non-current liabilities on our consolidated balance sheet as of December 31, 2015 comprises the principal amounts of the 2021 Notes (£235.1, converted into pounds sterling at the rate of €1.3571 to £1.00, the Bloomberg Composite Rate on December 31, 2015 million) and the 2020 Notes (£220.0 million), less issuance costs. We have also recognized £6.8 million of accrued interest in relation to the 2021 Notes (£1.1 million) and the 2020 Notes (£5.7 million) under the senior secured notes under current liabilities of our consolidated balance sheet as of December 31, 2015.

AGG statement of comprehensive income for 2015 compared to AGG statement of comprehensive income for 2014

Total revenue

Total revenue increased £54.8 million, or 49.5%, from £110.7 million in 2014 to £165.5 million in 2015. This increase was principally due to growth in Core Collections as a result of the increase in our portfolio asset base (predominantly due to collections in the Capquest Group), which increased to £218.5 million in 2015 from £148.5 million in 2014, and the combined effects of the following:

Income from purchased loan portfolios. Income from purchased loan portfolios increased £42.2 million, or 39.0%, from £108.0 million in 2014 to £150.2 million in 2015 due to the acquisition of new loan portfolios.

Income from asset management. Income from asset management increased £12.8 million, or 673.7%, from £1.9 million in 2014 to £14.7 million in 2015 due to the Capquest acquisition and the Whitestar acquisition.

Total operating expenses

Operating expenses increased £26.4 million, or 41.0%, from £64.4 million in 2014 to £90.8 million in 2015. This increase was principally due to the combined effects of the following:

Collection Activity Costs. Collection Activity Costs increased £18.1 million, or 52.9%, from £34.2 million in 2014 to £52.3 million in 2015. Our Collection Activity Costs are largely variable with Core Collections/ collections in the year. Our Core Collections increased £70.0 million, or 47.1%, from £148.5 million in 2014 to £218.5 million in 2015. Our Collection Cost Ratio decreased from 22.7% in 2014 to 22.4% in 2015.

Professional fees and services. Professional fees and services increased £0.7 million, or 41.0%, from £1.7 million in 2014 to £2.4 million in 2015.

Other operating expenses. Other operating expenses increased £7.6 million, or 26.7%, from £28.5 million in 2014 to £36.1 million in 2015.

For 2015, exceptional items included within other operating expenses included an exceptional charge of £4.3 million in connection with the Portuguese acquisitions, share option charges in relation to share options issued as part of the IPO in 2013 and integration of the Capquest Group.

Excluding the exceptional items, other operating expenses increased £15.3 million, or 92.7%, from £16.5 million in 2014 to £31.8 million in 2015.

The following table sets forth components of our other operating expenses for the periods indicated.

	2014			2015		
	Other operating expenses	**Exceptional items**	**Other operating expenses excluding exceptional items**	**Other operating expenses**	**Exceptional items**	**Other operating expenses excluding exceptional items**
			(£'000)			
Staff costs	11,117	(1,760)[1]	9,357	19,217	(1,366)[1]	17,851
Other staff-related costs	1,745	—	1,745	4,428	—	4,428
Premises	889	—	889	2,326	—	2,326
IT	1,095	—	1,095	2,594	—	2,594
Depreciation and amortization	1,090	—	1,090	4,176	—	4,176
Foreign exchange gains/ (losses) (net)	975	—	975	(592)	—	(592)
Acquisition of Subsidiary	6,026	(6,026)	—	1,491	(1,491)	—
Other[2]	5,538	(4,205)	1,333	2,477	(1,452)	1,025
Total	**28,475**	**(11,991)**	**16,484**	**36,117**	**(4,309)**	**31,808**

(1) Represents IPO-related costs.

(2) Includes principally travel costs and professional fees and services.

Finance income and costs

Net finance costs increased £15.2 million, or 71.0%, from £21.4 million in 2014 to £36.6 million in 2015. This increase was primarily due to the issuance of the 2021 Notes in November 2014 to finance the Capquest acquisition and the issuance of additional 2021 Notes in September 2015.

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased £1.6 million from £5.9 million in 2014 to £7.5 million in 2015. This increase was principally due to increased profitability.

The effective tax rate for 2015 was 19.2% compared to 24.3% in 2014 due to the reduction in corporate tax rate from 21.5% in 2014 to 20.25% in 2015.

The following table sets forth the components of our taxation charge on ordinary activities for the periods indicated.

	2014	2015
	(£'000)	
Profit before tax	24,123	39,272
Tax charge at standard UK corporation tax rate	5,185	7,952
Adjustment in respect of prior years	(651)	(862)
Expenses not deductible for tax purposes	1,309	473
Share in profit in associates reported net of tax	—	(252)
Differences in tax rates	6	23
Rate differences on hedging arrangements	—	18
Differing overseas tax rates	3	171
Taxation charge on ordinary activities	**5,852**	**7,523**

Profit for the period

As a result of the foregoing factors, profit for the period increased £13.4 million, or 73.2%, from £18.3 million in 2014 to £31.7 million in 2015. This was largely driven by increased operating profit and a share in profits from associates of £1.2 million, offset by the increased net finance costs of £15.2 million. The latter was largely due to the issuance of the 2021 Notes to finance the Capquest acquisition in November 2014 and the issuance of additional 2021 Notes in September 2015.

Liquidity and Capital Resources

Overview

During the periods under review, our principal sources of liquidity consisted of:

- our operating cash flow before purchases of loan portfolios;
- borrowings under revolving credit facilities (including the Arrow Global Revolving Credit Facility);
- borrowings under bank overdrafts (which include the InVesting Facility (prior to its termination) and the Portuguese Facility);
- prior to the IPO, shareholder loans;
- a portion of the proceeds from the offering of the 2020 Notes;
- a portion of the proceeds from the offering of the 2021 Notes and the subsequent offering of additional 2021 Notes; and
- a portion of the proceeds from the offering of the 2023 Notes.

On August 27, 2014, an existing shareholder loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (as defined under the 2023 Indenture and the 2024 Indenture, and which will have the same meaning under the Indenture).

In connection with the completion of the offering of the 2021 Notes, we used a portion of the proceeds from the offering to fund the Capquest acquisition and also repaid a portion of the amounts outstanding under the Arrow Global Revolving Credit Facility. In connection with the completion of the offering of the 2023 Notes, we used a portion of the proceeds from the offering to fund the InVesting acquisition and also repaid a portion of the amounts outstanding under the Arrow Global Revolving Credit Facility. In connection with the completion of the offering of the 2024 Notes, we used the proceeds of the offering, together with cash on hand, to redeem all of the then outstanding 2020 Notes.

Our principal uses of funds are to fund working capital, debt purchases and capital expenditures, and to service debt and tax requirements and to pay dividends to shareholders.

The following table sets forth details relating to certain liquidity measures of AGG as of the dates indicated. These measures include the deferred consideration in connection with acquisitions and loan portfolio acquisitions and accrued and unpaid interest on the 2021 Notes, the 2023 Notes and the 2024 Notes, and are therefore measured differently from the net debt and ratios presented in ''Summary—Summary Historical Consolidated Financial and Other Information—Net Debt'' and ''Summary—Summary Historical Consolidated Financial and Other Information—Pro Forma Financial Information.''

	As of December 31, 2016
	(£m, except multiples)
Net debt[(1)]	816.0
Net debt/ Adjusted EBITDA	3.9x
Net debt/total equity attributable to shareholders[(2)]	6.7x
LTV Ratio (net debt /84-Month Gross ERC)	60.8%
Secured LTV Ratio (Secured net debt /84-Month Gross ERC)[(3)]	57.7%

(1) Net debt does not reflect debt issuance costs. Going forward, net debt will include the outstanding principal amount of the Notes from the date of issuance. The following table sets forth the components of net debt as of the dates indicated:

	December 31, 2016
	(£m)
2021 Notes (pre-netting of transaction fees)	285.6
Interest on 2021 Notes	1.2
2023 Notes (pre-netting of transaction fees)	196.1
Interest on 2023 Notes	0.8
2024 Notes (pre-netting of transaction fees)	220.0
Interest on 2024 Notes	3.4
Revolving Credit Facility/Bank overdrafts/Other Borrowings (pre-netting of transaction fees)[(a)]	96.7
Deferred consideration	35.4
Less: Cash and cash equivalents	(23.2)
Net debt	**816.0**

(a) Including the amounts outstanding under the Arrow Global Revolving Credit Facility, the InVesting Facility, the Portuguese Facility and the Non-Recourse Facility.

(2) Calculated using total equity attributable to shareholders of £121.5 million as of December 31, 2016.

(3) The difference between the secured debt versus unsecured debt LTV ratios is due to the effects of deferred consideration and accrued but unpaid interest, as well as the amounts outstanding under the Portuguese Facility which is unsecured, and the amounts outstanding under the Non-Recourse Facility (which is non-recourse to us). For the purpose of calculating the Secured LTV Ratio, the £17.1 million of 84-Month Gross ERC attributable to the portfolios that secure the Non-Recourse Facility was also excluded.

As noted in the table above, as of December 31, 2016, our LTV ratio was 60.8% (0.68 to 1.00) compared to the LTV Ratio under the Arrow Global Revolving Credit Facility of 75.0% (0.75 to 1.00), meaning that we had Gross ERC headroom of £250.1 million. We consider this to be a prudent balance sheet structure given the high visibility of earnings that comes from the significant proportion of small, regular, annuity-like payments within our monthly cash flows. Given our relatively low fixed cost base, the discretionary nature of portfolio investments and our long-term funding, we have significant control over our liquidity and leverage and we intend to retain this level of control going forward. For loan portfolios purchased in the UK in 2016, approximately 72.8% of Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 27.2% were on one-off payment arrangements, which can include a discount to the total face value.

As of March 15, 2017, our borrowings under the Arrow Global Revolving Credit Facility, pre-netting of transaction fees, were £99.9 million, compared to £76.9 million as of December 31, 2016.

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under ''Risk Factors.''

We are highly operationally cash generative before purchases of loan portfolios and loan notes. Adjusted EBITDA represented 73.2% of our Core Collections in 2016 (2015: 70.0% and 2014: 68.0%). We believe we have achieved such levels of operational cash flow generation by using our sophisticated data analytics tools and value-based segmentation to determine the most appropriate DCA to collect on a particular account.

Adjusted EBITDA

The commentary below identifies movements in Adjusted EBITDA during the periods under review. See ''—Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Adjusted EBITDA.''

AGG Adjusted EBITDA for 2016 compared to AGG Adjusted EBITDA for 2015

Adjusted EBITDA increased £56.1 million, or 36.6%, from £153.1 million in 2015 to £209.2 million in 2016. This increase was principally due to an increase in Core Collections and an increase in asset management revenue.

AGG Adjusted EBITDA for 2015 compared to AGG Adjusted EBITDA for 2014

Adjusted EBITDA increased £52.1 million, or 51.6%, from £101.0 million in 2014 to £153.1 million in 2015. This increase was principally due to an increase in Core Collections of £70.0 million, from £148.5 million in 2014 to £218.5 million in 2015.

Cash flow

The following table summarizes the principal components of our consolidated cash flows for the periods under review:

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Net cash flow from operating activities before purchases of loan portfolios and loan notes	90,200	143,535	196,798
Purchases of loan notes	—	—	(21,315)
Purchases of loan portfolios	(142,631)	(176,310)	(201,700)
Purchases of loan portfolios to be resold	—	(23,519)	—
Net cash used in operating activities	(52,431)	(56,294)	(26,217)
Net cash used in investing activities	(109,670)	(24,461)	(79,242)
Net cash flow generated by financing activities	129,057	76,042	117,266
Net increase (decrease) in cash and cash equivalents	**(33,044)**	**(4,713)**	**11,807**

Net cash flow from operating activities before purchases of loan portfolios and loan notes

AGG 2016 compared to AGG 2015

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased £53.3 million, or 37.1%, from £143.5 million in 2015 to £196.8 million in 2016. The increase was primarily due to a £67.5 million increase in collections from £218.5 million in 2015 to £286.0 million in 2016, resulting in increased income from purchased loan portfolios of £38.7 million, from £150.2 million in 2015 to £188.9 million in 2016.

AGG 2015 compared to AGG 2014

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased £53.3 million, or 59.0%, from £90.2 million in 2014 to £143.5 million in 2015. This increase was primarily due to a £70.0 million increase in collections from 2014 compared to 2015, resulting in increased income from purchased loan portfolios of £42.3 million from 2014 compared to 2015. Additionally, there was a larger add back of interest payable of £11.8 million from 2014 compared to 2015 due to the issuance of the 2021 Notes and the additional 2021 Notes.

Purchases of loan portfolios and loan notes

AGG 2016 compared to AGG 2015

Purchases of net loan portfolios and loan notes increased £46.7 million, or 26.5%, from £176.3 million in 2015 to £237.0 million in 2016, reflecting the InVesting acquisition and our additional expenditure targets and purchasing opportunities.

AGG 2015 compared to AGG 2014

Purchases of net loan portfolios increased £38.0 million, or 27.5%, from £138.3 million in 2014 to £176.3 million in 2015. This increase was primarily due to the timing of portfolio purchases.

Net cash used in operating activities

Net cash flow from operating activities comprises net cash flow from operating activities before purchases of loan portfolios and loan notes adjusted for the purchases of loan portfolios and loan notes. See ''—Net cash flow from operating activities before purchases of loan portfolios and loan notes'' above.

Net cash used in investing activities

AGG 2016 compared to AGG 2015

Net cash used in investing activities increased £54.7 million, or 223.3%, from £24.5 million in 2015 to £79.2 million in 2016. This increase was largely due to the InVesting acquisition and Redrock acquisition, with a cash outflow of £62.5 million, together with the payment of deferred consideration in relation to the Portuguese acquisitions, with a cash outflow of £15.0 million.

AGG 2015 compared to AGG 2014

Net cash used in investing activities decreased from £109.7 million in 2014 to £24.5 million in 2015. This decrease was largely due to the Capquest acquisition occurring in 2014, with a cash outflow of £97.1 million, and the smaller Portuguese acquisitions occurring in 2015, with a cash outflow of £15.6 million.

Net cash flow generated by financing activities

AGG 2016 compared to AGG 2015

Net cash generated by financing activities increased £41.3 million, or 54.3%, from £76.0 million in 2015 to £117.3 million in 2016. This was primarily due to the issuance of the 2023 Notes and the 2024 Notes.

AGG 2015 compared to AGG 2014

Net cash generated by financing activities decreased £53.1 million, or 41.1%, from £129.1 million in 2014 to £76.0 million in 2015. This was primarily due to additional loans of £35.8 million in 2015 and the issuance of £81.6 million of additional 2021 Notes in 2015, compared to £27.1 million in 2014 and the issuance of £168.3 million of 2021 Notes in 2014, offset by additional interest payments of £10.0 million in 2015 compared to 2014 and an increased dividend payment of £8.9 million in 2015 compared to £3.0 million in 2014.

Free cash flow pre-financing, taxes and portfolio purchases

We define free cash flow pre-financing, taxes and portfolio purchases as Adjusted EBITDA after the effect of net cash used in investing activities and working capital movements.

We require relatively small investment to maintain our existing asset base, meaning it has surplus cash available to grow and reinvest in our business. In 2016, we generated Core Collections of £286.0 million, resulting in Adjusted EBITDA for the period of £209.2 million, which in turn converted into £203.9 million of free cash flow pre-financing, taxes and portfolio purchases at a 97.4% cash conversion ratio.

The following table sets forth a reconciliation of free cash flow pre-financing, taxes and portfolio purchases to Core Collections during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Income from purchased loan portfolios	107,984	150,238	188,914
Portfolio amortization	40,563	68,277	97,046
Core Collections/Collections in the period(1)	**148,547**	**218,515**	**285,960**
Income from asset management	1,933	14,713	46,315
Operating expenses	(64,362)	(90,817)	140,898
Depreciation and amortization	1,090	4,176	8,658
Foreign exchange losses/(gains)(2)	975	(592)	(1,510)
Amortization of acquisition costs (included in operating expenses)	278	303	276
Share-based payments (not included in exceptional items)	568	1,210	3,061
Share of Associate Profit	—	1,243	2,363
Exceptional items(3)	11,991	4,309	5,022
Adjusted EBITDA	**101,020**	**153,060**	**209,247**
Net cash used in capital expenditure(4)	(1,130)	(9,538)	(7,294)
Working capital adjustments(5)	(6,652)	(1,941)	1,938
Free cash flow pre-financing, taxes and portfolio purchases(6)	**93,238**	**141,581**	**203,891**
Cash conversion ratio(7)	**92.3%**	**92.5%**	**97.4%**

(1) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group.''

(2) Foreign exchange losses/(gains) include costs related to the retranslation of euro-denominated loan portfolios.

(3) Exceptional items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. The following table sets forth the breakdown of exceptional items during the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Other operating expenses:			
Staff costs/IPO-related costs	1,760(i)	1,366	—
Company integration(ii)	—	1,452	—
Settlement provisions(iii)	4,205	—	—
Acquisition of Subsidiary	6,026(iv)	1,491(v)	5,022(vi)
Exceptional items included under other operating expenses	**11,991**	**4,309**	**5,022(vi)**

(i) Reflects share option charges subsequent to the IPO.

(ii) Comprises £1.5 million due to the introduction of the hybrid collections model following the Capquest acquisition.

(iii) Comprises £2.2 million in relation to VAT settlement and £2.0 million of exceptional contract settlements, £1.6 million of which was directly due to the Capquest acquisition, terminating a duplicative servicing contract. See ''—Description of Key Statement of Comprehensive Income Items—Taxation charge on ordinary activities.''

(iv) Comprises £5.5 million of fees incurred in respect of the Capquest acquisition and specific staff costs of £0.5 million.

(v) Comprises £1.5 million of fees incurred in respect of the Portuguese acquisitions.

(vi) Comprises £5.0 million of fees incurred in respect of the InVesting acquisition and the Redrock acquisition, and the agreed anticipated acquisition of the Zenith Group.

(4) Capital expenditure comprises leasehold improvements, computer equipment, furniture and software licenses. See ''—Capital expenditure'' below.

(5) Working capital adjustments include the net movement on debtors and creditors, excluding our Arrow Global Revolving Credit Facility, the InVesting Facility, the 2020 Notes, the 2021 Notes, the 2023 Notes, the 2024 Notes and related accrued

interest, and corporation tax debtors and creditors. The following table sets forth the working capital movements based on our consolidated statements of cash flow for the periods under review.

	For the year ended December 31,		
	2014	2015	2016
		(£'000)	
Increase/(decrease) in other receivables	(5,006)	16,285	9,243
Increase in trade and other payables	(1,646)	(18,226)	(7,305)
Working capital adjustments	**(6,652)**	**(1,941)**	**1,938**

(6) Free cash flow pre-financing, taxes and portfolio purchases is a supplemental measure of our liquidity that is not required by or presented in accordance with IFRS. We present free cash flow pre-financing, taxes and portfolio purchases because we believe that similar free cash flow measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers. Free cash flow pre-financing, taxes and portfolio purchases should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free cash flow pre-financing, taxes and portfolio purchases is not intended to be a measure of cash flow available for our discretionary use, as it does not consider certain cash requirements such as debt service obligations and tax payments. Our presentation of free cash flow pre-financing, taxes and portfolio purchases has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS. Further, because not all companies use identical calculations, our presentation and calculation of free cash flow pre-financing, taxes and portfolio purchases may not be comparable to similarly titled measures of other companies.

(7) Represents free cash flow pre-financing, taxes and portfolio purchases as a proportion of Adjusted EBITDA.

Borrowings

As of December 31, 2016, we had non-current financial indebtedness of £798.3 million. See ''Capitalization'' and ''Description of Other Indebtedness'' for further details relating to our capitalization and indebtedness as of the dates indicated therein.

2020 Notes

In January 2013, the Issuer issued £220 million in principal amount of 7.875% Senior Secured Notes due 2020 under the 2020 Indenture. The 2020 Notes were redeemed in full in September 2016 with the proceeds of the 2024 Notes.

2021 Notes

In November 2014, the Issuer issued €225.0 million in principal amount of Senior Secured Floating Rate Notes due 2021 under the 2021 Indenture. In September 2015, the Issuer issued a further €110.0 million in principal amount of Senior Secured Floating Rate Notes due 2021 under the 2021 Indenture, increasing the total principal amount of the 2021 Notes outstanding to €335.0 million. Interest is payable on the 2021 Notes at a rate of three-month EURIBOR plus 5.25% per annum, reset quarterly, and is payable on March 1, June 1, September 1 and December 1 of each year, beginning on March 1, 2015. The 2021 Notes will mature on November 1, 2021. The 2021 Notes will be redeemed in full with the proceeds of the Notes, as described in ''Use of Proceeds.''

2023 Notes

In April 2016, the Issuer issued €230.0 million in principal amount of Senior Secured Floating Rate Notes due 2023 under the 2023 Indenture. Interest is payable on the 2023 Notes at a rate of three-month EURIBOR plus 4.75% per annum, reset quarterly, provided that EURIBOR shall never be less than 0%, and is payable on March 1, June 1, September 1 and December 1 of each year, beginning on September 1, 2016. The 2023 Notes will mature on May 1, 2023.

2024 Notes

In September 2016, the Issuer issued £220.0 million in principal amount of 5.125% Senior Secured Notes due 2024 under the 2024 Indenture. Interest is payable on the 2024 Notes on March 15 and September 15 of each year, beginning on March 15, 2017.The 2024 Notes will mature on September 15, 2024.

The Existing Notes are guaranteed on a senior basis by the Guarantors. Similar to the Notes, the Existing Notes are secured by the Collateral, which consists of substantially all of the assets of the Issuer and the

Guarantors, including first-priority security interests in the shares of the Issuer, the Subsidiary Guarantors and AGIHL.

The Existing Indentures contain certain covenants that are substantially similar to the covenants that will be in the Indenture. Among other things, the Existing Indentures contain some restrictions on the change of control of the ownership, management and assets of AGGHL and (in certain circumstances) its subsidiaries and parent companies. The Existing Indentures also limit, among other things, the ability of the Parent Guarantors and their restricted subsidiaries to incur or guarantee additional indebtedness and issue certain preferred stock; redeem capital stock and make certain investments; make certain other restricted payments; create or permit to exist certain liens; transfer, lease or sell certain assets including subsidiary stock; enter into certain transactions with affiliates; effect a consolidation or merger; and impair the security interest for the benefit of the holders of the Existing Notes. Each of these covenants is subject to a number of significant exceptions and qualifications.

See ''Description of Other Indebtedness'' for further details.

Arrow Global Revolving Credit Facility

The Arrow Global Revolving Credit Facility provides for £215.0 million of committed financing (the ***Total Commitments***). The Total Commitments are available for utilization by way of cash revolving loans, and by way of ancillary facilities, from July 29, 2016 until July 31, 2021, provided that certain customary conditions precedent have been satisfied. Although all of the initial conditions precedent have been satisfied, certain customary further conditions precedent must be satisfied as of the date of each utilization request and each proposed utilization date. The further conditions precedent require that there is no notice of acceleration of debt outstanding under the Arrow Global Revolving Credit Facility; no default is continuing or would result from the proposed loan; that certain customary representations are true and correct in all material respects at the time of the utilization request and immediately after the making of the relevant loan; that all fees and expenses due and payable to the facility agent or the finance parties have been paid; and that the financial covenants (described below) have been complied with in respect of the most recent testing period.

On March 17, 2017, we agreed with lenders under the Arrow Global Revolving Credit Facility that following the issuance of the Notes and conditional upon (i) the redemption of the 2021 Notes, and (ii) satisfaction of certain customary conditions precedent in each case occurring before April 30, 2017 (or such other date as AGGHL and the agent may agree), the maturity of the Arrow Global Revolving Credit Facility will be extended to the fifth anniversary of the date the agent confirms satisfaction of the conditions outlined above.

The original borrowers under the Arrow Global Revolving Credit Facility are Arrow Global Limited and Arrow Global Investments Holdings Benelux B.V. The Arrow Global Revolving Credit Facility is guaranteed by the Guarantors, Arrow Global Accounts Management Limited and the Issuer. The Arrow Global Revolving Credit Facility benefits from the same security package as the Existing Notes and the Notes.

The Arrow Global Revolving Credit Facility initially bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 2.75% per annum.

The Arrow Global Revolving Credit Facility contains customary information and negative covenants (including certain restrictive covenants that replicate those contained in the Existing Indentures and that will be contained in the Indenture, such as the restrictions on the payment of dividends), subject to certain agreed exceptions and materiality carve outs. The Arrow Global Revolving Credit Facility also requires the Issuer, each borrower and each Guarantor to observe certain customary affirmative covenants, subject to certain agreed exceptions and materiality carve outs. In this respect, AGGHL's financial and operating performance is monitored by two financial covenants, which require AGGHL to ensure that:

- the LTV Ratio does not exceed 0.75 to 1.00, where ''LTV Ratio'' means, in respect of any date of calculation, the aggregate indebtedness of the AGGHL Group less cash and cash equivalent investments held by the AGGHL Group as of such date, divided by ''Gross ERC'' (defined as the aggregate amount of estimated remaining collections projected to be received by members of the AGGHL Group from all portfolio accounts owned by members of the AGGHL Group during the period of 84 months, as calculated by our Gross ERC forecasting model, as of the last day of the month most recently ended prior to the date of calculation); and

- the SSLTV Ratio does not exceed 0.25 to 1.00, where ''SSLTV Ratio'' in summary means, in respect of a date of calculation, the aggregate amount of all obligations of members of the AGGHL Group under the Arrow Global Revolving Credit Facility and any hedging agreement at that time, less cash and cash equivalent investments held by the AGGHL Group at such date, divided by Gross ERC.

These financial covenants are tested quarterly.

Subject to certain conditions, the AGGHL Group may voluntarily prepay its utilizations and/or permanently cancel all or part of the available commitments under the Arrow Global Revolving Credit Facility by giving prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of £1 million (or its equivalent) and in an integral multiple of £250,000 (or its equivalent). Amounts repaid may (subject to the terms of the Arrow Global Revolving Credit Facility) be reborrowed. Under certain circumstances, the Arrow Global Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part.

The Arrow Global Revolving Credit Facility also contains a change of control provision.

On May 4, 2016, when we acquired the InVesting Group, we elected to keep the InVesting Facility. On February 24, 2017, the InVesting Facility was terminated, the amount of €9.7 million (£8.2 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) then outstanding thereunder was repaid with borrowings under the Arrow Global Revolving Credit Facility, and the €0.3 million of borrowings outstanding under the guarantee facility of the InVesting Facility were re-characterized as an ancillary facility under the Arrow Global Revolving Credit Facility.

As of March 15, 2017, £99.9 million was drawn under the Arrow Global Revolving Credit Facility. Between January 1, 2016 and December 31, 2016, the maximum amount drawn under the Arrow Global Revolving Credit Facility was £143.0 million.

We intend to continue to draw down under the Arrow Global Revolving Credit Facility to fund the purchase of further debt portfolios, as opportunities arise.

Portuguese Facility

Our facility in Portugal is an unsecured overdraft facility of €3.0 million with a duration of six months, renewable each six months automatically unless either party objects. The proceeds of the overdraft may be used to purchase debt portfolios. As of December 31, 2016, it was fully utilized.

Non-Recourse Facility

We co-invested in certain debt portfolios in Portugal together with a third party. The third party that purchased the debt portfolios in which we co-invested entered into a facility in Portugal that is secured by such debt portfolios. This facility is non-recourse to us (and to the third party purchaser). Due to the structure of our investment in those debt portfolios, for accounting purposes, we are deemed to retain the majority of the risks and rewards associated with the portfolios in the proportion that we own. Under IFRS 10, we must record on our balance sheet our proportional share of the non-recourse liability based on our proportional share represented by our co-investment in the debt portfolios. As of December 31, 2016, our liability in connection with our investment in such debt portfolios was £12.1 million and the Gross ERC attributable to the investment was £17.1 million.

Capital expenditure

Our capital expenditure comprises leasehold improvements, computer equipment, furniture and software licenses.

We expect our capital expenditure for 2017 to be consistent with our capital expenditures during the periods under review.

Capital expenditure decreased from £9.5 million in 2015 to £7.3 million in 2016. The key expenditure in 2016 included intangibles in connection with the building of a new IT platform.

Capital expenditure increased from £1.1 million in 2014 to £9.5 million in 2015. The key expenditure in 2015 included intangibles in connection with the building of a new IT platform and the acquisition of servicing contracts in Whitestar.

Contractual obligations and commercial commitments

The following table sets forth as of December 31, 2016, giving effect to the Offering and the use of proceeds thereof to redeem the entire outstanding amount of the 2021 Notes, a summary of our contractual obligations and commercial commitments. (These are identical for both the AGGHL Group and the Consolidated Group.)

	Payments to be made by period				
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	5 or more years	Total
			(£'000)		
Notes offered hereby[1]	—	—	—	306.9	306.9
2023 Notes[2]	9.4	9.4	28.4	208.6	255.9
2024 Notes[2]	11.3	11.3	33.8	250.5	306.9
Fees payable under the Arrow Global Revolving Credit Facility[3]	2.1	2.1	5.4	—	9.6
InVesting Facility/facility in Portugal/ Non-Recourse Facility[4]	14.0	2.8	3.7	—	12.7
Operating lease obligations[5]	2.5	1.4	4.2	0.6	8.7
Deferred acquisition costs[6]	35.4	—	—	—	35.4
Total	**74.7**	**27.0**	**75.5**	**766.6**	**936.1**

(1) Comprises €360.0 million aggregate principal amount of the Notes (including debt issuance costs), converted into pounds sterling at the rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016. Does not include interest payments.

(2) Includes interest costs.

(3) Reflects utilization fees payable under the Arrow Global Revolving Credit Facility, regardless of drawings under the Arrow Global Revolving Credit Facility. Utilization fees payable on drawings under the Arrow Global Revolving Credit Facility will differ.

(4) Reflects utilization fees payable and drawings under the InVesting Facility, the Non-Recourse Facility and the Portuguese Facility.

(5) Operating lease payments represent rentals payable for certain of our office properties and IT equipment.

(6) Includes deferred acquisition costs payable in connection with the acquisition of Whitestar and Gesphone. See ''—Significant Factors Affecting Results of Operations—Acquisitions and other arrangements—Acquisitions.''

Off-Balance Sheet Arrangements

As of December 31, 2016, we had no off-balance sheet arrangements other than operating leases in the amount of £8.7 million.

Qualitative and Quantitative Disclosure of Market Risk

Our key risks and uncertainties are managed within an established risk management framework. Our day-to-day working capital requirements are funded by our cash and cash equivalents, along with access to our revolving line of credit. We are exposed to market risk in the form of foreign currency risk and interest rate risk that arise in the normal course of our business.

Foreign currency risk

We are exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and on transactions with related parties where the underlying cash flows are received in currencies other than pound sterling. We reduce the risk of this exposure by using forward foreign exchange contracts.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than pound sterling at the balance sheet date and all other variables were held constant, our net assets for euros would increase/(decrease) as follows:

	Equity and net assets	
	December 31, 2015	December 31, 2016
	(£'000)	
Euro (EUR)	2,074	3,506
	2,074	**3,506**

If foreign exchange rates had been 10% stronger than pound sterling at the balance sheet date and all other variables were held constant, our net assets for euros would increase/(decrease) as follows:

	Equity and net assets	
	December 31, 2015	December 31, 2016
	(£'000)	
Euro (EUR)	(2,534)	(2,869)
	(2,534)	**(2,869)**

The increased sensitivity to movements in the euro relative to the pound sterling between December 31, 2015 and December 31, 2016 was due to volatility in exchange rates.

In the absence of hedging arrangements, we expect our foreign exchange risk to increase as a result of our increasing exposure to the euro due to our focus on targeted European expansion in the short-to-medium term. Simultaneously with the closing of the Offering, or shortly thereafter, we expect to enter into the Currency Hedging Arrangements in relation to this exposure. See ''Description of Other Indebtedness—Currency Hedging Arrangements.''

Forward foreign exchange contracts and foreign exchange exposure

It is our policy to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts (such as collections in Portugal and the Netherlands) and exposure to currency rate fluctuations. Foreign exchange forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of the foreign exchange contracts as of December 31, 2016 was a £0.2 million liability (December 31, 2015: £0.1 million asset). The total notional amount of outstanding foreign exchange contracts that we were committed to as of December 31, 2016 was £186.6 million (December 31, 2015: £67.4 million). These comprise 34 individual contracts with various maturity dates through August 17, 2017. These contracts have been designated and are effective as cash flow hedges under IAS 39.

Interest rate risk

We are exposed to interest rate risk on our loan portfolio financing arrangements and cash and cash equivalents. As of December 31, 2016, we had in place interest rate swaps for a notional amount of £571.2 million (December 31, 2015: £246.8 million).

Interest rate sensitivity analysis

In relation to our interest rate risk exposure on interest earned on cash and cash equivalents, if interest base rates had been 0.5% higher/lower and all other variables were held constant, our profit for 2016 would decrease/increase by £0.66 million (2015: £0.3 million).

In relation to interest payments on outstanding debt attributable to the Arrow Global Revolving Credit Facility that is priced at LIBOR plus a fixed-margin, if LIBOR had increased/(decreased) by 0.25% for 2016 and all other variables were held constant, our profit recorded in the consolidated statement of comprehensive income would have increased/decreased by £0.10 million (2015: £0.21 million).

The following table sets forth details relating to our interest rate hedges.

Outstanding contracts	Notional value at December 31, 2016	Maturity date	Fair value at December 31, 2016
	(£'000)		(£'000)
Interest rate swap	93.8	November 1, 2017	(477)
Interest rate swap	98.0	November 1, 2017	(452)
Interest rate swap	25.6	November 1, 2017	(69)
Interest rate swap	25.6	November 1, 2017	(68)
Interest rate swap	42.6	November 1, 2017	(112)
Interest rate swap	85.3	December 1, 2018	(16)
Interest rate swap	115.1	December 1, 2018	(24)
Interest rate swap	85.3	December 1, 2018	(28)
Balance sheet liability			**(1,246)**
Total loss recognized in consolidated statement of comprehensive income			—

Critical Accounting Policies and Use of Estimates

The application of our accounting policies, which are described in note 3 to the consolidated financial statements, requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as of the reporting date and the amounts reported for revenue and expenses during a period. The nature of estimation means that actual outcomes could differ from those estimates. On an ongoing basis, management evaluates the estimates, which are based on historical experience and market and other conditions, and on assumptions that they believe to be reasonable. We have chosen to highlight certain policies that we consider critical to the operation of our business and to understanding our consolidated financial information. The following areas are considered to involve a significant degree of judgment or estimation (this section should be read in conjunction with the notes to the consolidated financial statements included elsewhere in this Offering Memorandum):

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in our consolidated financial statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. We determine the EIR as of the time of purchase of the loan portfolio and then reassess and adjust it up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios.

The estimation of cash flow forecasts is a key estimation uncertainty fundamental within the revenue recognition accounting policy. See ''—Estimation of cash flow forecasts'' below.

Impairment of purchased loan portfolios

We review portfolios for any possible indications of impairment at each balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment and an impairment loss is required to be recognized, we record an adjustment to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, we record a portfolio basis adjustment as an increase to the carrying value of the portfolio and include it in income from purchased loan portfolios. Where portfolios have been newly acquired, we identify an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months after acquisition date of a portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognized is considered as described in the revenue recognition accounting policy.

The estimation of cash flow forecasts is a key uncertainty within the portfolio impairment accounting policy. See ''—Estimation of cash flow forecasts'' below.

Estimation of cash flow forecasts

We establish estimates of cash flows that determine the EIR for each purchased portfolio over 12 months old. The estimates are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. We revalue the portfolios based on the rolling 84-Month Gross ERC at the revaluation date. This Gross ERC is updated with the Core Collections experience to date on a monthly basis using our proprietary Gross ERC model.

Exceptional items

Exceptional items are those that are separately identified by virtue of their size and incidence to allow a full understanding of the underlying performance of the Consolidated Group. See ''—Results of Operations—AGG statement of comprehensive income for 2016 compared to AGG statement of comprehensive income for 2015'' and ''—Results of Operations—AGG statement of comprehensive income for 2015 compared to AGG statement of comprehensive income for 2014'' for a summary of what was deemed to be exceptional by us during the periods under review. We prepare our financial statements in accordance with IFRS, which differs in various significant respects from U.S. GAAP. Among other things, IFRS permits items to be categorized as non-recurring in circumstances that would not be permitted, for example, in reports filed with the SEC. See ''Presentation of Financial and Other Information—Financial Information for the Consolidated Group and the AGGHL Group'' for further information. We use the term ''exceptional'' in this Offering Memorandum to refer to items that are characterized as ''non-recurring'' in our consolidated financial statements.

Critical accounting judgments and estimates

In the application of our accounting policies, which are described in note 3 to our consolidated financial statements included elsewhere in this Offering Memorandum, we are required to make judgments, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

Critical judgments in applying our accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in our consolidated financial statements.

- *Approach to substance of loan notes as portfolios.* During 2015, AGG purchased a number of loan portfolios in the form of securitization loan notes. In order to decide whether or not to treat the securitization loan notes as loan portfolios, management used the criteria set out in IAS 39 and decided to present the portfolios purchased in the form of loan notes as loan portfolios in AGG's balance sheet (rather than as loan note investments). Management also decided to apply AGG's revenue accounting policy for loan portfolios. This treatment has been concluded on the basis that the assets relating to the loan notes are segregated as separate silos within the securitization vehicle, in such a way that the assets and loan notes are bankruptcy remote. This results in the securitization vehicle having no rights to the risks and rewards of the underlying assets. The assets and liabilities within the silos meet the derecognition criteria under IAS 39.
- *Control of a subsidiary.* On April 22, 2015, AGG acquired 33% of the share capital of Silver Parallel S.A. (the holding company of Whitestar), and upon payment of the initial consideration on that day, received full voting control and a 100% economic interest in Whitestar. In order to decide at what point control has been achieved for purposes of IFRS 10, management considered the fact that Silver Parallel S.A. is an acquisition vehicle, and considered it more appropriate to assess

control of Whitestar rather than Silver Parallel S.A. IFRS 10 defines control as having power over the relevant activities of the entity, exposure to variability of the returns and a linkage between this power and the returns. Management has considered the criteria required by IFRS 10 and concluded these criteria were met from the initial purchase date, when voting control and economic interest passed to AGG, resulting in the consolidation of Silver Parallel S.A. and Whitestar from April 22, 2015. In addition, management has concluded that no non-controlling interest should be recognized on the basis of the binding agreement which is in place to purchase the remaining holding in Silver Parallel S.A. If management had concluded that control was not achieved, Silver Parallel S.A. would have been treated as an equity investee, taking into account only the portion of its contribution to profit after tax based on our equity share, rather than the full amount.

Key sources of assumption and estimation uncertainty in applying our accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in our consolidated financial statements.

- *Fair value of acquisition balance sheet and carrying value of goodwill.* We capitalize goodwill on the acquisition of entities as discussed in our significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of our net assets. The determination of the fair value of acquired net assets requires the exercise of management judgment, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.
- The fair value of assets acquired directly impacts the amount of goodwill recognized on acquisition. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (***CGUs***) to which goodwill has been allocated. Calculation of the value in use requires an estimate and timing of future cash flows expected to arise from the reduced CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgments in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.
- *Carrying value and EIR of purchased loan portfolios.* For UK portfolios, a 12-month cash flow forecast is prepared for each account, based on predictions of probability to pay and value of total payments within the 12-month period. These predictions are generated using a bespoke statistical model (the PV model), which uses customer and account level data, credit agency data and our historical experience with accounts that have similar key attributes. Management also reviews the model on a portfolio basis to take into account unforeseen external factors, which have impacted historical performance. Where necessary portfolios are calibrated to take into account these known factors. For European portfolios, 12-month cash flow forecasts are based on information from servicers, which management validates against recent performance.
- A separate model, using a Gross ERC forecasting methodology, then takes the 12-month estimate and uses this to form an 84-month forecast of Gross ERCs at a portfolio level, by extrapolating the data over a decaying rate. Key factors in this model are the assumptions made on the conversion of accounts from non-paying to paying, and vice-versa either through breakdown of the account or settlement/pay down of the balances due, and the impact of placing accounts into litigation. Campaign overlays are also built into the model which allows the effect of performance improvements resulting from new initiatives to be factored into future cash flows. The Gross ERCs created from the Gross ERC forecasting model are regularly benchmarked at a portfolio level against actuals, which forms the impairment review.

The key assumption is our determination of the future cash flows. Changing the expected future gross cash flows by −1/+1% would impact the closing carrying value of the purchased loan portfolios as of December 31, 2016 by £7.0 million (December 31, 2015: £4.1 million).

Recent Accounting Pronouncements

See note 2 to our consolidated financial statements included elsewhere in this Offering Memorandum for details relating to new and revised accounting standards applicable to us.

INDUSTRY

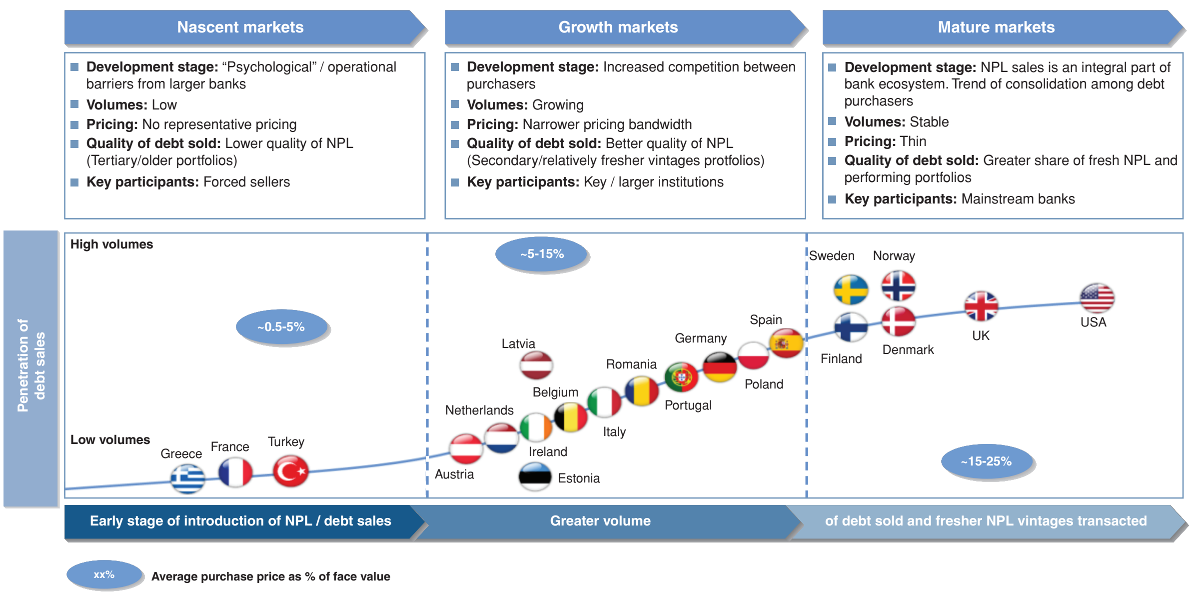
Introduction

Debt sale developed as a method for Debt Originators to manage defaulted loans and to accelerate capital release for debts that were already fully or heavily provisioned. Today, the debt purchase and collection industry has become a structural component of the debt recovery process in many markets and provides a sustainable solution for Debt Originators facing increasing capital and liquidity regulatory requirements.

The sale of defaulted debts to debt purchasers reduces the operational and financial burdens associated with defaulted debt collection for Debt Originators. The effectiveness of the debt recovery process is in the ability to ‘‘repair’’ missing and erroneous customer data to find customers, accurately assess their circumstances and offer a sustainable and affordable repayment solution, as well as determine an economic servicing strategy for a variety of defaulted debts. The scale, flexibility, and long-term focus of debt purchasers typically makes them better placed than Debt Originators' in-house collection teams or DCAs acting for Debt Originators to perform this role. Debt purchasers typically have more flexibility than Debt Originators in setting a strategy to maximize collections overtime (*e.g.* long-term repayment plans, one-off payments at a discount to nominal and others). In this context, many Debt Originators consider debt sale to be a core component of their collection strategy and accounting considerations.

We believe that Debt Sellers have recognized the ongoing specialist capabilities of professional DCAs and debt purchasers, which is reflected in the increase in collection outsourcing and sales of consumer debt by telecommunications providers, utility companies, motor finance, store credit, and home retail Debt Originators and, most recently, public sector entities. As a result of this and other key factors, such as regulatory and compliance requirements, we believe that certain Debt Sellers are becoming increasingly discerning as to who they sell to and are increasingly seeking to build stronger, longer lasting relationships with fewer participants that are the leaders in the market.

We focus below on the key elements of our industry and market dynamics from the perspective of our current geographical footprint, principally the UK, Portugal, Belgium, the Netherlands and Italy. The chart below illustrates what we believe to be the relative maturity of the debt purchasing industry in our markets, as compared to other key international markets. As the chart indicates, our focus is on established markets with strong growth potential.



Source: management estimates.

According to PwC, the size of the European debt market increased from €46 billion (by face value) in 2012 to approximately €141 billion in 2015 (including both performing and non-performing loans). In 2016, according to Deloitte €103 billion (by face value) of transactions were completed in Europe, with €70 billion ongoing. Deloitte believes that European banks held up to €2 trillion (by face value) of non-performing loans and/or non-core loans on their balance sheets as of the end of 2016.

As the debt purchase and collection industry has matured, the competition has been intensifying and the industry is consolidating. In October 2015, GFKL, a provider of receivables management services in Germany, merged with Lowell, a provider of consumer credit management services in the UK. In November 2016, Intrum Justitia, a provider of credit management services in 20 European markets announced plans to acquire Lindorff, a provider of credit management services in 13 European countries.

To the extent we expand our operations into other jurisdictions, while we would expect the fundamentals to be broadly similar, there could be differences, and such differences might be material.

Overview of the Credit Lifecycle of Defaulted Debt

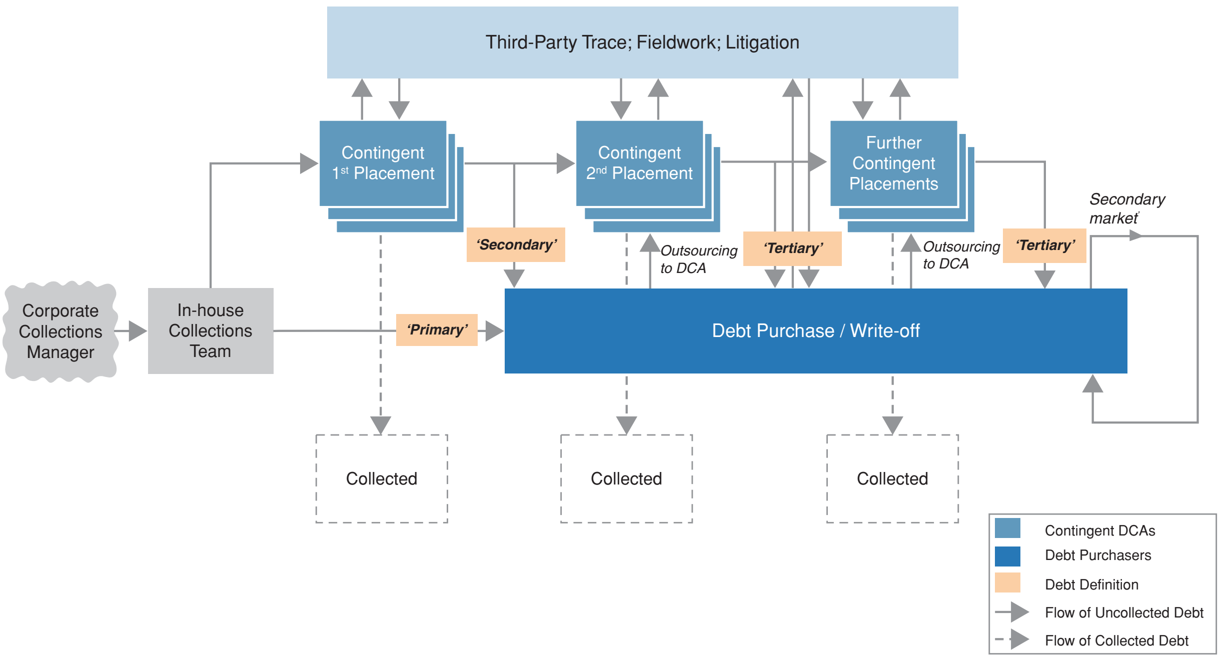
Customer defaults are an inherent component of unsecured lending activity. Loan losses and debt defaults generally encompass non-paying debts, insolvencies, and paying debts where the customer's payments are below contractual terms. Defaulted unsecured consumer debts include financial services, telecommunications, retail, utility, and government debts. Defaulted consumer debt management is an established part of the credit lifecycle. The typical lifecycle of debt portfolios that are transferred from a Debt Originator to a DCA or debt purchaser is as follows:

- **Origination of debt.** A customer obtains credit from a Debt Originator. The financial services industry has historically been the largest source of credit for consumers, but short or long-term consumer credit has also become a core component of business models across other sectors, including telecommunications, home retail credit, utility companies, HMRC and other public sector entities.
- **Default.** A customer defaults entirely on his or her payment obligations or fails to maintain a series of scheduled payments at contractual levels. This can happen either due to a change in circumstances, such as the loss of a job, or because the customer entered into excessive debt arrangements that he or she could not manage, or because the customer otherwise stops paying. Debt Originators typically underwrite new portfolios at a target default level and the fees and interest charged accommodate this estimated propensity of customers to default. As a result, as consumer credit is extended, it is expected that a proportion of customers will, at some point, default on their debt, creating opportunities for debt purchasers throughout the credit lifecycle.
- **Recovery and engagement of DCAs.** A Debt Originator initiates recovery activities on defaulted debts. Debt Originators pursue a number of strategies to collect outstanding balances at various stages of the recovery process. An illustration of a typical debt recovery process is set out below. Typically, an in-house collections team initiates recovery of defaulted consumer debt a certain number of days after the debt has become overdue. If the in-house recovery is unsuccessful, after a certain period (typically 90 days) debts are placed with external DCAs for a period which is usually between four and 12 months, after which the Debt Originator usually recalls uncollected debts and proceeds with further placements. DCAs tend to collect using their expertise in certain segments of the market (*e.g.* customers with different demographic attributes) and/or types of debts and generally try to collect defaulted debts from customers through a combination of letters and phone calls. This is supplemented by data gathering (via purchase of off-the-shelf data products from credit reference agencies and other data providers) and 'trace' activity to locate customers and direct discussions with customers to define an appropriate repayment solution. Ultimately, in the UK, a minority of customers are pursued via litigation, which is a possible route when a customer is unwilling to pay despite his or her personal circumstances demonstrating an ability to pay. By comparison, debt collection strategies in Portugal are predominantly focused on a legal collection route due to domestic legislation, which has made recovery via the courts the industry norm. Debt collection in Italy and the Netherlands is pursued both by legal route and by combination of letters and phone calls. Debt collection outsourcing and debt sales are regarded as an important component of Debt Originators' recovery strategies as they generally do not consider the collection of defaulted loans to be a core activity.
- **Debt sale.** A Debt Originator decides to sell the defaulted debt to a third-party. Large debt purchasers typically have a much greater scale of defaulted consumer debt collections compared to Debt Originators, and therefore their expertise, specialization and data capabilities can make debt sale an attractive strategy for a Debt Originator. The decision of the Debt Originator to sell defaulted consumer debt to a debt purchaser can occur at various stages of the cycle. This generally depends on a number of economic and operational factors, such as the time since

payment, the type of debt, pricing, balance sheet considerations, operational burden, the likelihood of successful in-house collection operations, accounting considerations, and the attractiveness of short-term cash generation. Typically, older debt is sold following multiple DCA placements. However, there is a recent trend towards earlier disposal, notably to achieve cost and operational efficiencies, manage defaulted debt provisioning levels, and to reduce capital requirements as Debt Originators, particularly banks, are under greater regulatory pressure to shore up capital levels, particularly as capital rules (including for defaulted loans) are being tightened.

Illustrative debt collection process

The following chart illustrates a typical debt collection lifecycle, including the outsourcing of collection activities to specialist DCAs and the ultimate sale to a debt purchaser. This shows typical flows only and is not an exhaustive illustration of all possible options.



Comparison of the debt purchaser and DCA models

A debt purchaser attempts to collect cash on the debt portfolio acquired, which is similar to the way in which a DCA collects cash on behalf of third parties that are its clients. However, the debt purchaser will retain the cash collected on the portfolios acquired, net of collection costs, and look to reinvest this cash in acquisitions of new portfolios. In contrast, the DCA will only retain a percentage margin or servicing charge on the amounts collected, net of the cost it has incurred to collect on behalf of the third-party.

We operate a dual model (consisting of both debt purchases and DCA operations). The DCA business that we operate uses the technology and sophisticated collections methodology of our debt purchase business. We believe that the dual model enables us to use trend information apparent during the DCA stage to price debt portfolios more accurately or collect on debt portfolios more effectively.

Overview of Defaulted Debt Sale Market

Sales in the debt purchase market

The total volume of sales in the debt purchase market is principally defined by the amount of defaulted unsecured consumer debt available and Debt Originators' propensity to sell.

The amount of the defaulted consumer debt available, in turn, is defined by (1) the existing originator stock of defaulted consumer debts and (2) the amount of new defaulted debt generated from the stock of consumer lending. Debt Originators tend to design their loan pricing models and underwriting criteria assuming a level of default.

Debt Originators' propensity to sell debt is driven by a combination of operational, accounting and capital-related factors. On the operational side, the decision to sell non-performing loans is largely driven by Debt Originators' willingness to focus on their core activities rather than defaulted debt collection (given the costs/efforts associated with it). Debt Originators often lack both the operational capabilities and the experience to collect non-performing loans effectively. From an accounting perspective, selling debt helps Debt Originators manage the development of their defaulted debt book and provisioning levels and provides better long-term visibility on write-offs and recoveries, which in turn allows easier financial forecasting and business planning. In addition, Debt Originators benefit from an accelerated recognition of collections and profits on recoveries when they sell debt.

Growth in the debt purchase markets in the UK, Portugal, Belgium, the Netherlands, Italy and other markets is driven by an increasing number of Debt Originators using debt sale as a solution for their defaulted accounts, and their increased recognition of the value to them of selling debts to specialist purchasers earlier in the defaulted collection lifecycle. In the coming years, we also expect growth in the debt purchase markets to be driven by the continued origination of consumer credit, new sources of supply for defaulted consumer debt (such as debt owned by utility companies and governments), new asset classes (such as student loans in the UK), and continued deleveraging by European banks.

Lifecycle of debt sold and sale pricing

Prices are generally lower for accounts that have been in default for extended periods or have passed through several DCA placement cycles due to lower than expected recovery rates and tend to be higher for defaulted accounts that are currently making regular payments (often below contractual terms). Generally, a debt purchaser will acquire defaulted debt (in various states of delinquency) at a price heavily discounted from the face value of the debt (typically ranging from 1% to 25% of face value of the debt, although the price may vary depending upon the composition of the portfolio, among other factors). In the case of Paying Accounts, debt purchasers acquire annuity-like cash flow streams, while for non-Paying Accounts (primary, secondary, and tertiary), need to make contact with the customer and establish a sustainable and affordable repayment plan. Making contact and agreeing a repayment plan with the customer is generally difficult for accounts that have been in default longer and is therefore reflected in lower pricing of such accounts, which, in turn, drives the variance in indicative pricing for various types of non-Paying Accounts and Paying Accounts. An illustrative overview of key characteristics of typical debt vintages is shown in the table below.

Type of accounts	Type of debt	Time from missed payment	Description
Non-Paying Accounts			
	Primary	90–180 Days	• 'Fresh' accounts are sold after three months of internal collections only • Some Debt Originators have a policy of selling all accounts at this stage
	Secondary	180–360 Days	• Accounts are sold after a single six-to nine-month placement with an external DCA
	Tertiary	360+ Days	• Accounts are sold after a second (or more) placement(s) with an external DCA
Paying Accounts			
		Sale of accounts on paying arrangement at any point post-default	• Accounts which have been converted by internal / external collections activity by DCAs and/or money advisers • Pricing is higher reflecting the cash flow being generated

Methods of debt sale

There are two main methods used by Debt Sellers when structuring a debt sale:

- **Spot sale.** The sale of a single portfolio at a particular point in time. Spot sales may be one or more of the following:
- **Auctions.** A panel of debt purchasers is invited to submit bids for portfolios. An auction process can take many forms, including sealed bids or more competitive online procedures, and can be facilitated by a broker or more typically the seller's management team.
- **Bilateral sale.** Debt Sellers engage in discussions with one selected party (or sometimes a few) and negotiate the sale. In these transactions, Debt Sellers target debt purchasers with particular competencies or differentiated abilities to take on a given portfolio.
- **In-situ sale.** Sale of a portfolio with the agreement or obligation from a debt purchaser that portfolios which are currently serviced by particular agencies or law firms remain with those agencies or law firms for a certain period of time post-acquisition. In-situ sales can be either bilateral or auction based.
- **Secondary sale.** The sale of accounts from a debt purchaser to another either after a limited period of trial collections activity to establish value or after dividing a portfolio into smaller pieces. Secondary sales generate additional liquidity by facilitating the release of capital earlier and provide Debt Originators with a platform to sell increasingly larger portfolios to well-funded participants that can sell on to smaller debt purchasers parts of the portfolios that are less in line with their investment strategy and more suited for specialist collection activity.
- **Forward Flow Agreement.** An agreement to sell several portfolios over a period of time at a predetermined price and quality of debt.

Spot sales are the most common method, since purchasers avoid commitment to fixed prices and Debt Sellers can establish a benchmark price without committing to a long-term Forward Flow Agreement.

Overview of legal process for collections via litigation

Debt purchasers may resort to litigation in order to incentivize customers to engage in repayment. Due to the inherent costs of litigation, debt purchasers tend to invest more in data analysis and modeling in order to target the customers most likely to yield a return from the litigation process and to optimize their strategy through this process.

Certain Debt Sellers seek to include restrictive covenants in the debt purchase agreements that restrict the volume of accounts that may be litigated against, and, in some cases require consent from the vendor prior to instituting litigation proceedings against a non-paying accountholder. These covenants, if included in the debt purchase agreement applicable to a portfolio, limit the debt purchaser's ability to initiate litigation relating to the accounts in the portfolio.

Any actual litigation is subject to numerous potential limitations, including as a result of responses from the debtor, the complexity of the underlying contract, the claim amount and the assets over which enforcement may be sought, and such variations may significantly affect the timing, process, outcome and costs of the proceedings.

Throughout the litigation process a debtor has the opportunity to engage with the creditor and negotiate an affordable payment plan or settlement. In general, most debtors choose to engage with the creditor early in the process and as a result, few cases result in enforcement being sought or granted.

There are significant processing efficiencies in the English and Welsh court system (*e.g.*, facilitation of bulk handling of claims and charging orders and an automated process for obtaining a Warrant of Execution (as defined below)), minimizing the court time and speeding up the recovery of debt. Before pursuing an account for litigation, a creditor would typically adopt a letter and phone strategy with the aim of agreeing settlement before seeking judgment. If the account should proceed to judgment, and the customer fails to make payment as ordered in the judgment, or otherwise fails to demonstrate extenuating circumstances, enforcement of the judgment may be sought by applying for an enforcement order (or, if a charging order is sought first, one or more enforcement orders).

In all circumstances it is in the interests of the creditor to engage customers to establish repayment plans that remove the need to expend further costs on litigation and recognize those customers who are seeking to address their debt problems.

The approach in the UK may be one of following types:

- **Charging order.** A secured charge over the customer's property (such as land, securities, funds in court, dividends and interest, and interest in a trust) which, in the case of a charge over land, is registered with the Land Registry;
- **Warrant of Execution.** An application to seize or levy customer assets to the value of the judgment. This is generally executed by County Court bailiffs;
- **Attachment of earnings.** An order to have the debt paid directly from a debtor's earnings;
- **Information order.** An application for the customer to be ordered to attend court to answer questions under oath about their finances and assets. This is generally used to ascertain what other enforcement options are available to the creditor; and
- **Third-party debt order.** An application to the court to freeze monies held in a bank account of the customer and pay them to the creditor to repay all or part of the judgment.

In some circumstances, it may be appropriate and necessary to institute bankruptcy proceedings against customers. Under this process, a statutory demand is served on the customer giving it a period in which to agree a payment arrangement, failing which, a bankruptcy petition may be served on it. If the bankruptcy petition is granted, the customer's estate is passed to a trustee to manage and sell off assets to pay creditors. Sometimes (and often by mutual consent) it is appropriate to consider approaching the courts for an order for sale which seeks to realize equity in the property for the benefit of creditors. The courts are mindful of the detriment to customers if this process is applied unfairly.

Overview of Our Key Market Sectors

We purchase and service defaulted loan portfolios across a number of sectors in the UK, Portugal, Belgium, the Netherlands and, following the completion of the Zenith acquisition, in Italy (although we are focused predominantly on financial services loan portfolios). These include:

- **Financial services.** The financial services sector is the largest originator of defaulted debts by value and typically has the greatest appetite to use debt sale as a recovery mechanism, making it the biggest segment in the debt purchasing market. It is highly diversified by type, age and quality of debt and Debt Seller. Debt sales in this sector mostly comprise balances outstanding on credit cards, personal loans (including private sector student loans in the UK), overdrafts, affinity cards, mortgage shortfalls and long-term retail debt receivables that have been originated by banks and credit card companies. Credit card providers typically prefer to limit lengthy in-house collections and multiple DCA panels and sell younger, more valuable debt. In Portugal, although we focus on defaulted consumer debt portfolios, we have also acquired a number of commercial debt portfolios.
- **Telecommunications.** Led by mobile phone companies, telecommunication firms have increasingly looked to debt sale to recover unpaid bills. Debt sales in this sector mostly comprise balances outstanding on unpaid mobile phone bills or mobile phone contracts set up to provide a discount on a mobile device that were terminated prior to their agreed maturity. Typically, telecommunications loan portfolios have lower balances than debt in other sectors and are sold at the primary and secondary stages. This market sector has evolved rapidly since 2007 and, today, sellers have a detailed understanding of the value of debt sale over the management of DCA panels. We believe that nearly all mobile network operators in the UK use debt sales as a part of their debt recovery management processes and that some of them have started selling debt earlier in their credit management process, making it a more integral part of their credit recovery process and increasing the market size by making more debt of higher value available to purchasers.
- **Retail.** We believe that significant charge-offs result from short-term credit offered by catalogue, phone or online shopping companies as part of their sales growth strategy. We also believe that retail loan portfolios are generally sold at an early stage, usually before being placed with a DCA, and thus often resulting in higher value debt portfolios.
- **Government.** Governments generate debt receivables in a variety of circumstances, such as unpaid taxes, government levies and government loans. For example, the UK government is

involved in lending or acquiring debts in a range of circumstances, including student loans, council tax, rent and TV licensing, as well as through the Driver and Vehicle Licensing Authority, HMRC and the Department for Work and Pensions. Debt sales from the UK government sector have, to date, mostly consisted of the sale of student loans. However, we believe that the UK government's aim of raising funds from the sale of public assets to boost investment in the UK economy may lead to further debt sales in the future, involving both student loans and other types of government debt. The UK government has estimated that the value of outstanding student loans will reach over £100 billion (by face value) in 2018 (in 2014–2015 prices) and continue to increase to around £440 billion (2014–2015 prices) by the middle of this century.

Some other sectors, from which we are currently not purchasing, have started to outsource debt collection and consider selling defaulted debt. These include utility companies (water, power, gas) which generate high annual volumes of defaulted consumer debt. Debt sale has also occurred for other specific types of debt, including individual voluntary arrangements and bankruptcies, where we are not an active participant.

Prices paid for portfolio purchases represent another significant explanation for the growth of the debt purchase market as measured by purchase value. We see competition on price in all of our markets.

Overview of our Addressable Markets

We believe that our addressable market in the six countries in which we currently operate (including Italy, where we will operate following the completion of the Zenith acquisition) is comprised of at least €600 billion (by face value) of non-performing loans that may become available for sale in the near-to-medium term. This figure does not include assets that are performing, but are non-core for banks and other financial institutions, and which we believe such institutions may choose to sell also to debt purchasers. We believe that we are in a position to deliver significant growth from our addressable markets, five of which are at a relatively early stage of industry development, in light of our established relationships and service offering to participants in the industry, expertise in portfolio carve-outs and excellence in data analytics.

Overview of the UK Defaulted Debt Purchase Market

The UK has a large, established defaulted loan market. The UK has high levels of unsecured consumer indebtedness across sectors including financial services, telecoms, utilities, and government. Credit defaults are a structural part of the market as many Debt Originators set their lending levels and underwriting criteria to target a certain level of defaults on accounts each year.

The volume of new defaulted loans, which peaked in 2009 and 2010 driven by a high growth in annual defaults of financial services debt, reduced significantly over the course of 2011 and 2012, to reach more normalized levels. Between 2013 and 2015, the annual flow of defaulted unsecured consumer loans steadily increased, with an annual flow of £9 billion (by face value) of defaulted unsecured consumer loans in 2015, according to EY. According to EY, annual creation of defaulted consumer debt in the UK is expected to rise from approximately £9.4 billion (by face value) in 2015 to approximately £11.5 billion (by face value) by 2020. We believe that this trend reflects vendor recognition of the ongoing success of specialist capabilities employed by professional debt collectors and the increase in outsourcing of non-financial consumer debt by telecommunications providers, utility companies, motor finance, store credit and home retail credit originators and, most recently, HMRC and other public sector entities.

According to the European Banking Authority's 2015 EU-wide transparency exercise, there were €98 billion (by face value) of non-performing loans on the balance sheets of UK domestic banks in 2015, representing a non-performing loan rate of 2.4%.

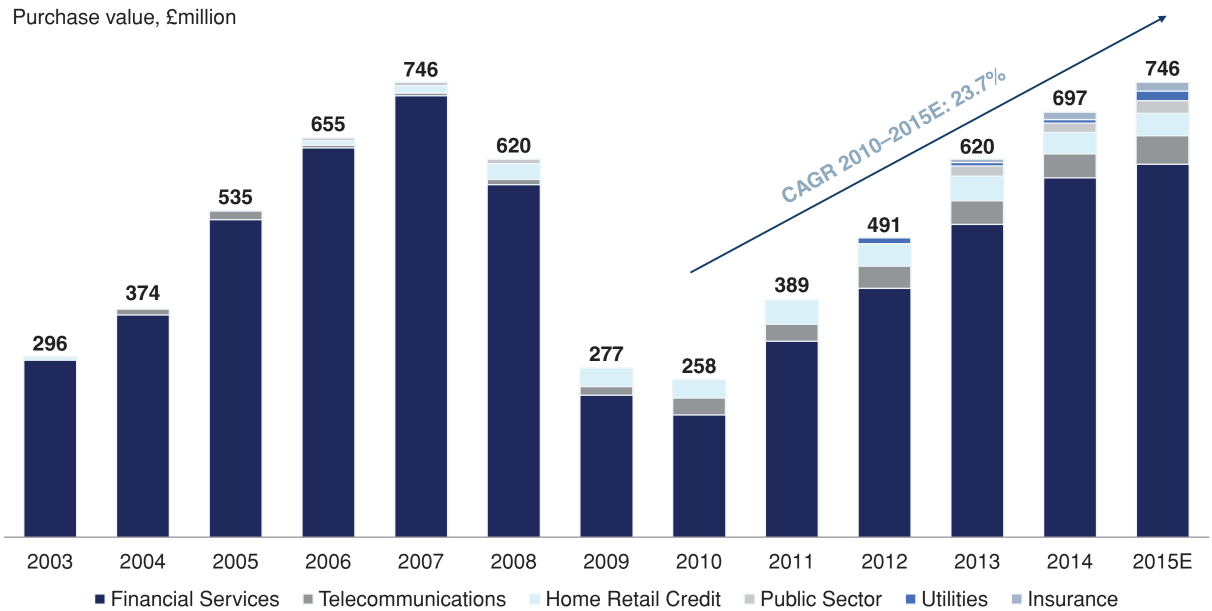
Key UK debt purchase market drivers

The UK is now one of the largest defaulted consumer debt markets in Europe. The size and maturity of this market is best illustrated by the following key drivers:

- ***One of the largest consumer credit markets in Europe***: unsecured consumer debt is a structural feature of the UK economy, estimated to be €329 billion (by face value) in 2015 by Credit Agricole (Source: Credit Agricole: ''Overview of the consumer credit market in Europe in 2015'').

- ***Large volumes of defaulted debt***: despite a recent decrease of non-performing loan volumes in the UK, we believe that the UK is the largest contributor in the non-performing loans market in Europe by estimated flow of unsecured defaulted consumer debt, with approximately £8.2 billion in face value defaulting between 2014 and 2016, according to Oliver Wyman and Intrum Justitia (Source: Oliver Wyman and Intrum Justitia, ''European Retail and SME Credit Recovery Time?'').
- ***Improving debt purchase market with attractive returns***: spending on debt purchases grew from £296 million in 2003 to approximately £746 million in 2007, when the purchases peaked due to both the availability of inexpensive funding and higher levels of competition between Debt Purchasers. However, prices dropped during the most recent financial crisis in 2008 to 2010, due to the withdrawal of a large part of capital available to Debt Purchasers to purchase more debt. Since then, the market has experienced renewed growth, driven by increased availability of capital, the sale of debt portfolios generated by the recession, and an increase in Debt Originators' willingness to sell their debt portfolios. In 2015, the estimated spend on debt portfolios in the UK was approximately £746 million, with financial services debt representing the majority of the total amount spent in such sales.

Size of UK Debt Sales Market (2015)



Source: Oliver Wyman and Intrum Justitia, ''European Retail and SME Credit Recovery over Time?''

Key UK debt purchase market trends

In addition to its size, the UK debt purchase market has the following attractive features:

- ***Increased concentration***: We believe there has been a trend towards increased concentration of the UK debt purchase industry in recent years, with a small group of leading Debt Purchasers emerging.
- ***Increased tendency to sell***: We have seen an increasing propensity to sell on the part of UK Debt Originators.
- ***Emerging market sectors***: We believe that UK utilities, insurance and public sectors, which previously have accounted for a smaller proportion of debt purchase revenues as compared to financial services, telecommunications and retail sectors, represent new sources of supply for UK debt purchasing companies.

The trends discussed above may be offset by the political developments in the UK. As a result of the outcome of the UK Referendum, the UK loan sale market dropped sharply during 2016 compared to 2015, with only €13 billion (by face value) of completed sales of loans in 2016, compared to €40.0 billion in 2015. Deloitte believes that the disruption was only temporary, and that the debt sales will recover in 2017. The potential impact of the withdrawal of the UK from the EU is unknown.

UK competitive environment

Importance of vendor relationships, compliance and reputation

Debt Originators are sensitive to the reputational risks involved in selling non-performing consumer debt portfolios. Accordingly, a track record of compliant credit management and a reputation for treating customers fairly are important criteria in order for a debt purchaser to be included on any vendor panel in the UK. Debt Originators typically conduct due diligence procedures before entering into a debt sale relationship, and previous mishandling of account holders would adversely affect a debt purchaser's likelihood of selection. Reputational aspects impact not only the inclusion in a vendor panel, but also the selection of the final bidder. We believe that for some Debt Sellers, reputation and compliance have become the most important selection criteria, particularly as the economic impact of debt sales is often relatively immaterial in relation to the vendors' overall businesses. We believe that the transition to the regulatory supervision by the FCA is positive for the industry and compliance with the new rules will be critical for Debt Sellers.

Debt Originators are also typically seeking strategic relationships with a smaller number of debt purchasers. Trusted relationships are therefore very important in the debt purchase industry.

Competitive dynamics

In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of debt purchasers. We believe this trend towards greater concentration is driven by certain factors such as:

- the need for high quality data acquired over an extended period of time;
- scale advantages;
- strong relationships with Debt Sellers and DCAs;
- depth of compliance capability and customer treatment; and
- the need to create complementary platforms to leverage the full extent of the market.

Industry consolidation has been further supported by the tightening supply of credit globally during the financial crisis, with only experienced and high quality debt purchasers in the market being able to secure financing to support an active debt acquisition program during such period. All the large participants in the UK debt purchase market have recently raised debt through high-yield bond issuances, which gives them more stable medium-term financing as compared to other smaller participants, thereby facilitating further industry consolidation.

The industry has also witnessed a number of new entrants as several international participants from the Scandinavian and U.S. markets (for example, Encore and Hoist) have expanded to compete in the UK market.

We tend to compete with one or two of these leading purchasers in the final stage of each debt tender process. We believe many of our current competitors have evolved with a specific investment focus and associated operational infrastructure, which may make them more or less suited for particular segments of the market. For example, some debt purchasers have focused on developing litigation infrastructures, which may be more effective for certain segments of defaulted debt portfolios. Some purchasers are more focused on acquiring lower balance debt in a secondary and tertiary stage of the debt lifecycle, which can require significant investment in and focus on tracing capabilities and automated portfolio segmentation. As a result, current competitive dynamics primarily reflect the ability of each debt purchaser to generate appropriate returns on investment, based on its cost structure and operational capabilities.

UK market dynamics

The concentration in the UK debt purchase market over the last few years has resulted in a maturing of the industry, with key participants increasing in scale both organically and inorganically and becoming operationally sophisticated. We believe this creates certain challenges for a new entrant to create a sustainable business, illustrated by the following current market dynamics.

- **Creditor relationships.** Most key Debt Originators in the UK have established relationships with the leading debt purchasers. Increasingly, such Debt Originators are seeking to maintain relationships with a smaller number of debt purchasers with established track records for both successfully transacting on a sustainable basis and regulatory compliance. Based on the panel relationships we have, we believe that Debt Originators have reduced the size of their panels. This means that it is increasingly important for debt purchasers to be present on panels. In addition, we believe that incumbent debt purchasers benefit from Debt Originators' inertia around approved panel members due to the workload and approval process, such as audits and IT connectivity, among others, which make it more difficult for new members to be brought onto a Debt Originator's sales panel.

- **Scale.** As Debt Originators tend to sell larger, more complex portfolios (compared to the previous trend of segmenting portfolios), there are few purchasers with sufficient scale to acquire and on-board large mixed portfolios. In addition, the scale of larger, established debt purchasers provides a cost advantage when pricing and collecting on new debt portfolios, as they can spread their fixed costs across their book of existing debt portfolios.
- **Data.** Greater account matching and data enhancement ability from larger data sets and more advanced analytical capabilities of historical market participants are key operational advantages for more accurate underwriting of new portfolios and an enhanced ability to drive collections on Existing Portfolios especially given the fact that data processing restrictions in the UK mean that customers cannot be matched to a credit referencing agency database prior to the purchase of an account. The data asset and analytics capabilities of a debt purchaser, such as our UniView and PCB capabilities, are developed over an extensive period of time, requiring substantial investment and expertise. A new entrant would be unlikely to have the data assets required to be competitive and achieve appropriate and sustainable returns in the UK market.
- **Regulatory environment and compliance.** The industry is subject to increasing levels of legal and regulatory oversight. For example, the FCA is undertaking, and plans to undertake in future, a variety of investigatory work in the consumer credit market, which may result in new regulatory obligations being imposed and increase the regulatory burden for specific sub-sectors, or the industry as a whole, according to its website. The FCA is already showing a desire to stamp out what it perceives to be poor conduct. For example, the FCA has taken action against a high profile ''pay-day lender'' and a number of debt management firms. The trend in recent years has been to make debt collection activity a mainstream financial services activity subject to a comparable level of regulatory scrutiny as the activities of the original Debt Originators in the financial services sector, which is reflected in the fact that debt collecting is categorized by the FCA as a ''higher-risk'' consumer credit activity. In this context, compliance track record and reputation are key to developing strong relationships with Debt Originators. As a result, considerable investment in processes, know-how and management is an absolute requirement, making it potentially difficult for a new entrant to be competitive. See ''Regulation and Compliance'' for more information.
- **Trace and collections platform.** The ability to determine the financial circumstances of account holders and recoverability of their debt is fundamental to collect in a cost-effective manner and to generate an appropriate return on investment. The systems of a debt purchaser such as ours have been developed over an extensive period of time, requiring substantial investment and expertise.
- **Funding.** The UK debt purchase market has been historically funded through revolving credit facilities provided by major UK and European banks and several bank insurers. Since 2012, however, several leading UK debt purchasers such as us, Lowell and Cabot have issued high-yield bonds, which provide more stable medium-term financing. Without a successful track record and verifiable projections supported by reliable pricing models, it could be difficult for a new entrant to obtain cost-effective debt funding to purchase debt portfolios.
- **Management expertise.** The debt purchase market in the UK is relatively concentrated and experienced; proven management with deep industry knowledge may prove difficult to source.

Overview of the Portuguese Defaulted Debt Purchase Market

The Portuguese market is attractive for the debt purchasing industry due to its comparatively early stage of development and its favorable competitive and regulatory environment. The Portuguese private sector continues to be heavily indebted both in household and corporate debt. As of the fourth quarter of 2016, household debt and corporate debt amounted to 77.6% of GDP and 143% of GDP, respectively. According to Deloitte, there were €40 billion (by face value) of non-performing loans on the balance sheets of Portuguese domestic banks in 2016, representing a non-performing loan rate of over 14%. The Bank of Portugal is maintaining pressure on banks to reduce the volume of non-performing loans and non-core assets and the Portuguese government is implementing reforms to encourage banks to resolve non-performing loans.

The market is characterized by a less sophisticated approach to pricing and lower competition compared to the UK market. High customer density in the major cities and the use of a national identification system significantly simplify tracing and improve collectability resulting in favorable recovery rates.

The Portuguese debt purchase market is currently emerging from the initial stage in the typical debt purchaser development cycle. Tighter regulations imposed by the International Monetary Fund and the Bank of Portugal increase the likelihood that banks will sell delinquent household consumer credit assets to maintain risk-weighted asset ratios. Forecasts indicate an increase in Debt Originators' propensity to sell as the poor macroeconomic outlook in Portugal is expected to lead to further impairments for Portuguese lenders. Consequently, debt sales are increasingly seen as an effective mechanism for reducing this burden.

In Portugal, unlike the UK, there is a lack of standardized structured flow for defaulted debt sales, as a result of the market being relatively less developed and the lack of experienced broker-led sales that generated significant growth in the UK market in the period 2005–2008. As a result, there is an opportunity for debt purchasers to establish direct relationships with Debt Originators to pursue attractive opportunities through strong local partnerships.

The limitation period for debt collection in Portugal currently is 20 years for amounts constituting principal and five years for amounts constituting interest or lease payments, in each case pre-legal action. As a result, debt collection strategies in the Portuguese market are predominantly focused on the legal collection route.

We believe that we are currently the leading defaulted consumer debt purchaser in Portugal. Our recent strategically important portfolio purchases demonstrate the strength of our brand in the European markets and provide further evidence of an increasing propensity to sell by European banks. See ''Business—Our Current Operations—Portuguese product and service offerings'' for more information.

Overview of the Dutch Defaulted Debt Purchase Market

The Netherlands is an established market with the total value of non-performing loans on domestic banks' balance sheets estimated at €46 billion (by face value) in 2015 according to PwC. The non-performing loan ratio was less than 3% in 2016. There were €11.3 billion of completed debt sale transactions in the Netherlands in 2016 according to Deloitte. Deloitte believes that the fall in Dutch commercial real estate values of 22% in the period from 2008 to 2016 will drive growth in distressed commercial real estate loans, resulting in an increase in the sale of such loans. The Netherlands debt purchase market has regular portfolio sales by second-tier banks and credit institutions, including a substantial market for unsecured personal non-performing loans, with relatively high levels of credit bureau data available. Debt sales are also common in the trade segment, particularly the utility and telecommunications debt. We believe that strategic and opportunistic expansions in the Netherlands have strengthened, and will continue to further strengthen, our market position and business model.

Overview of the Italian Defaulted Debt Purchase Market

The defaulted debt purchase market in Italy has the highest non-performing loan volumes in Europe. According to the Bank of Italy, the Italian banks had a total of €360 billion (by face value) of non-performing loans at the beginning of 2016, representing a non-performing loan ratio of 18.1%. (Source: Uncovering opportunities in 2017—Deloitte Deleveraging Europe 2016–2017.) The stress tests conducted by the European Banking Authority in July 2016 indicated that the Italian banks are experiencing challenges in asset quality, capital adequacy and profitability, and we believe that the Italian banks are likely to increase sales of non-performing loans to help cope with these challenges.

Italy also has strong securitization and structured finance markets. The Italian structured finance market was estimated to be €169 billion (by face value) as of March 31, 2016 by SIFMA. PwC believes that there may be €50 billion (by face value) of securitizations transactions in Italy in 2017.

According to Deloitte, Italy has been the most active loan sale market in Europe in 2016, with €36 billion (by face value) of completed loan sales by financial institutions, with even more sales in progress as of the year-end.

The Italian government has created a new regulatory regime to allow government guarantees to support non-performing loans being offered for sale. These guarantees support the transfer of non-performing loan portfolios into securitization special purpose vehicles, which can then issue notes to investors.

The Italian government has also introduced reforms in 2015 and 2016 to increase the speed and efficiency of insolvency and enforcement procedures, although the impact of the reforms is yet to become clear.

BUSINESS

Overview

We are a leading European purchaser and manager of debt principally operating in the UK, Portugal, Belgium and the Netherlands. We also have a 15% interest in the French market leader, MCS, and, following the completion of the Zenith acquisition, we will begin to operate in Italy. We believe that we are one of the top three of the UK's providers of debt purchase and receivables management solutions measured by 120-Month Gross ERC, which stood at £1,544.5 million as of December 31, 2016. We are the market leader in Portugal, with €7.4 billion (£6.4 billion) of assets under management measured by face value and 120-Month Gross ERC of £461.8 million as of December 31, 2016. During the year ended December 31, 2016, we enhanced our servicing capabilities, increasing income from servicing and asset management to £46.3 million, or 19.6%, of our revenue.

Established in 2005, we use our proprietary data and analytical capabilities to acquire and manage defaulted debt portfolios originated by Debt Originators. A critical component of the management function is to locate defaulted customers by improving inaccurate or incomplete data relating to those underlying customers with our data assets. We seek to build a consolidated profile of each defaulted customer's circumstances so that an affordable and sustainable repayment solution can be formulated for each customer. Our strategy has enabled us to convert previously defaulted assets into reliable cash flow streams.

We strengthened our market position and enhanced our business model through the Capquest acquisition in the UK and the acquisition of a 15% interest in the French market leader, MCS, both in 2014. In 2015, we continued to diversify our business by acquiring Whitestar and Gesphone in Portugal, adding secured assets to our Portuguese operations and adding Dutch operations by purchasing debt portfolios in the Netherlands. In May 2016, we acquired the InVesting Group, a leading consumer debt purchaser, asset management and outsourced collections provider with operations in the Netherlands and Belgium. On December 6, 2016, we announced the proposed Zenith acquisition. We expect to complete the Zenith acquisition in the first half of 2017, subject to the receipt of approval from the Bank of Italy.

We believe these acquisitions have provided operational and strategic flexibility through greater diversification across countries, asset classes and revenue sources, enabling us to access a broader range of new business origination, acquire portfolios at attractive returns and generate fee income from our asset management services. These acquisitions have also enhanced our business model through the development of a flexible hybrid model that combines growing in-house collection capabilities with our master servicing model (where collections are outsourced to third-party DCAs) and a network of third-party providers.

As of December 31, 2016, we owned and managed defaulted debt portfolios with an aggregate face value at the time of purchase of £22.5 billion, including £16.4 billion of purchased loan portfolios (£782.8 million based on book value). We also owned approximately 9.3 million customer accounts and service a further 4.7 million customer accounts on behalf of third parties through our master servicing contracts. Our Adjusted EBITDA, which we believe is representative of our operating cash generation, has grown from £153.1 million for the year ended December 31, 2015, to £209.2 million for the year ended December 31, 2016. Net cash used in operating activities (which includes purchases of loan portfolios and loan notes) decreased from £56.3 million in the year ended December 31, 2015 to £26.2 million in the year ended December 31, 2016.

As of December 31, 2016,

- 61.9% (by purchase price) and 57.7% (by 120-Month Gross ERC) of the defaulted debt portfolios that we had purchased were originated in the UK, 27.0% (by purchase price) and 29.9% (by 120-Month Gross ERC) having been originated in Portugal and 11.1% (by purchase price) and 12.4% (by 120-Month Gross ERC) having been originated in the Netherlands and Belgium; and
- 84.9% of our defaulted debt portfolios across the UK, Portugal and the Netherlands and Belgium (by purchase price) were financial services loan portfolios (with the remainder consisting of retail loan portfolios (10.7%), student loan portfolios (2.8%) and telecommunications (1.6%)).

We believe our focus on financial services loan portfolios provides us with stable long-term cash flows, as the higher average balances of these portfolios (relative to other types of debt) typically result in a high proportion of accounts being restructured into long-term repayment plans consisting of small, regular, annuity-like payments. For loan portfolios purchased in the UK, for the year ended December 31, 2016, approximately 72.8% of our Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements, and the remaining 27.2% were on one-off payment arrangements, which can include a discount to the face amount of the loan outstanding. As of December 31, 2016, approximately 600,000 customer accounts had made a payment to us within the preceding three months, and the face value of these accounts was approximately £1.7 billion, providing approximately 1.1 times 120-Month Gross ERC coverage. In addition, 18.8% of our 120-Month Gross ERC as of December 31, 2016 was from secured portfolios.

The affordability of payment arrangements has been a key focus for the debt collection industry for several years. We monitor carefully the level of affordability at which our payment arrangements are set compared to the level of disposable income declared by our customers. We believe that setting payment arrangements at prudent levels of affordability allows headroom for our customers to be in a more secure financial position and to cope better with reductions in their disposable income, while still being able to meet their payment obligations to us.

We believe that debt purchasers such as us will continue to play an important structural role in the credit market, with the sale of defaulted debt portfolios offering Debt Originators the ability to move the asset risk of defaulted debt portfolios to third-party specialists (with the prospect of freeing up capital). Our strategy of building consolidated customer profiles through our data assets and collecting through affordable repayment plans enables our customers to restructure and settle their outstanding balances, improve their credit scores and enhance their ability to gain access to credit in the future, all of which create strong incentives for customers to continue paying once a repayment plan has been established. Importantly, in the UK, our repayment plans do not charge customers additional interest or penalties on their defaulted accounts, excluding statutory interest.

Many debt purchasers face significant data limitations in valuing an account prior to purchase because data processing restrictions in the UK mean that customers cannot be matched to a credit referencing agency database prior to the purchase of an account. The situation is further complicated by the absence of a national identity system to enable the direct tracing of a customer using publicly available data (UK National Insurance numbers cannot be used for credit purposes). In this context, we believe that our innovative data assets and analytics capabilities differentiate us from others in our industry and give us a sophisticated approach to origination, underwriting and collections. In the UK, we had access to data for approximately 23.8 million records through the PCB as of December 31, 2016. The PCB is a large database targeted towards defaulted accounts in the UK, which we developed with Experian, a global information services group. We have also developed data analysis tools enabling a better understanding of individual customers' circumstances, including UniView, a fully-automated, algorithm-based single customer view interface. In the UK, we own approximately 8.0 million customer accounts. In Portugal, we own approximately 695,000 customer accounts and, through the acquisitions of Whitestar and Gesphone, we have increased our performance history data (17 years of Gesphone data and ten years of Whitestar data). In the Netherlands, proprietary data sets of the InVesting Group, including its credit bureau Focum with 10.5 million customer profiles, have augmented our data assets. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage. In the Netherlands, we own approximately 624,000 customer accounts. In total, we have access to data from over 35 million customer records.

We have purchased debt portfolios originated by over 110 Debt Originators. We maintain close relationships with major UK and European Debt Originators, which, we believe, are increasingly looking to sell only to smaller panels of trusted partners with scale, a reputation for high compliance standards and a track record of completing transactions. We believe that, in our core financial services market, we are on the sales panels of the majority of large Debt Originators and therefore have the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In Portugal, through the acquisitions of Whitestar and Gesphone, we have gained access to a more diverse range of origination sources including, in particular, secondary sales from funds.

We have an established record of underwriting accuracy, having collected 103% of our gross original underwriting cash targets between January 1, 2009 and December 31, 2016, excluding the effects of foreign exchange rate movements. As our data assets increase, we are able to identify and locate a higher number of accounts prior to underwriting, which we believe further improves our underwriting quality and gives us a competitive advantage.

We also have increasingly diverse sources of revenue, with 19.6% of revenue for the year ended December 31, 2016 generated from servicing and asset management, which is targeted to be increased to 25.0% for the year ending December 31, 2017. We provide servicing and asset management in all jurisdictions in which we operate. Our asset management contracts are long-term in nature, averaging approximately five years. The revenues we generate on these contracts typically are fee income, based upon collections performance of similar assets to those that we own. These assets, therefore, have similar long-term collections forecasts that support earnings visibility. These additional revenue streams are accretive to our returns without any associated balance sheet risk.

Compliance and risk management are at the core of our business culture and operations. We received full FCA authorization in 2016 for our UK operations and are also regulated by the Dutch regulator, AFM, the Belgian regulator, the Financial Services and Markets Authority and the Portuguese regulator, CMVM. We place great importance on the fair treatment of our customers. In the UK, we believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 40 FOS filed complaints received by us and our DCAs per one million accounts during the year ended December 31, 2016. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer. In order to more closely match compliance responsibilities with the risks embedded within our different business functions of oversight, implementation and performance, we have a three-lines-of-defense risk and compliance framework, which is supported by our CRO, our Audit Committee, our Risk Committee, and the wider executive board of AGG and its Non-Executive Directors with experience of financial services and the regulatory environment. See ''Regulation and Compliance—Our Risk Management and Compliance—Risk classification and reporting.''

We believe that the combination of our position as a leader in the growing debt purchase market, our flexible business model and our disciplined approach to debt origination and underwriting mean that we are well placed to continue to grow profitably over the coming years, as new opportunities arise.

We believe that the debt purchase industry will continue to consolidate around a few key participants as Debt Originators increasingly look to sell defaulted debt portfolios to small panels of trusted partners. Against this backdrop, we believe that the combination of the following positions us well to maintain our leading position in the European debt purchase and management industry:

- geographic and asset class diversification;
- revenue diversification from our debt servicing and asset management platforms;
- data capabilities;
- hybrid business model of in-house collection capabilities and master servicing model;
- relationships with DCAs and Debt Originators; and
- experienced management team.

Changes to Our Platform

The UK

In November 2014, we completed the purchase of the Capquest Group, a leading UK consumer debt purchaser and outsourced collections provider. The combination of the Capquest Group's in-house customer-focused collection capabilities with our data-driven master servicing model has provided us with an enhanced collection model from a cost, operational and regulatory perspective. The Capquest acquisition has also added to our significant data assets, including the PCB, which has already helped us increase our account match rates and enhance our collections performance. In December 2015, we successfully migrated the Erudio Customer Management Limited student loans portfolio onto our in-house platform.

Portugal

In April 2015, we announced the formalization of a strategic origination and servicing partnership with CarVal Investors in Portugal and associated acquisitions. As part of our strategic partnership, on April 1, 2015, we entered into a five-year agreement to jointly originate Portuguese investments. We also established a formal five-year servicing commitment with CarVal Investors pursuant to which our Portuguese collection platforms will service portfolios acquired in Portugal by CarVal Investors. We also acquired Silver Parallel S.A., the parent company of Whitestar, a leading Portuguese servicer of secured and unsecured loans, from funds managed by CarVal Investors for a total consideration of €49.8 million payable over two years (of which we have already paid €39.2 million). See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Acquisitions and other arrangements—Whitestar acquisition.'' We also acquired Gesphone, a Portuguese servicer of non-performing loans and owner of €77.2 million face value of portfolios, for €8.1 million.

We have also migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms. As part of that process, on February 29, 2016 we purchased Redrock to enhance the capabilities of our Portuguese servicing platforms.

The Netherlands and Belgium

In June 2014, Arrow Global Limited secured a license from the AFM, to offer consumer credit and to act as an intermediary in respect of consumer credit, and completed the purchase of a €1 million pilot portfolio in the Netherlands. In November 2015, Arrow Global Limited's Dutch license was expanded to allow Arrow Global Limited to offer mortgage credit and to act as an intermediary in respect of mortgage credit.

In the fourth quarter of 2015, we expanded our footprint in the Netherlands by acquiring a number of portfolio investments for a total face value of €300 million, comprising portfolios of secured assets with a total face value of €127 million and portfolios of unsecured assets with a total face value of €173 million.

On May 4, 2016, we acquired the InVesting Group, a leading consumer debt purchaser, asset manager and outsourced collections provider with operations in the Netherlands and Belgium, for €100.0 million. The InVesting acquisition added approximately 502,000 customer accounts with a face value of €663 million (measured as of December 31, 2015) and a 120-Month Gross ERC of €107 million (calculated in accordance with our models, policies and procedures for calculating our 120-Month Gross ERC as of December 31, 2015).

In December 2016, we co-invested with CarVal in a €1.7 billion portfolio (by face value) of predominantly performing secured loans in the Netherlands. The loan portfolio comprised approximately 9,300 high quality loans for primarily buy-to-let residential and mixed usage properties, with a smaller proportion of commercial real estate assets typically being industrial, retail, leisure or office properties. The loans have an average loan-to-value ratio of 66%. We invested £21.3 million in the form of loan notes issued by the vehicle that holds the loan portfolios. We also entered into a five-year agreement to service the entire loan portfolio. By acquiring the servicing capabilities of the prior owner of the portfolio, we augmented our specialist service expertise. We believe that engaging in co-investment transactions is an attractive model for growing our business, as it allows us to participate in larger deals without having to deploy significant amounts of capital, while benefiting from servicing revenue on the entire portfolio and gaining access to additional data sets.

As a result of our portfolio acquisitions and the InVesting acquisition, we operate across numerous asset classes in the Netherlands and Belgium. In addition to delivering attractive returns, these investments are also expected to provide significant levels of data that we expect will help to inform future purchase decisions.

France

In December 2014, we acquired a 15% interest in MCS for £11.4 million. MCS is a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and SME loans and personal guarantee segments. Our CIO, Zachary Lewy, is a member of the board of directors of MCS. This investment provides us with a foothold in a new market, which we believe complements our operations and contributes to achieving our overall strategy. In October 2016, we received a distribution from MCS of €8.0 million.

Italy

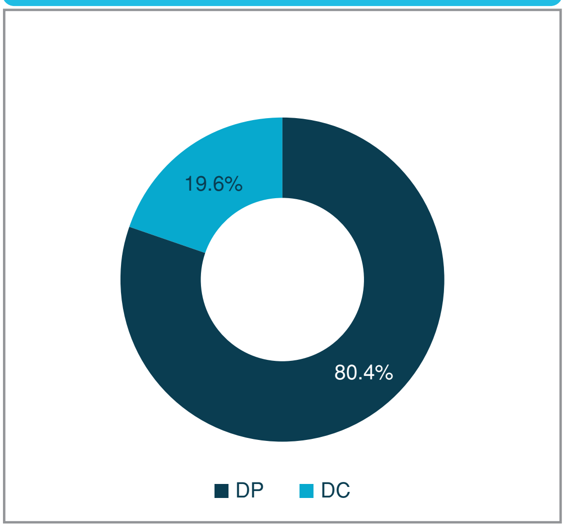
On December 6, 2016, we announced the proposed acquisition of the Zenith Group for a total cash consideration of €17.0 million (£14.4 million), with 60% payable on closing and the remaining 40% payable after closing. The Zenith Group has developed a reputation for quality and service in a complex, regulated Italian structured finance market, with €14.1 billion assets under management across multiple asset classes as of June 30, 2016. It has a strong and established client base of leading Italian and international banks and funds, offering us a platform to grow our business in Italy. It will also increase our income from servicing and asset management and provide valuable insight into the Italian market and the performance and administration of credit portfolios.

Group-wide

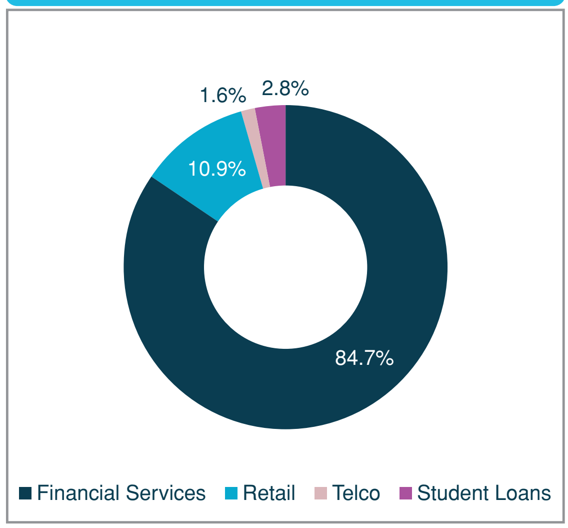
We believe these acquisitions support our ambition to be a leading European purchaser and manager of debt by allowing us to further enhance our scale and leadership positions in our core target markets while increasing our operational and strategic flexibility through greater diversification across countries, asset classes and revenue sources. Such diversification enables us to access a broader range of new business origination, acquire portfolios at attractive returns and generate fee income from our asset management services.

The following charts set forth a breakdown of our revenue for the year ended December 31, 2016 by DC and DP and of our debt portfolio by asset class as of December 31, 2016.

Revenue



Debt Portfolios



Our Key Strengths

We believe we benefit from the following key strengths:

A leading European purchaser and manager of debt in attractive markets

We are a leading European purchaser and manager of debt with operations in the UK, Portugal, Belgium and the Netherlands, and, following the completion of the Zenith acquisition, we will begin to operate in Italy. We have a track record of innovation, customer engagement, compliance and financial performance that has been recognized within the industry, and we are consistently highly ranked in the OC&C Credit Management and Debt Collection Index, an annual ranking of industry participants based on quantitative and qualitative data across four categories: financial performance, operational efficiency, strategy and scope, and innovation. In the Credit Today Debt Collection Awards 2015, we were named Debt Purchase & Collection Provider of the Year—UK/Europe. We were also the winner of the ''International NPL Expertise - Company'' award at the 2016 Collections & Customer Service Awards.

Customer defaults are a structural component of consumer lending and certain volumes of defaults on consumer debts can be expected to occur throughout the credit cycle because Debt Originators tend to design their loan pricing models and underwriting criteria to achieve a target rate of default.

Growth in the European debt purchase markets is largely driven by an increasing number of Debt Originators using debt sale as a solution for their defaulted accounts, and their increased recognition of the value to them of selling debts to specialist purchasers earlier in the defaulted collection lifecycle. In the coming years, we also expect growth in the debt purchase markets to be driven by the continued origination of consumer credit, new sources of supply for defaulted consumer debt (such as debt owned by utility companies and governments), new asset classes (such as student loans in the UK) and continued deleveraging by European banks. We believe that stricter capital adequacy requirements, more stringent accounting rules (IFRS 9 *Financial Instruments*) and continued regulatory and government pressure will continue to prompt European banks to resolve their non-performing loans and non-core loans, thereby driving growth across our markets. In the year ended December 31, 2016, 28.1% of the acquired loan portfolios were originated in the UK and 71.9% were originated in continental Europe (by purchase price).

We believe that our geographic diversification across the UK, Portugal, Belgium, the Netherlands, France, and, following the completion of the Zenith acquisition, Italy, provides attractive opportunities across a range of markets that are at different stages of evolution.

- The UK is the most mature of our markets in terms of market evolution. As of December 31, 2016, our UK operations represented 57.7% of 120-Month Gross ERC and 54.6% of total debt portfolio purchases (by carrying value).
- The Portuguese market is at an earlier stage of evolution than that of the UK, and we believe this provides ample growth opportunities. As of December 31, 2016, our Portuguese operations represented 29.9% of 120-Month Gross ERC and 32.3% of total debt portfolio purchases (by carrying value).
- Our investments in loan portfolios in the Netherlands and Belgium provide access to a high growth market. The InVesting acquisition helped us to further diversify income streams and has provided a platform to expand further into the region, utilizing the InVesting Group's presence on local debt seller panels to create additional investment opportunities.
- We expect that upon completion of the Zenith acquisition, we will be able to access the Italian market, which is expected by Deloitte to be one of the strongest loan sales markets in 2017.
- Similarly, our existing investment in the French market provides access to an emerging market via a clear market leader.

UK market. We are a leader in the large, established and growing defaulted debt purchase market in the UK, with a proven industry track record which, in the last five years, has enabled us to become one of the top three acquirers of debt by face value and by purchase price in the UK. As of December 31, 2016, we had, since our inception, invested £649.5 million in the acquisition of purchased loan portfolios in the UK with an aggregate face value of £11.6 billion, comprising 8.0 million owned customer accounts, generating an 84-Month Gross ERC of £756.3 million and a 120-Month Gross ERC of £890.9 million in the UK.

In addition, we believe that we are a leading player in the financial services sector, which is the largest segment of the debt purchase market in the UK. The sale of defaulted accounts is considered an attractive option for Debt Originators in the financial services sector as it generates capital and liquidity, allows lenders to focus on their core business of originating and managing new receivables, and facilitates their compliance with ongoing and anticipated regulatory and accounting-related developments (including Basel III (see ''—Current Trends—Supply of available portfolios''), asset quality review under the ECB Single Supervisory Mechanism (a system for banking supervision for Europe) and new accounting rules (IFRS 9 *Financial Instruments*) on the recognition of expected losses on financial instruments and on loan commitments). The Capquest acquisition enhanced our leadership position in the financial services sector as a result of the Capquest Group's relationships with a diverse client base, particularly in its third-party collections business. The regulatory environment has continued to tighten and a number of banks have sought to rationalize their panels, both for debt purchase and debt placement. We believe that our brand, reputation and track record encourage the participants in the financial services sector to favor us both as a debt purchaser and a debt servicer for their portfolios.

Portuguese market. The Portuguese debt purchase market is a similarly attractive market, due to its comparatively early stage of development, significant stock of defaulted loans, an increase in the provisions being made by banks for impairments, an increase in banks' propensity to sell, and the existence of an established regulatory framework for debt purchasers. We believe that we are the market leader in the purchase of defaulted debt in Portugal, with £4.0 billion of assets (measured by face value) and approximately 695,000 accounts as of December 31, 2016 (with approximately £1.2 billion of the £4.0 billion of assets (measured by face value) purchased during the year ended December 31, 2016). For example, in both 2015 and 2016, we were the selected partner for the debt sold by a number of local Portuguese banks. In 2016, we maintained our market leading asset management position through on-boarding 16 transactions with a face value of €1.8 billion. We believe the Portuguese market has a strong pipeline, with over €3.1 billion (by face value) of potential sales of defaulted loan portfolios in progress as of the end of 2016, and we expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Our acquisitions in Portugal, Whitestar and Gesphone, have strengthened our capabilities across asset classes and servicing of third-party assets. The Portuguese acquisitions have provided us with an in-house servicing capability and, as of December 31, 2016, we managed approximately 85.5% of the collections of the combined business in-house and expect to continue to use outsourced local DCAs to manage the remaining 14.5% of collections.

Dutch market. We believe that strategic and opportunistic expansions in the Netherlands have strengthened, and will continue to further strengthen, our market position and business model. Together with our Dutch portfolio purchases during 2015 and 2016, the InVesting acquisition helped us to create a leading debt service and management business in the Benelux region, has complemented our leading positions in the UK and Portugal and has reinforced our position as one of Europe's leading purchasers and managers of debt. In addition, the InVesting Group increased the proportion of our revenue generated from debt servicing and asset management. We are further expanding our servicing capabilities in the Netherlands.

The ongoing shift to BPO should create further opportunities for increasing our BPO revenue.

Italian market. We believe that, following the completion of the Zenith acquisition, we will be well-placed to bid on loan portfolios that come to market and to offer servicing and asset management services in Italy.

For further information regarding the markets in which we operate, please see ''Industry.''

Well positioned to maintain leading position in the industry with high barriers to entry

We believe that we are well positioned in the debt purchase market where a number of key attributes, such as trusted relationships, scale and data excellence, are required to be successful in the long-term.

We have a proven track record of strong and trusted relationships with Debt Sellers, which is critical to being invited on their sales panels and provides opportunities for potential purchases on an ongoing basis (including negotiated transactions where the terms are agreed on a bilateral basis outside an auction process). Our reputation and compliance track record are critical factors for Debt Sellers, who tend to work only with trusted partners who meet stringent panel requirements. We believe there has been a trend among some large Debt Originators towards consolidation around a few trusted leading debt purchasers with scale, commitment to compliance and a reduction in the size of Debt Sellers' panels as they favor stronger, longer lasting relationships with fewer participants. In addition, through our service and asset management activities, we continue to strengthen our partnership with credit funds, which has become a key part of our origination strategy.

We believe that scale is advantageous in maintaining a leading position in the debt purchase industry and that our scale enables us to generate a level of revenue that is large enough to cover the fixed costs associated with operations and our strong compliance and risk management framework.

Data excellence through high quality data and analytical models is required to price portfolios accurately, improve collection performance and operate to the highest compliance standards. We benefit from a large database targeted towards defaulted accounts in the UK and Portugal and have, since our inception, been an innovator in applying sophisticated data technology to debt purchase and collections. The PCB is one of the UK's first databases designed specifically to target defaulted accounts.

We believe that experience and funding are no longer the only prerequisites for participating in the debt purchase market. We believe we have a deep understanding of the regulatory environments in the markets in which we operate, providing us with various benefits. For example, in the UK, in addition to the FCA and other regulatory bodies' standards, debt purchasers must also meet the compliance standards of individual Debt Sellers to be considered in debt sale processes. In the Netherlands and, in certain cases, in Portugal, debt purchasers need to obtain a license before being able to acquire debt. There has been an increased focus in the UK on collection practices leading to more stringent compliance requirements for debt purchasers. Customers are at the core of our business culture and operations, and we place great importance on the fair treatment of our customers. In the UK, we believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 40 FOS filed complaints received by us and our DCAs per one million accounts during the year ended December 31, 2016. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer.

Leading data and analytics capabilities

Many defaulted accounts sold by Debt Sellers contain inaccurate or incomplete data. This is often a result of customer mobility or because of the complex and outdated systems used by some Debt Originators. We identify opportunities for data improvement on a large proportion of the accounts we purchase, resulting in stronger collections and more appropriate repayment plans for customers. We believe that we are recognized by Debt Sellers and DCAs as a market leader in applying sophisticated data technology to debt purchase and collections.

We have developed data analysis tools enabling a better understanding of individual customers' circumstances. Our key innovations have included the creation of bespoke interfaces to access publicly available data, the development of a proprietary interface with our UK credit bureau partners and the development of UniView, a fully automated, algorithm-based single customer view interface. UniView aggregates a variety of data sources enabling a quick and easy assessment of each individual customer's current financial circumstances.

One of our key innovations has been our proprietary database, the PCB, which has grown from approximately 11.0 million records in 2012 to approximately 23.8 million records as of December 31, 2016. One of our competitive advantages with respect to underwriting is our ability to identify, through the use of data assets like the PCB, a large number of non-Paying Accounts for which we already have data, before we make the decision to purchase a portfolio. By ''matching'' portfolio sales files with customers already in our databases and servicers' network, we are able to make a more informed assessment of such customers' ability to pay prior to pricing and purchasing the account. In the year ended December 31, 2016, we were able to identify, prior to purchase, on average 46% of all accounts in the portfolios we evaluated, compared to an average of 13% prior to the development of the PCB. We now also have information as to whether these customers were already paying one of our DCAs and other servicer network partners, such as third-party debt managers. Importantly, this ability to identify and match individuals before purchasing a portfolio reduces our underwriting risk, enables us to better determine its value and gives us greater ability to prioritize cash collections from ''matched'' customers.

The PCB also enables us to place accounts with DCAs who already have a relationship with the customer, which makes it easier to ensure that collections remain compliant and typically improves customer experience. Furthermore, DCA partners also benefit from our data insight as they receive enhanced account data provided by us without incurring any data gathering and analysis costs themselves, which puts DCAs in a better position to establish payment plans with customers and prioritize collection performance. This has strengthened our relationships with our DCAs and has enabled us to reduce our commission rates.

When we acquired the Capquest Group, we combined the existing customer data with the data in the PCB, thereby increasing the number of records in the PCB. As a result of the significant portfolio overlap (the Capquest Group, like us, had predominantly invested in financial services loan portfolios), our ''match'' rates for recently reviewed UK loan portfolios improved from approximately 30% in 2012 to approximately 40% prior to the Capquest acquisition to approximately 46% in 2016. In Portugal, Whitestar has ten years of data history and Gepshone has seventeen years of data history. In the Netherlands, proprietary data sets of the InVesting Group, including its credit bureau Focum with 10.5 million customer profiles, have augmented our data assets. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage.

Through owning 9.3 million customer accounts and servicing a further 4.7 million customer accounts on behalf of third-parties (as of December 31, 2016), we have access to historical credit performance in the markets in which we operate, which provides us with significant insight into customer behavior.

Flexible collection platform with increasing servicing and asset management revenue contribution

We operate a hybrid operating model that combines our customer-focused in-house collection capabilities with our master servicing model (where collections are outsourced to third-party DCAs based on a sophisticated data-driven approach). We believe this hybrid model provides us with an enhanced collection model from a cost, operational and regulatory perspective, reflecting the scale of our business and changing industry dynamics, as Debt Originators reduce their panel sizes and focus on panel members' compliance and accountability. We also believe that the UK debt purchase sector is entering a period of consolidation around a core group of leading debt purchasers, with an associated reduction in the size and number of large-scale participants, and that our hybrid model will be supportive of this consolidation and will continue to provide a platform for rapid growth.

Our business model has allowed us to take on additional portfolio opportunities at low incremental overhead and capital costs. We have demonstrated an ability to expand rapidly into different types of consumer credit having the flexibility to respond quickly to market conditions by purchasing the asset classes, and from the sources of supply, which we believe have the greatest expected returns. In addition, since we operate a flexible cost base and our DCA partners operate on a largely contingent basis, with commission rates fixed at the time of placement, our Collection Activity Costs (which accounted for 49.9% of our total operating expenses for the year ended December 31, 2016) are largely variable, resulting in a low fixed cost base. We believe that we have one of the lowest Collection Cost Ratios in the industry, with Collection Activity Costs of 21.1 pence per £1 collected for the year ended December 31, 2016 (the equivalent ratio for Collection Activity Costs in the years ended December 31, 2015 and December 31, 2014 were 22.4 pence and 22.7 pence per £1 collected, respectively). We have achieved this by using our data analytics to identify the accounts with the greatest capacity to be collected and determine the most appropriate DCA to collect on such accounts at the lowest cost. We believe that, over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and this is one of the reasons why we are able to agree commission rates based on our forecast of individual accounts' liquidation at rates that improve profitability for both parties.

In the UK, we manage approximately 40% of the collections of the combined business in-house. For the remaining approximately 60% of collections, we continue to work with specialist outsourced DCAs, which we have rationalized to a group of approximately six strategic DCA partners. In Portugal, following the Portuguese acquisitions we manage approximately 85.5% of the collections of the combined business in-house. For the remaining approximately 14.5% of collections, we continue to work with specialist outsourced DCAs. In the Netherlands, we manage approximately 90% of the collections in-house, and outsource 10% of collections.

We believe that this flexible model enables us to utilize fully what we believe to be a high-quality customer-focused servicing platform and further improve our ability to oversee a smaller outsourced DCA panel, thereby improving the overall experience of our customers. We also believe that this model enables us to continue to enjoy an efficient and flexible cost structure, with approximately 59.1% of our cost base (based on Consolidated Group figures for the year ended December 31, 2016) still being variable.

Our in-house collection capabilities provide us with the opportunity to collect and service debt on behalf of third-party clients on a contingent basis. Servicing on behalf of third parties provides us with a regular stream of account placements, which we believe gives us greater insight into prevailing payment trends across debt types and demographics. Our longstanding client relationships have also led to proprietary opportunities to acquire contingency tails of portfolios that we service (effectively providing an opportunity to purchase debt in-situ) and enables us to move toward ''place-to-sell'' structures (in which we agree at the time of establishing the contingency arrangement that we will purchase the portfolio after a period of collections). As a result of these factors, contingency collections remain a key complementary component to our business model. In addition to increasing servicing and asset management revenue streams, servicing third-party debt also provides an opportunity to acquire new asset classes, including student loans and secured assets, which we believe can further diversify and strengthen our business model.

Our recent acquisitions contributed to the increase in our servicing and asset management revenue to 19.6% of our revenue for the year ended December 31, 2016. We intend to seek to further increase our servicing and asset management revenue and are targeting income from servicing and asset management to increase to approximately 25% of revenue in the year ending December 31, 2017. We have entered into a five-year servicing agreement with CarVal Investors, under which our Portuguese collection platforms service portfolios acquired in Portugal by CarVal Investors. In the Netherlands and Belgium, the InVesting Group is contributing to revenues from asset management and has enabled us to develop servicing, asset management and BPO revenue streams, such as from our new servicing capability in secured real estate assets acquired in connection with a recent co-investment. Such additional revenue streams would, we believe, enable us to generate cash flow without material initial investment (such as investment in debt portfolios to generate collections). Additional cash flow, we believe, would improve our credit risk profile and support our ability to grow and our ability to decrease our debt level over time. Our servicing business also improves our data capabilities for debt portfolio acquisitions as we gain performance data on a broader pool of assets.

Following the Capquest acquisition, we made significant progress in our servicer migration plan to move a proportion of our accounts from our DCA network onto our in-house collections platform. In addition, we have developed our in-house capabilities for servicing the student loan asset class. In December 2015, we successfully migrated the Erudio Customer Management Limited student loans portfolio onto our in-house platform. Additionally, we have migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms and are in the process of developing a new servicing platform and making improvements to our IT infrastructure in the Netherlands, which are scheduled for completion in 2018.

Differentiated origination capabilities

We benefit from a well-established and respected franchise, having purchased loan portfolios from over 110 Debt Originators over the last 10 years. We believe that stable, long term relationships with Debt Originators are important, because Debt Originators increasingly look to sell only to smaller panels of trusted partners with established compliance records and a proven ability to complete transactions. We have developed strong relationships with most major Debt Sellers in our key financial services market. In our core markets, we believe that we are on the panels of nearly all significant Debt Sellers, providing us, for example, with the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In addition, approximately 59.7% of our portfolio acquisitions in the UK since 2010 (91.2% for the year ended December 31, 2016) and 55.2% of our portfolio acquisitions in Portugal for the year ended December 31, 2016 were completed outside typical auctions in bilateral transactions with Debt Sellers from whom we have previously purchased portfolios, reflecting the strength of our relationships with Debt Sellers. Being able to acquire debt portfolios in bilateral transactions limits the pressures attendant to deploying our capital in competitive market auctions. 72.4% of loan portfolios purchased during the year ended December 31, 2016 were purchased in bilateral trades. Because we use a number of origination sources, we are able to target those portfolios that offer the most attractive returns, rather than only participate in auctions.

The Capquest acquisition, the Portuguese acquisitions and the InVesting acquisition have benefited our origination capabilities by enabling us to leverage what we believe to be their existing strong relationships with major banks and Debt Originators outside of the financial services market in the UK, Portugal, Belgium and the Netherlands. The capacity to provide both purchase and collection-based capabilities to clients has increased debt purchasing opportunities and enabled us potentially to access a more diverse range of origination sources, including the opportunity to work with Debt Sellers on a ''place-to-sell'' basis (*i.e.*, where we agree at the time of establishing the collections arrangement that we will purchase the portfolio after a period of collections).

We also provide co-investing structures for our clients, where we will work with a credit fund to purchase a large portfolio, co-invest in the portfolio and manage the full portfolio. This gives us flexibility on where we deploy our investment capital and helps us diversify risks. In addition, co-investing enables us to access new segments of the debt purchasing markets and to participate in larger transactions where competition may be less intense due to a lack of capital or appetite for committing a substantial amount of capital to a single transaction.

We have strengthened our origination capabilities in Portugal through our five-year origination agreement with CarVal Investors to jointly originate portfolios in Portugal, which is expected to provide us with opportunities to acquire additional portfolios in Portugal. In addition, through the acquisitions of Gesphone and Whitestar, we have gained access to a more diverse range of origination sources (including new vendors and Forward Flow Agreements) and source of asset classes (including secured assets).

In the Netherlands, the InVesting Group's presence on local Debt Seller panels provides us with the opportunity to purchase debt from new sources and to expand into new asset classes, such as commercial real estate.

In addition, the use of specialist DCAs provides us with flexibility to purchase debt across a broader spectrum of the market and to expand into new asset classes, such as second lien portfolios, where we would not use our in-house collection capabilities. Our model allows us to purchase a number of large and diversified loan portfolios from Debt Sellers that are looking to sell highly diverse accounts in a single transaction.

Track record of acquiring and successfully integrating businesses

Since completing our IPO in October 2013, we have grown to become a leading European purchaser and manager of debt with a track record of acquiring and successfully integrating businesses.

In November 2014, we acquired the Capquest Group, a leading UK consumer debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors. When we acquired the Capquest Group, we combined the existing customer data with the data in the PCB, thereby increasing the number of records in the PCB and our ''match'' rates for recently reviewed UK loan portfolios improved from approximately 40% prior to the Capquest acquisition to approximately 46% in 2016.

In December 2014, we acquired a 15% interest in MCS, a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and SME loans and personal guarantees. For the year ended December 31, 2016, MCS contributed £2.4 million to our profit after tax.

In April 2015, we acquired Whitestar, a leading Portuguese servicer of secured and unsecured loans, and Gesphone, a Portuguese servicer of non-performing loans and owner of €77.2 million face value of loan portfolios. We believe the combination of Whitestar and Gesphone has created scale and servicing capability across multiple asset classes, enabling us to broaden our Portuguese market proposition to clients. We have also migrated the majority of our Portuguese accounts onto our Portuguese servicing platforms.

In February 2016, as part of the migration of the majority of our Portuguese accounts onto our Portuguese servicing platforms, we acquired Redrock.

In May 2016, we acquired the InVesting Group, which added approximately 502,000 customer accounts with a face value of €663 million as of December 31, 2015 to our Existing Portfolios and is contributing to the diversification of the income streams of our business and our origination capabilities.

In December 2016, we agreed to acquire the Zenith Group, a servicing business focused on the Italian structured finance market.

Disciplined underwriting

We believe we have a robust underwriting and risk management framework in place to ensure a disciplined approach to portfolio purchases. In a typical year, we assess between 100 and 120 portfolio acquisition opportunities, of which we price between 50 and 75 portfolios and ultimately acquire approximately 25 portfolios after a comprehensive multi-stage review process, with any transactions above £20 million approved by our Board of Directors. Over the last 10 years, we have continued to invest at our target return of around two times Gross Cash-on-Cash Multiple (as of December 31, 2016).

We have an established record of achieving collections on purchased portfolios against our original underwriting projections across vintages and asset classes, having collected 103% of our gross original underwriting cash targets from January 1, 2009 to December 31, 2016, excluding the effects of foreign exchange rate movements, which we attribute to our comprehensive approach to identifying and acquiring debt portfolios resulting from our sophisticated data assets and analytics capabilities.

The combination of data assets and our advanced technology and servicing platform provides an opportunity to enhance our collections performance and allows us to gain greater insight into payment trends across debt types and demographics, enabling us to further improve our pricing models and underwriting accuracy.

Highly cash generative business

We are highly cash generative, meaning we have surplus cash available to grow and reinvest in our business. We have a relatively small investment requirement in order to maintain our existing asset base. We benefit from predictable cash flows that are generated from payment arrangements. As of

December 31, 2016, 72.8% of collections were from longer term paying arrangements, which provide a high level of cash flow visibility.

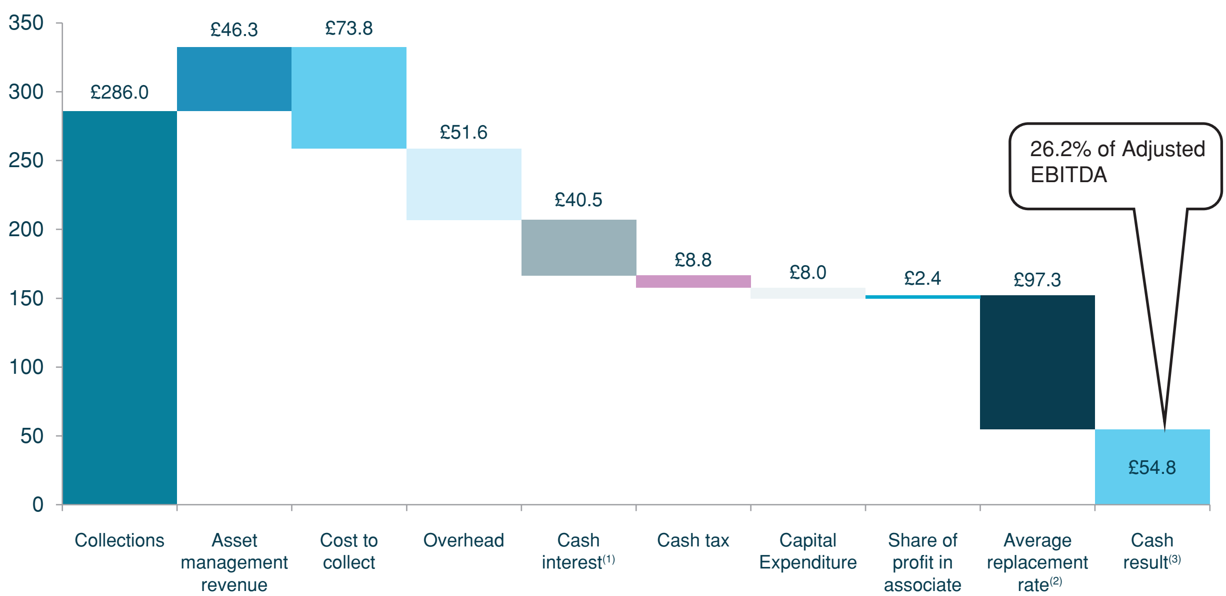
In the year ended December 31, 2016, we generated Core Collections of £286.0 million, resulting in Adjusted EBITDA for the period of £209.2 million, which in turn converted into £203.9 million of free cash flow pre-financing, taxes and portfolio purchases at a 97.4% conversion ratio. Net cash used in operating activities was £26.2 million in the year ended December 31, 2016.

Our strong collections experience on our Existing Portfolios led to growth of 36.7% in Adjusted EBITDA to £209.2 million for the year ended December 31, 2016 (year ended December 31, 2015: £153.1 million; year ended December 31, 2014: £101.0 million). Our profit for the year ended December 31, 2016 was £26.3 million (year ended December 31, 2015: £31.7 million; year ended December 31, 2014: £18.3 million).

As of December 31, 2016, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £116.8 million per year are required to maintain a constant 84-Month Gross ERC and £122.6 million per year are required to maintain a constant 120-Month Gross ERC (which is dependent on the mix of portfolios held by us, collections, the performance of Existing Portfolios and the return characteristics of new loan portfolio acquisitions). With discretion as to the purchase of loan portfolios (in terms of both timing and amount), we believe that we have significant control over our liquidity, and the ability to grow our business. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources'' for a discussion of our liquidity. We have grown rapidly through investing in portfolios at levels above our replacement investment rate, while maintaining sustainable levels of returns. This has enabled us to maintain our high levels of cash generation and prudent balance sheet while generating value for our stakeholders.

In addition, we have increasingly diverse sources of revenue, with approximately 19.6% of revenue in the year ended December 31, 2016 generated from debt servicing and asset management activities, which is expected to increase to 25% in the year ending December 31, 2017.

We believe we have excellent free cash flow generation, as illustrated in the chart below with information for the year ended December 31, 2016, which takes into account the required annual investment in loan portfolios in order to maintain our existing asset base and interest expense on our financed debt.



(1) Cash interest expense has not been adjusted for the Offering and the use of proceeds thereof. Cash interest expense has been calculated on the basis of net debt of £775.2 million as of December 31, 2016. Net debt is presented excluding deferred consideration in relation to the acquisition of loan portfolios (£26.2 million), and deferred consideration in connection with the Portuguese acquisitions (£9.2 million), as well as accrued and unpaid interest on the 2021 Notes, 2023 Notes and the 2024 Notes as of December 31, 2016 (£5.4 million). Including such deferred consideration and unpaid interest, net debt as of December 31, 2016 would have been £816.0 million.

(2) Replacement investment rate is the estimated investment required to maintain the current level of Gross ERC (calculated as the sum of opening replacement rate and closing replacement rate for the period divided by two). It is estimated as Year 11

Gross ERC less Year 1 Core Collections divided by Gross Cash-on-Cash Multiple. The replacement investment is calculated as an average for the year ended December 31, 2016. As of December 31, 2016, the replacement investment rate was approximately £117.0 million per year at our target Gross Cash-on-Cash Multiple for a constant 120-month Gross ERC.

(3) All figures were calculated using an exchange rate of €1.2242 to £1.00, the average Bloomberg Composite Rate for the year ended December 31, 2016.

Earnings and cash flow visibility supported by value embedded in existing assets

Our Existing Portfolios provide visibility around future earnings and cash flow generation. For example, for the year ended December 31, 2016, approximately 75.0% of our Core Collections and 80.3% of our Adjusted EBITDA were derived from assets acquired prior to January 1, 2016. Our revenue for the year ended December 31, 2016 was £235.9 million (year ended December 31, 2015: £165.5 million).

We have significant value and predictable future cash flows embedded in our Existing Portfolios, with 120-Month Gross ERC of £1,544.5 million as of December 31, 2016, of which Portugal represented £461.8 million, the UK represented £890.9 million and the Netherlands represented £191.9 million (compared to our 120-Month Gross ERC as of December 31, 2015 of £1,224.5 million, of which Portugal represented £364.4 million and the UK represented £860.2 million). Significant value remains in the portfolios that we own beyond the 10-year period to measure 120-Month Gross ERC. The carrying value of our Existing Portfolios on our balance sheet was £782.8 million as of December 31, 2016 (December 31, 2015: £609.8 million). The following chart sets forth our 120-month Gross ERC as of December 31, 2016.

We focus primarily on purchasing financial services loan portfolios that have a higher average balance (relative to other types of debt). Because of this, such financial services loan portfolios tend to be collected via long-term regular payment arrangements resulting in a high number of small, regular, annuity-like payments. As of December 31, 2016, financial services loan portfolios accounted for 89.3% of our 120-Month Gross ERC, with an average account balance of £2,029.96, for which our strategy is to establish and maintain regular payment plans suited to our customers' individual circumstances. As a result, our cash flow profile is stable and predictable, with approximately 72.7% of Core Collections from our Existing Portfolios derived from small, regular, annuity-like payment arrangements as of December 31, 2016. Approximately 600,000 customers with such arrangements made a payment in the three months ended December 31, 2016, most of which were through regular payment methods such as direct debit. The face value of the debt attributed to these accounts represented 1.1 times our 120-Month Gross ERC as of December 31, 2016. In addition, 18.8% of our 120-Month Gross ERC as of December 31, 2016 was from secured portfolios.

As of December 31, 2016, retail loan portfolios accounted for 7.0% of our 120-Month Gross ERC with an average account balance of £1,146.31, student loan portfolios accounted for 3.1% of our 120-Month Gross ERC with an average account balance of £3,962.55, and telecommunications loan portfolios accounted for 0.6% of our 120-Month Gross ERC with an average account balance of £591.53.

Our loan portfolios had an average account balance of £1,755.85 as of December 31, 2016.

Experienced management and skilled staff

We are managed by an experienced and entrepreneurial leadership team with extensive, and complementary, experience, and our six senior executives together have considerable risk management, credit and finance experience. Our new CEO, Lee Rochford, has over 25 years' executive leadership experience. Our CFO, Robert Memmott, has over 18 years' experience in senior financial leadership roles within private equity backed and listed companies. Our CIO, Zachary Lewy, is highly regarded as a leader in industry innovation and previously served as president of the DBSG, which is part of the debt purchase and collection industry's trade association, the CSA, of which he is a director. Our UK CEO, Phil Marsland, has over 21 years' experience in financial services and collections roles. Our Portuguese CEO, John Calvão, has over 18 years' experience in financial services and collection roles. Our Netherlands and Belgium CEO, Joost van Rens, has over 16 years' experience in financial services industry roles. Our CRO, Steven Greenwood, has over 11 years' experience in senior risk roles. Our General Counsel and Company Secretary, Stewart Hamilton, has over 14 years' experience as a solicitor in corporate and commercial law. Our Head of Human Resources, Tracy French has 26 years' experience in Human Resources with expertise in the area of transformation and change, organizational effectiveness, talent management and employee engagement.

The leadership team is supported across all business areas by a skilled broader team. Because data assets and analytics are at the core of our business, our highly qualified and skilled staff receives ongoing training and development. A significant number of our employees have a degree qualification or better, including postgraduate and professional degrees. The addition of in-house collection capabilities and call center operations following the Capquest acquisition and the Portuguese acquisitions has meant our employees comprise a broad spectrum of experienced skill sets tailored to the debt purchase and collections business, supported by our training and development programs, which we believe further strengthen our business and contribute to our success.

Our Strategy

Our vision is to become Europe's leading purchaser and manager of debt. Our strategy is to grow by leveraging our sophisticated data-driven business model and leading position in growing markets through the following strategic objectives.

Be a leading player in each of our chosen markets

We are well-positioned to maintain our market leadership positions in the UK and Portugal, and, upon completion of the Zenith acquisition, to access the Italian market, which is expected by Deloitte to be one of the strongest loan sales markets in 2017. The InVesting acquisition is expected to enable us to create a leading business in the Benelux debt purchasing market, complementing our operations in the UK and Portugal. We believe our scale, longevity and reputation are important contributors to our success, alongside capabilities in data and regulatory compliance. We have established long-term relationships with creditors, many of whom are leading financial services institutions, and have a track record of winning repeat business with such creditors. In the year ended December 31, 2016, 45.6% of our loan portfolio investments were made from repeat sources, while 72.4% of our new business (by amount invested) was originated in off-market transactions away from competitive auctions.

As of December 31, 2016, we have purchased over 84.9% of our combined portfolios (based on purchase price) in the financial services sector and have strong relationships with many of the leading financial services institutions and credit funds in the UK and Portugal. Through the InVesting Group, we are beginning to establish relationships with financial services institutions and credit funds in the Netherlands. In Italy, upon completion of the Zenith acquisition, we will seek to use the extensive performance history customer data of the Zenith Group to bid on portfolios available for sale and to create partnerships with credit funds and other parties.

We believe that the high average balance of most financial services loan portfolios that we acquire provides long-term earnings visibility through the ''long tail'' of predictable cash flows. We intend to maintain our leading position in financial services debt in both the UK and the Portuguese markets and to scale up our presence in the Dutch market.

We seek to contractually expand the duration of our relationships to enhance further our future earnings visibility. For example, we have successfully entered into long-term partnership and servicing agreements with creditors, as illustrated by the five-year agreements signed with CarVal Investors in 2015, which provide access to a more diverse range of origination sources (including new vendors and Forward Flow Agreements) and source of asset classes (including secured assets). We also seek opportunities to form consortiums with providers of capital that are able to purchase larger debt portfolios than we could on our own (with us having an interest in a portion of the portfolios) and engage us to service the entire debt portfolio.

Build a diversified risk weighted investment portfolio

We are focused on transforming our business by broadening our activities across different countries, assets and businesses. We apply a disciplined approach to diversification into new countries and asset classes in order to minimize regulatory risk to us. We have strict criteria for evaluating opportunities for geographic expansion, which include the availability of an established servicer network, the ability to apply our data capabilities (which may depend on the presence or absence of a national identification system in the relevant country), the competitiveness of local market dynamics and the availability of a strong supply of portfolio purchase opportunities. We are focused on markets that are still developing, rather than those that have reached, or are close to reaching, maturity, in any case with supportive legal and regulatory systems.

We use a cautious test-the-waters approach for entering into new markets. Following evaluation and modeling of a potential new market, we make a pilot portfolio investment. Depending on the results of the pilot investment, we make further portfolio purchases, adjusting our focus as necessary. As a next step, we acquire a debt servicing provider, which enables us to have flexibility over how we collect on our debt portfolios. We believe that the flexibility of our hybrid collection model allows us to move into new countries and asset classes with reduced risk and investment requirements compared to debt purchasers that operate substantial in-house collections models.

We maintain a strong focus on achieving attractive risk adjusted returns. We intend to build on our strengths and continue to purchase debt portfolios in those areas where we believe we have the strongest competitive advantage and greatest potential to purchase debt outside auction processes. This has typically comprised accounts for which we are already providing asset management services, complex and diverse portfolios, portfolios where our sophisticated data assets can provide a high match rate during underwriting, and in-situ portfolios where our DCA partners are already servicing a portion of the underlying accounts. We are also able to partner with specialist servicers and credit funds, which permits us to expand our capabilities further.

Alongside this focused origination strategy, we have maintained, and seek to continue to maintain, strong governance around our underwriting processes and discipline in ensuring we acquire portfolios in line with our risk-adjusted target returns. We believe that our underwriting discipline, the strength of our relationships with Debt Sellers and our sophisticated data matching and analytics will allow us to continue to grow while achieving attractive risk-adjusted returns.

Funding and capital structure are important parts of our business model and we are committed to maintaining a prudent balance sheet that allows us to capitalize on opportunities in our markets and deliver strong returns with minimal financial risk.

In addition, we seek to continue to grow the proportion of our earnings generated from fee-earning third-party servicing and asset management services, which are accretive to our returns without any associated balance sheet risk. Over time, we expect debt servicing and asset management revenue to grow as we continue to cultivate our existing servicing contracts and seek to build new third-party relationships.

Our improved diversification across countries and asset classes provides us with greater flexibility to optimize our capital allocation strategy in light of the risk-reward proposition of each single transaction.

Transform the customer journey within the industry and deliver positive customer outcomes

We seek to continue working with customers to understand their circumstances and establish long term affordable repayment plans that allow them to restore their financial standing at a rate that meets their needs. We aim to accomplish this by continuing to build and update consolidated customer profiles through our data models to reflect current customer circumstances. We also seek to continue to engage regularly with consumer groups to enhance our relationships with consumers.

Compliance, risk management and treating customers fairly are at the core of our business culture and operations. As an important partner to major financial institutions, a reputation for consistency and leadership in these areas is critical to maintaining our position on Debt Sellers' preferred purchasing panels. Additionally, these same elements play an important role in reinforcing our position as a sustainable business recognized as performing an important role in the broader credit system. We strive to be an industry leader in compliance and are engaged in a number of initiatives, such as commissioning research with Bristol University that we intend to use to further develop the most effective way to overcome customers' barriers to engagement and offer solutions that meet the needs of those in financial difficulty. In addition, in the UK, we commissioned our Debt Britain study to further enhance our knowledge and understanding of customers facing unmanageable debt. We will continue to invest in our culture in terms of customer focus and risk management to strengthen our recognition by major Debt Sellers as operating at a level of compliance consistent with best practices by their own standards.

Be the best operator in our markets

We are committed to having leading platforms in the markets in which we operate. Through the growth of our business, we intend to invest in the best people, technology and data. We also intend to continuously improve our group-wide governance and risk management framework.

We seek to continue to develop our data assets and our data analysis tools to enable a better understanding of individual customers' circumstances. For example, we plan to increase the records held in the PCB in order to enable us to identify a larger number of non-Paying Accounts for which we already have data, before we make the decision to purchase a portfolio. During 2013, we extended our relationship with Experian to 2023 and, as a result of our ''enhanced partner'' status in the contract, are allowed to test new services and data ahead of the broader debt collections market. We also invested in a new raw data bureau service during 2013, under an agreement similar to the one we have with Experian, which has resulted in improved customer tracing and forecasting. The Capquest acquisition has improved our ''match'' rates for recently reviewed UK loan portfolios from approximately 40% prior to the Capquest acquisition to approximately 46% in 2016.

The Portuguese acquisitions have significantly increased our data insight and analytical capabilities in Portugal. We have acquired performance history of up to 17 years in some cases and we expect that our third-party collection services operations in Portugal will continue to help us obtain greater customer insight.

In the Netherlands, the InVesting acquisition has contributed the InVesting Group's significant experience and data histories. The InVesting Group has proprietary data sets, including its credit bureau Focum with 10.5 million customer profiles. This is particularly useful in the Netherlands because the use of national identity numbers by creditors (as is the case in the UK) is prohibited, making proprietary databases a competitive advantage. Our investment in the servicing platform and IT infrastructure in the Netherlands, due for completion in 2018, will contribute to our strategy to have leading platforms in each market in which we operate.

We share best practices in analytics, origination and pricing of debt portfolios, and seek to leverage our data sets, across the entire business.

Attract and retain the best talent

Meeting our growth goals will require us to attract, develop and retain human capital. We seek to attract and retain the most talented and committed people, who in turn seek to win our customers' trust through the service they provide and to deliver the most appropriate customer outcomes. We have strengthened our leadership teams in all markets in which we operate. We are focused on providing leadership development and professional development opportunities to our colleagues. We offer a competitive package of pay and benefits, accessible career planning and training, and incentive and recognition programs. We seek to embed our purpose, culture and values to ensure that we are one team.

Our History and Development

AGGHL was established on October 28, 2005, as the subsidiary of Arrow Global Financial Services, a leading U.S. debt purchaser that had been founded in 1961 as a DCA. Arrow Global Financial Services entered the debt purchase market in the 1990s and established and refined the model of placing accounts on a case-by-case basis with specialist agencies based on bespoke data handling and analytics. In 2004, Arrow Global Financial Services was acquired by SLM Corporation (commonly known as Sallie Mae), a Fortune 500 financial services company, and in 2005 Zachary Lewy, AGG's Executive Director, founded Arrow Global in the UK. In 2006, Arrow Global formed a joint venture with RBS Equity

Finance to purchase defaulted consumer debt portfolios in the UK, and in 2009 the AGGHL Group was acquired as part of a leveraged buyout by the RBS Special Opportunities Fund.

We have since grown to become a leading debt purchaser in the UK, ranking first in 2013 and second in 2014 in the OC&C Credit Management and Debt Collection Index, and are one of the largest purchasers of defaulted consumer debt in the UK based on face value and purchase price of debt purchased, according to OC&C. In 2009, we expanded our portfolio purchasing activities to Portugal, becoming one of the first foreign debt purchasers to purchase debt portfolios in that country, and the only debt purchaser to gain access to credit reference agency data in Portugal.

In October 2013, AGG successfully completed its IPO, securing a Premium Listing on the UK Listing Authority's main market for listed securities and admission to trading on the London Stock Exchange, while raising net proceeds of £42 million to further support our portfolio purchase plan, which was contributed to the Consolidated Group via a shareholder loan. The listing process also saw the establishment of a new board of directors with diverse business experience that we believe will continue to enhance and strengthen the business going forward.

In November 2014, we acquired the Capquest Group, an established participant in the UK debt purchaser and outsourced collections market that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors. The Capquest Group has over 25 years of experience in the debt collection industry, and operates in the UK with a primary focus on non-performing and semi-performing unsecured consumer loans. The Capquest Group developed extensive debt purchasing capabilities and had grown to become one of the largest privately-owned purchasers of non-performing consumer debt in the UK (based on 120-Month Gross ERC), partnering with a diverse client base and holding positions on numerous debt purchasers and DCA panels.

In December 2014, we acquired a 15% interest in MCS for £11.4 million. MCS is a market leader in France and a specialist acquirer and manager of retail banking assets focused on consumer and SME loans and personal guarantee segments. Our CIO, Zachary Lewy, is a member of the board of directors of MCS. This investment provides us with a foothold in a new market, which we believe complements our operations and contributes to achieving our overall strategy. In October 2016, we received a distribution from MCS of €8.0 million.

In April 2015, we acquired 33% of the shares of Silver Parallel S.A. (the parent company of Whitestar, a leading Portuguese servicer of secured and unsecured loans), from CarVal Investors for a total consideration of €49.8 million payable over two years (of which we have already paid €39.2 million), but we received full voting control and a 100% economic interest in Whitestar at this time. In April 2016 we acquired a further 42% of the shares of Whitestar, increasing our total shareholding to 75%. As part of this transaction, we also entered into a strategic partnership with CarVal Investors to jointly originate Portuguese investments and provided a formal five-year servicing commitment for CarVal Investors' Portuguese originated portfolio assets to be serviced by Whitestar. Additionally, we acquired Gesphone, a Portuguese servicer of non-performing loans, and owner of €77.2 million face value of portfolios for a consideration of €8.1 million. We believe the combination of Whitestar and Gesphone has created scale and servicing capability across multiple asset classes enabling us to broaden our Portuguese market proposition to clients.

In May 2016, we acquired the InVesting Group. The InVesting acquisition added approximately 502,000 customer accounts with a face value of €663 million, as of December 31, 2015, to our Existing Portfolios and is contributing to the diversification of the income streams of our business and our origination capabilities. The InVesting Group is a traditional DCA and pension service provider with long duration customer relationships. The InVesting Group also provides business information and open invoice payments for online post payment durable solutions.

In December 2016, we announced the Zenith acquisition.

Our Current Operations

Our service offering comprises the purchase and collection of underperforming debt portfolios and the management of receivables on behalf of Debt Originators. The execution of our business model has five key process steps:

- debt portfolio origination,
- underwriting and pricing,

- implementation,
- account placement and collections, and
- panel management.

Debt portfolio origination

We have relationships with a number of the largest UK and European Debt Sellers. Our origination team focuses on maintaining Debt Seller relationships and identifying portfolio purchase opportunities. Our investment team maintains a live record of all portfolio opportunities we are pursuing, which it refreshes on a weekly basis with probabilities for purchase assigned by the debt origination team. This process provides better visibility of the debt coming onto the market. We currently source portfolio acquisitions from over 110 Debt Originators, comprising high street banks, credit card companies, telecommunications companies and others. The majority of our Debt Originator relationships generate recurring business, whereby we are regularly invited into sale processes. We are present on the sales panels of the majority of Debt Originators in the industry, giving us access to sale processes conducted by them. In addition, these relationships often allow us to pursue negotiated transactions outside typical auction processes. 45.6% of our portfolio purchases in the year ended December 31, 2016 came from Debt Originators from whom we had purchased debt portfolios in the past. We have also developed relationships with Secondary Sellers, particularly those parties to whom we provide asset management services, and in the year ended December 31, 2016, we purchased £285.4 million of debt (by face value) in the secondary market, for an aggregate purchase price of £49.0 million. In the year ended December 31, 2016, we delivered portfolio purchases for the year totaling £258.4 million with a face value of £2.2 billion. 51.7% of the portfolio purchases in the year ended December 31, 2016 were underpinned by secured assets, while 48.5% of the portfolio purchases were underpinned by paying accounts. Of the deals we completed in the year ended December 31, 2016, approximately 39.2% (by purchase price) were as partners in consortium transactions and have the ability to create future 'tail' acquisition opportunities.

We have the flexibility to purchase and take on a range of debt portfolio types from different asset classes, and we now hold portfolios in 10 different asset classes. Our business model, and our position as a market leader in applying sophisticated data technology to improve customer matching, particularly through UniView and the PCB, have allowed us to develop a leading competitive position in a number of important sub-segments of the market:

- **Diverse portfolios**: our business model enables us to acquire large and diverse portfolios (including, for example, Paying Accounts, non-Paying Accounts, in-situ accounts (those portfolios whose accounts are already placed with DCAs), primary, secondary and tertiary accounts and accounts with a range of ages) and to allocate each account to the most appropriate specialist DCA for collection. We are able to process significant volumes of accounts with a wide range of attributes because we can access customer data and allocate accounts for collection with low incremental costs. This is typically in contrast to some of our specialist competitors, who we believe are less able to collect from such diverse portfolios.
- **In-situ portfolios**: we believe we are better positioned than our competitors to acquire in-situ portfolios as a result of our business model and strong relationships with the members of our DCA panel. Such transactions provide reassurance to Debt Sellers from a reputational risk perspective and from a debt collector relationship perspective as, unlike other debt purchasers, we typically do not remove the debt from the current DCA to place it with in-house collection teams. We believe that this gives us an advantage in the bidding process. In addition, not recalling accounts minimizes migration risk leading to lower breakage rates, which can be priced into the portfolio purchase to the benefit of the Debt Seller.
- **Consortium acquisitions**: where a lender is willing to dispose of a large portfolio (which will typically consist of both Paying and non-Paying Accounts, but with a higher proportion of Paying Accounts than smaller portfolios), we have a track record of forming a consortium with third parties to provide a joint bid for the entire portfolio. This gives us the ability to prioritize overall pricing to meet each partner's respective internal rate of return targets and be more competitive than most other bidders with a narrow asset type target and smaller funding capacity.
- **Asset management services**: in 2010, we developed a partnership with a leading UK credit reference agency to target debt recovery asset management opportunities from non-traditional

Debt Sellers in situations where the outright purchase of the debt assets is not achievable because the Debt Seller is unable or unwilling to sell the debt or manage the debt collection internally. These contracts are typically for a fixed period of time (with some extending to 10 years), and, in exchange for our management services, we earn a commission in relation to gross collections or a management fee. The accounts of the portfolios that we manage are put through the same processes of account placement and collections as our owned accounts. We believe that these asset management services could enable debt origination and lead to future acquisition opportunities in new asset classes.

Portuguese product and service offerings

The Portuguese acquisitions have provided us with leading in-house servicing capabilities across both secured and unsecured asset classes. As of December 31, 2016, we managed approximately 85.5% of the collections of the combined business in-house and expect to continue to use outsourced local DCAs to manage the remaining 14.5% of collections. Our portfolios in Portugal are overseen by the Executive Director in conjunction with our Portuguese businesses and our local DCAs in Portugal. We apply our hybrid model to our Portuguese portfolios in a similar way to our UK operations. We began purchasing portfolios in Portugal with an in-situ portfolio purchased from a long-standing multinational corporate partner. This purchase enabled us to introduce our business model and develop a broad service relationship with local DCAs. The majority of debt that we have purchased in Portugal is from non-Portuguese entities operating in the country. During 2014, we broadened our origination sources and purchased portfolios from a local Portuguese financial institution. While we focus on defaulted consumer debt portfolios, we have also acquired a number of commercial debt portfolios. During 2015, we diversified our asset classes through the acquisition of secured loan portfolios and we also entered into a strategic origination and servicing partnership with one of our key fund partners.

As a result of the regulatory and legal systems in Portugal, our approach to collections on our Portuguese portfolios focuses more on a legal collection route. The Portuguese acquisitions have provided us with both a pre-judicial and post-legal judgment servicing capability, which further strengthens our business model.

Dutch product and service offerings

Our Dutch and Belgian operations comprise in-house servicing capabilities across both secured and unsecured asset classes. Building on long-term client relationships with major financial institutions in the Netherlands, we are well placed to make successful bids on debt portfolios being sold in the Netherlands. In 2016, we purchased £75.9 million of debt portfolios in the Netherlands. Through our ownership of Focum credit bureau, we are positioned to use customer data that is not available to our competitors to both price potential debt portfolios purchases and to evaluate our customers' ability to pay their debts. We also use a local DCA in the Netherlands to provide servicing.

Underwriting and pricing

We apply a multi-stage approach to our underwriting and pricing process, with the aim of achieving high risk-adjusted returns, based on our underwriting models, data management and cleansing techniques, analytical processes and servicing strategies.

As we have grown and diversified our business model, we have broadened our origination capabilities, by geography and asset class, which allowed us to become more selective in purchasing debt portfolios, improving our investment discipline. As the table below demonstrates, we are progressively decreasing the number of loan portfolios on which we bid, while continuing to win our bids at a relatively consistent ratio.

	Volume of Deals					
Year	**Won**	**Lost**	**Did Not Trade/ Passed**	**Total**	**Win ratio**	**Bid ratio**
2013	17	19	24	60	47%	60%
2014	23	28	35	86	45%	59%
2015	23	20	52	95	53%	45%
2016	23	31	75	129	43%	42%

Underwriting Process

A typical portfolio acquisition involves a preliminary assessment, followed by a two-stage bidding process, consisting of an indicative bid and a final bid. Our governance process with regard to new investments comprises four separate committee approvals, or ''gates,'' before submission of a final bid, all of which constitute meetings of the Underwriting Committee.

Pre-indicative bid underwriting meeting (Gate 1)

A typical portfolio acquisition process starts with the receipt of a data file and tender document from the Debt Seller. We will then perform a preliminary assessment of the file, and evaluate the suitability of the portfolio based on:

(i) Likely volatility of returns/extent to which the asset type matches the business plan;

(ii) Prior experience with the given Debt Seller;

(iii) Portfolio size; and

(iv) Market position.

Based on that preliminary assessment, the Gate 1 committee, consisting of our CEO, CFO, CIO, Country CEO, CRO, Head of Pricing and Senior Investment Analyst, will make a decision as to whether to proceed through Gate 1, with such approval then leading to the indicative bid stage.

Indicative bid stage

Our internal processes at the indicative bid stage involve the following steps:

- **Indicative pricing**: indicative pricing generally lasts between one and two weeks. During this time, our analytics team prepares the estimated collection curves and assessment of likely variance using data from the Debt Seller's file, our own database (including the PCB) and external data sources that can be accessed pre-purchase. Typically, collection curves will be generated using our proprietary, experience driven, statistical models. Our underwriting team and operations team work together to prioritize the servicing cost estimates, to allow the production of a net cash flow forecast.
- **Indicative bid**: the indicative bid will then be submitted to the Debt Seller based on the analysis described above, the management team's assessment of the competitive environment, and our risk appetite for the given asset class and geography.

Final bid stage

Where successful at the indicative bid stage, we will proceed to the final bid stage, including detailed due diligence of the portfolio and development of the final pricing model. Our internal processes at the final bid stage involve the following steps:

- **Pre-launch of final bid underwriting meeting (Gate 2)**: prior to beginning the second step of the final bid process, our CEO, CFO, CIO, Country CEO, CRO, Head of Pricing, General Counsel and Senior Investment Analyst meet to evaluate the rationale for continuing with a final bid and to conduct further portfolio analysis, including identifying important due diligence areas and agreeing the final pricing approach.
- **Due diligence**: our underwriting and implementation teams undertake a detailed on-site due diligence process, including creditor site visits to undertake a review of the collections and recoveries strategies and processes, an audit of the data file accuracy and consistency, a review of the availability of loan documentation and, in some cases, a review of the content of such documentation. The implementation team also prepares an operational on-boarding plan. Findings from the due diligence meeting will then be passed on to the pricing team.
- **Final pricing**: final pricing typically lasts between one and three weeks. The assessment and final pricing involves input from our underwriting, implementation, pricing, operations, finance and legal teams. The underwriting team then uses the information gathered in that process to prepare the final pricing model with the pricing team. The final pricing will include various scenario analyses which test our proprietary statistical models to the high and low bounds of prior experience. The underwriting team will work with the operations team to formulate a collections cost assumption based on our prior experience of comparable assets, and consultation with the supplier network.

- **Pre-final bid committee meeting (Gate 3)**: prior to submission of the non-binding final bid, our pre-final bid committee meets to evaluate the opportunity, assess any operational issues with regard to taking on the portfolio that have been identified by due diligence, and agree portfolio pricing and bid strategy. This committee consists of our CEO, CFO, CIO, Country CEO, CRO, Head of Pricing and General Counsel.
- **Investment Committee (Gate 4)**: once feedback from the non-binding final bid has been received, and where a transaction requires investment committee or Board approval, the final forum for investment approval, our Investment Committee, is convened. The Investment Committee evaluates an investment memorandum put together by the teams involved in the underwriting process. Based on this memorandum, the committee determines whether to proceed with the purchase. The Investment Committee is made up of the CEO, CFO, CIO, CRO, Country CEO, General Counsel, Head of Pricing and one Non-Executive Director.

Pricing model

In pricing the portfolio, our initial analysis involves stratification of the data file received from the Debt Seller by key attributes, such as balance range, default history and home ownership, among other things. The owner of the account is then matched to the approximately 23.8 million records in the PCB as of December 31, 2016. In the year ended December 31, 2016, our data assets permitted us to match, prior to purchase, approximately 46.4% of all accounts in a typical portfolio sales file, improving the basis of pricing, compared to an average of 13% prior to the development of the PCB.

In order to estimate the potential value of future gross collections of a given portfolio, our underwriting team segments accounts in the portfolio into Paying Accounts and non-Paying Accounts. This segmentation is based on whether the assets are paying or non-paying and other characteristics, such as the time and size of the last payment and various demographic indicators. The underwriting team will then investigate what other experience they have of similar debt pools. The underwriting team then applies a model which is differentiated for Paying Accounts and non-Paying Accounts. The model produces account level forecasts for monthly payment probability and the amount of expected monthly payment, as well as a forecast of the expected one-off payment volume over time.

The resulting gross collections curves for Paying Accounts and non-Paying Accounts are then adjusted by expected servicing costs, the implementation timing assumptions and, in the case of non-Paying Accounts, a PCB uplift assumption, which are derived in consultation with our operations teams, to produce the final net cash flow forecast. This cash flow forecast is compared against similar asset types within our inventory and other relevant data such as historical seller and agency reference points to arrive at a final portfolio price.

Implementation

During the portfolio acquisition, our implementation team addresses potential business risks related to taking on the portfolio post-purchase. The more complex the portfolio purchased, the earlier this team becomes involved to ensure the correct pricing of implementation costs, the commitment of sufficient resources to successfully on-board the portfolio, the availability of capacity among our panel of DCAs, and that any compliance issues are identified upfront and flagged to the relevant stakeholders throughout the process. This process is organized into five stages which are applied to all types of portfolios and span all stages of the portfolio acquisition process:

- ***Underwriting:*** during the bidding and underwriting processes, our implementation team conducts a preliminary assessment of origination processes, customer engagement strategy and associated servicing costs, which is reflected in the indicative bid.
- ***Operational planning:*** the team then conducts operational due diligence during site visits together with the underwriting team, prepares an initial briefing on servicing cost assumptions and refines the customer engagement strategy and servicing cost assumptions based on the due diligence assumptions highlighting operational risk where appropriate.
- ***Data and systems:*** during the acquisition process, our implementation team initiates an implementation plan which includes the loading of data, data reconciliation (if required), Goodbye/Hello letter fulfillment, servicing plans (including placements to DCAs with placement letters outlining the customer engagement strategy), credit reference agency reporting requirements through to finance, assurance and post-sale support processes. While all areas of the business are

consulted throughout the implementation, a full operational briefing pack is circulated to each department outlining prevalent contractual points and operational obligations.

- ***Go live:*** bespoke partner briefing packs are distributed to the various agencies with which accounts are placed providing the relevant origination history, FAQs and copies of notices of assignment which we manage and send to our customers.
- ***Implementation review and sign off:*** the portfolio oversight is then transitioned to the performance management team, with a review report prepared three months after the acquisition of the relevant portfolio.

Account placement

Our panel of DCAs, lawyers and other service providers has a diverse set of capabilities across the major debt segments. As a result, we can place a given segment of debt with DCA servicers based on their specific strengths to prioritize collections. We believe our panel of DCAs provides sufficient capability and capacity to service a variety of debt types and portfolio sizes, which facilitates the purchase of debt across a range of asset classes, without causing delays or requiring significant capital expenditure. In placing accounts with DCAs, we focus on the activities that have the highest impact on net collections, including data analytics and tracing customers, understanding the customers' circumstances and designing, with DCAs the most suitable and sustainable collection strategy for each customer. In order to achieve this, we employ a value-based segmentation of all accounts, combining our data assets with our proprietary statistical methods prior to and during the account placement and collection process.

Each DCA is mandated to work with customers to develop a payment solution appropriate for a customer's individual circumstances within parameters agreed with us. Certain of our customers pay all or a portion of the balance owed in one payment while most customers pay by entering into long-term repayment plans. For loan portfolios purchased in the UK, for the year ended December 31, 2016, approximately 72.8% of Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 27.2% were on one-off payment arrangements, which can include a discount to the total face value. DCAs are contractually entitled to settle any individual accounts without our prior consent if the one-off payment amount exceeds a specified percentage threshold (which typically permits a small discount to total face value). Any proposed resolution for a smaller percentage of the amount owing requires prior approval from us.

During the past three years, we have reduced the number of DCAs that we place accounts with in order to target stronger collections by improving the selection of servicers to match their skill and expertise to each debt type and vintage. Currently, we place accounts with a core panel of six DCAs (four in the UK, one in Portugal and one in the Netherlands) and three law firms in the UK with whom we have strategic relationships, as well as up to five additional litigation servicers and five specialist DCAs. As a result of the Capquest acquisition, we have accelerated the DCA panel rationalization process to result in a core group of strategic DCA partners.

Our top 10 DCAs achieved approximately 34.5% of our Core Collections collected by DCAs in the year ended December 31, 2016.

Value-based segmentation

Our primary tool in assessing and predicting the expected value that each account will generate is our Portfolio ERC Model. We employ a value-based segmentation model to segment individual accounts into sub-portfolios with similar attributes.

Our value-based segmentation employs statistical methods to assess and predict the expected value that each account will generate. In order to ensure that our accounts are accurately segmented, the first action post-purchase is to enhance the data quality through cleansing the accounts and formatting them for use in our global inventory. The customer information is then updated from already-accessed sources such as our internal database and the PCB, and additional data from the UK credit reference bureau, which can only be accessed post acquisition. Our next step is to identify and isolate specific customer segments which are then matched to specialist servicers.

The expected repayment value categories of the value-based segmentation model are classified as follows:

- **High**: those accounts where strong Core Collections are expected that we typically place at a commission rate of 12% or less, which can include a triage placement for accounts where litigation may be an appropriate strategy (***High Value Accounts***). Our goal is to use our data analytics to increase the number of accounts in this ''high value'' category and thus seek to maximize Net Core Collections.
- **Medium**: those accounts where average collections are expected (***Medium Value Accounts***).
- **Low**: those accounts where the extraction of Core Collections is expected to be difficult (***Low Value Accounts***).

This approach to account placement also aids us in reducing Collection Activity Costs. For example, as High Value Accounts are expected to yield more cash with lower servicing efforts, we are able to negotiate a lower contingent fee with a DCA without reducing its profitability and motivation. We believe that our value-based segmentation approach has contributed to what we believe is one of the lowest Collection Cost Ratios in the industry (21.1% in the year ended December 31, 2016).

We perform the value-based segmentation repeatedly throughout the life of a portfolio and update it to reflect any new data received, including changes in customers' circumstances that may modify the expected value of an account. These changes can lead to re-allocation of accounts to enhance collection performance. Updated information is also shared on a monthly basis with DCAs to help them manage their efforts and resources, this benefit being passed to DCAs without any further cost to them.

Systematic account placement and recall

Once value-based segmentation has been performed on a portfolio, the accounts are individually placed with different servicers according to their classification. Before an account is placed with a new DCA, the account is re-run through our proprietary placement model, taking into account any new information identified to allow allocation to the most appropriate DCA.

Where an account is matched through the PCB to a third-party debt manager, insolvency practitioner or a DCA, the placement process is adjusted to use those existing relationships where possible customers who have been identified as already having a repayment program through a third-party debt manager are placed with specialist agencies that coordinate all further collection activities and repayment schedules with the third-party debt manager rather than the end customer. This approach is designed to minimize disturbance to the individuals and enhance collections compliance. If an account with a third-party debt manager stops paying, the agency assesses whether the debt manager's relationship with the customer is still active and sends notice letters to the representative before moving the account back into a direct collections process.

Triage and litigation

The triage process is used for customers for whom litigation may be an appropriate strategy. Any accounts identified as unsuitable for litigation due to customer circumstances at any time following selection are not recalled until the end of their placement. The triage process involves an income and expenditure assessment, where appropriate, with the customers to ascertain their financial situation and verify their information. Subject to affordability, attempts are made to agree a full payment, one-off payment at a discount or repayment plan. Where the pre-legal negotiations are unsuccessful, such as where customers make no contact, refuse to commit to an affordable repayment plan or will only commit to paying less than they are able to afford, and the triage assessment has confirmed the customer is able to pay, the legal process involves a prescribed sequence of events, beginning with a notice letter to the customer to progress the payment; failing this, proceedings are issued. The decision to progress to the next step depends on an understanding of the customer's circumstances, sourcing necessary information, the cost of each stage and the likelihood that the next step will lead to repayment.

As of December 31, 2016, approximately 4.3% of the accounts that we owned had proceedings issued or other litigation activity commenced, and those accounts resulted in approximately 8.2% of Core Collections since January 1, 2011. Once the process reaches enforcement, we have a number of methods available, including attachment of earnings orders, charging orders, High Court Writs (for unregulated accounts), orders for sale, third-party debt orders, and warrants of execution. The decision whether to use these enforcement tools is subject to a comprehensive analysis of attributes and strict controls to mitigate any risk. A combination of our in-house capabilities and a network of external legal professionals are used to carry out triage and litigation processes. Complex defended cases are recalled and managed by our legal team, with some simple defenses left in-situ with their specific oversight. In certain circumstances, we may be contractually required to consult with Debt Sellers either because litigation is prohibited, or prior to litigation, and may be required to pursue or refrain from pursuing certain enforcement activities or using particular insolvency proceedings, such as commencing bankruptcy proceedings against an accountholder, without the Debt Seller's consent.

DCA panel management and compliance

We actively manage our panel of DCAs to provide comfort to Debt Sellers regarding the compliance and conduct risk management of the DCAs' collection activities, while also ensuring that we have a panel of DCAs with an appropriate mix of specialties. With the aim of ensuring financial services best practice, we have an established partner management framework in use within the operation and an independent servicer assurance program delivered by our risk function. See ''Regulation and Compliance—Our Risk Management and Compliance—Risk classification and reporting.''

All new DCAs are required to complete a structured due diligence process prior to their inclusion on our servicing panel, which includes completion of a comprehensive questionnaire covering operations, financial profile, regulation and compliance. This is followed by a site visit to test, verify and report on due diligence findings. Following due diligence there is an on-boarding process involving membership verification, the entering into of a master services agreement, assignment of ownership of the relationship to a relationship manager and then full sign-off from us. To establish the DCAs' capability and appetite, they are briefed on the account types they will ''work'' during the on-boarding process, and are provided with a detailed customer procedure manual and an Arrow process guide outlining our operational requirements. File transfer can then take place.

Once the DCA has been approved, placements begin and the partner management team monitors activity using the partner management framework (including a balanced scorecard). The framework is designed to ensure a controlled and consistent customer experience and is measured against our operational requirements to demonstrate on-going robust management of risk and compliance within the operation. The framework is also designed to evidence individual DCA performance in a clear and unambiguous manner, while opening up dialogue with the DCA on potential areas of improvement and tracking of trends. In addition, the framework provides transparency and allows third parties auditing us, including creditors and regulators, to have oversight of the process.

The framework has three dimensions of assessment: conduct, to ensure the customer experience is consistent with our and regulatory standards; performance, to ensure activity drives optimal performance for our accounts; and process to determine accuracy and completeness of the DCAs in adhering to our operational requirements. A set of key performance indicators have been set for each dimension, which are populated in a monthly DCA scorecard and act as the basis of the monthly performance review meeting. Any key performance indicator results that fall below the target thresholds are recorded and remedial actions tracked to ensure the issue is addressed.

Separately, our assurance team performs an assurance review within six months of the initial placement of accounts, unless there are indicators suggesting an earlier review would be appropriate. This is a structured program that tests compliance with regulatory requirements, customer outcomes and exposure to risks. Existing members of our core DCA panel are reviewed on an annual basis (depending on outcomes of previous reviews, this maybe more frequent), with a full assessment of a pre-completed audit questionnaire followed by an on-site review. The test program covers the key elements of: governance arrangements (including compliance and management of risk); information security (including data protection); financial crime; complaints handling; training and competence; outsourcing; data accuracy and data recording; and the customer experience throughout the collections process, including contact and litigation strategy and the vulnerability process. Following the on-site visit, high level findings are immediately fed back to the DCA and our partner management team, and a detailed assurance report is issued outlining areas for development, where remediation is needed and observed strengths. For more information on our compliance policies and framework, see ''Regulation and Compliance.''

We have a structured approach to dealing with all types of customer complaints, including those received directly from customers, those received by DCAs and official complaints made to FOS, FCA or

ICO. When a complaint is received by a DCA, the DCA investigates the complaint and responds to the customer directly. If the complaint cannot be resolved or the customer complains directly to FOS or another regulatory body, then the Arrow Customer Resolution Team takes over full management of the complaint. As part of the partner management framework, we track complaint volumes and complaint handling quality to ensure that all complaints are being dealt with appropriately and in a timely manner. The handling of complaints also forms part of our independent servicer assurance team program.

For in-situ portfolios, where accounts are already placed with DCAs, we provide the in-situ DCA with refreshed data updates from our data analytics, such as addresses and telephone numbers, as well as insight into a customer's current credit position and ability to pay. We continue to provide these data updates to the DCA as they become available. The DCA is then able to adapt its collection strategy to those accounts to reflect the customer's circumstances, improving its ability to negotiate increases in monthly payments, assess resolution offers and preserve existing payment arrangements, while also ensuring fair customer outcomes.

Our panel of DCAs has evolved over time with the volume of our total collections undertaken by our top 10 DCAs increasing from approximately 39% in 2010 to 71.0% of our outsourced Core Collections in the year ended December 31, 2016, primarily as a result of our DCA panel rationalization process. Our panel is designed to provide a competitive coverage across all placement types and specialties.

Following the Capquest acquisition, we manage approximately 40% of the collections in-house and expect to continue to use outsourced DCAs to manage the remaining 60% of collections. As part of this strategy, we have accelerated our DCA panel rationalization process to result in a core group of ''best-in-class'' strategic DCA partners.

Third-party debt managers and individual voluntary arrangements

To the extent that a customer has in place a debt management plan or individual voluntary arrangement (*i.e.* an arrangement with a third-party which receives payments from the customer and distributes them between multiple creditors), we are committed to engaging with that customer's representative in relation to such plan or arrangement and, where the customer's representative is not known, we utilize a combination of data provided by the PCB, DCAs and the Debt Seller to identify that representative. We place accounts that we are aware are subject to third-party debt management plans and individual voluntary arrangements with agencies that specialize in dealing with customer representatives. We are also committed to working with charitable debt management companies.

We believe that we are well placed to benefit from this growth, as our ability to price semi-performing debt effectively should provide us with a competitive advantage when attempting to purchase the increasing numbers of defaulted accounts subject to a third-party debt management plan.

Technology Infrastructure

We operate an outsourced, cloud-based IT infrastructure that offers cost advantages while also providing efficiency, scalability, security and reliability. In the UK, these services are provided by Daisy Communications Limited, a subsidiary of Daisy Group PLC, an ICT managed service provider that is ISO 27001 certified, ensuring high standards of compliance and data security. This relationship is formally governed by a service-level agreement and there is a specified account manager and client delivery manager. In Portugal, we outsource our data center and infrastructure to a third-party and in the Netherlands, the majority of our core IT applications and infrastructure is outsourced to third-party service providers, increasingly based on a cloud computing model, with arrangements in place for effective data back-up and disaster recovery. This outsourced IT infrastructure has helped control costs, and in the year ended December 31, 2016 the cost of our service provider constituted less than 1% of Core Collections.

We are committed to maintaining high standards of data protection, client information and information security and aim to ensure that the latest security software and technologies are employed in conjunction with the service provider's security and compliance expertise. Our service provider provides full recovery services for all files within a 28 day backup window. Furthermore, in addition to regular testing, the UK National Computing Centre has completed an annual penetration test of our systems to evaluate and remediate potential external breach possibilities.

Our cloud-based IT system allows access to our systems via the internet from any location at any time while working sessions managed through a protected Citrix environment are stored and can be resumed even after a connection is lost. Thus, in the event of a loss of power at one of our premises, there would only be a small delay in analyzing and placing new accounts. Appropriate replication of business critical systems is in place to ensure that the disaster recovery data is a replica of the working environment. This multi-site redundancy is the backbone of our disaster recovery plan and to date we have never suffered a significant IT system failure or network availability outage.

In order to avoid any risks associated with being reliant on a sole IT service provider, we have also appointed Colt Technology Services Group Limited to provide a disaster recovery solution, which is capable of fulfilling important IT requirements in the event of a major service failure in our IT systems. This arrangement is in place for an initial term of at least three years.

We are currently centralizing all automated transactional processing on our newly developed IT platform, which is intended to become the master book of record for the Consolidated Group.

We are focused on developing an integrated data, analytics and technology platform to underpin our operating model, which is currently in the final phases of a staged implementation. We expect this advanced technology platform to further enhance our account servicing capabilities, with a strong focus on compliance and the customer journey. This new technology platform is designed to offer advanced account servicing and compliance capabilities, supporting a broad range of asset classes with tailored, dynamic customer engagement. At the heart of the architecture is an integrated collections platform, Latitude, which is a key part of an ''all-in-one'' collections suite from Interactive Intelligence, a US-based technology company with specialist capabilities in the sector. Latitude has been deployed to more than 250 debt purchase and DCA clients in North America. We are a longstanding user of Interactive Intelligence's dialer and customer interaction solutions, which are also being extended to enable a rich, multi-channel customer experience. We believe that we will be the first in the UK industry to benefit from Latitude functionality. According to a recent independent assessment, together with the other elements of the transformational work completed, we expect the Latitude platform to provide us with industry leading capabilities in technology, compliance and analytics.

The key benefits of the new platform are expected to include:

- a highly-advanced, scalable collections platform which integrates external data, analytics, operational servicing and real-time feedback, improving customer actions at an account-level;
- a new data repository housing more than 680 million transactions and 12 million customer accounts, enabling significant improvements in analytics and performance management and a centralized document repository capturing all customer correspondence;
- more accurate analytics models, embedded within a new collections strategy decision engine, together with a wide range of optimization models (for example, best-time-to-call);
- a case-management solution for litigation activities, integrated with the collections platform;
- multi-channel customer interaction, including SMS messaging, email and a self-service web portal for online account access and payment management; and
- performance and compliance monitoring tools (including voice analytics).

These benefits are expected to further reinforce our operational and financial performance through greater collection flexibility, enhanced customer experience and improved cost efficiency.

We currently are upgrading our IT infrastructure in the Netherlands and we expect the project to complete in 2018.

For risks relating to our IT arrangements, see ''Risk Factors—Risks Relating to Our Business—Our growth may strain our resources, affect our ability to maintain our levels of collections or affect our ability to implement effective portfolio pricing standards, which could materially and adversely affect our business.'' and ''Risk Factors—Risks Relating to Our Business—We outsource most of our core IT applications, systems and infrastructure to third-party service providers and may have difficulty identifying and retaining suitable alternative service providers.''

Data Platforms

The characteristics of the debt purchase and collection industry provide a competitive advantage to participants with the strongest data assets and analytics capabilities. This is because, within the UK, credit market participants have limited access to credit bureau data on customers until after the purchase of a portfolio, meaning that customers cannot be matched to a credit referencing agency database prior to the purchase of an account. Furthermore, it is often the case for many defaulted accounts that the customer files contain inaccurate or incomplete information on the name, address or telephone number of a customer and the ability to achieve repayment for such accounts is complicated by an inability to locate and contact such customers. This situation is exacerbated in the UK, which does not have a national identity system to enable the direct tracing of a customer using publicly available data (as UK National Insurance numbers cannot be used for credit purposes). A debt purchaser who is able to ''repair'' a customer's data in order to contact such a customer is therefore more likely to be successful in arranging repayment. As a result, debt purchasers face a significant data asymmetry in valuing an account prior to purchase. Through our data assets and analytics capabilities, we find opportunities for data improvement on a large portion of the portfolios it purchases.

The ability to obtain current information about customers is integral to being able to repair missing and incomplete data in order to locate customers, understand their circumstances and develop the most appropriate and sustainable collection strategy with the DCA to which the collection has been allocated. We update our customer information from external sources every month, and have low cost trace tools, with approximately 5 million purchased accounts being retraced and data appended each month for a data cost of less than 0.1 pence per account traced per month. Our primary data gathering involves consistent, detailed data mining from multiple public, private and proprietary data sources.

UniView

We developed a proprietary customer matching process which we use to reconcile raw data received from multiple data sources with our existing database on individual customers. This process is initially performed at the customer level and only later cascaded to the account level, enabling us to identify different accounts or customer data attributes belonging to the same customer and to consolidate the data into a single customer view stored in our proprietary database, UniView.

UniView contains many relevant data points about an individual, for example, name, address, home ownership and accounts outstanding. Our proprietary algorithms can identify previously missing customer information by taking an analytically-based approach to identifying customers' correct current contact details and circumstances.

Each month, our algorithms filter millions of updated data fields to identify the variations that indicate a customer can now be found or has had a change in circumstances, increasing the effectiveness of collection activities.

In addition to our data gathering capabilities, we are focused on intelligent account level analysis of information gathered to ensure a good understanding of each customer's credit profile and current circumstances. With this in mind, we developed a full suite of data assets and processes to enhance data. In addition, we use analytical techniques to seek to improve the impact along the value chain (including for collection placement). We strive to enhance and further improve our data capabilities so that efficiency can be increased at various stages of the portfolio life (*e.g.*, underwriting, placement and collections). We increased the size of our data assets significantly, as the monthly import of trace data has increased from approximately nine million records per month in 2012 to approximately 73.0 million per month in the year ended December 31, 2016. The trace data includes names, addresses and contact information. Our monthly import of employment and home ownership records has increased from 5.3 million per month in 2011 to approximately 10.1 million per month in the year ended December 31, 2016. We also imported approximately 3.4 million new telephone numbers in the year ended December 31, 2016, compared with 1.5 million in 2012. These increases have improved our value-based segmentation, enabling us to better predict the value of each account and which DCA is best placed to service that account, thereby increasing collection rates.

PCB

In order to continue achieving compliant collections from customers, in 2011 we launched the PCB in collaboration with Experian, a global information service group that manages and operates the PCB platform, under an agreement with Experian for exclusive use of a closed-user database (the ***Database Services Agreement***). As one of the UK's first debt collection focused credit bureaus, the PCB aggregates data submitted by a closed user group of 25 contributors, including parties such as us, our DCAs and Debt Originators, third-party debt managers and insolvency practitioners. These contributors are from a wider constituency than that contributing to the credit bureau; for example, DCAs and third-party debt managers contribute to the PCB, but not to the credit bureau. We maintain full discretion over memberships in the closed user group. The data aggregated in the PCB forms a database from which we can then receive matches to our own customers. The PCB is one of the various data sources used to create our single customer view. The PCB became operational in early 2012 and as of December 31, 2016, contained approximately 23.8 million records, enabling a profile to be built for each individual debtor in the PCB. We use this enhanced customer-specific information to acquire new portfolios and to help our DCA partners achieve more efficient and compliant collection results from customers.

Under the terms of the Database Services Agreement, we agree upon a list of third-party contributors with Experian who license certain data for inclusion in Experian's database under individual contribution agreements (the ***Contribution Agreements***). Such data are then matched by Experian, using its proprietary technology, to names and addresses and collated in Experian's database. Pursuant to the Database Services Agreement, we are provided with extracts of this information on a monthly basis, allowing us to match it to our own customer profile. The Database Services Agreement thereby facilitates the matching of debt owned or managed by us in order to place and collect on our customer's accounts on a FCA-compliant basis. While the data provided to Experian under the Contribution Agreements remains the property of the third-party contributor, Experian retains all intellectual property in the software, format and structure of its proprietary database. The terms of the Contribution Agreements provide perpetual, irrevocable and non-exclusive licenses to Experian to store, copy, process and combine such contributed data with other third-party data for use within its database, which survive the termination of the Contribution Agreements themselves. The Database Services Agreement also obligated us to pay Experian a development fee, split into several tranches, as consideration for access to its database. As of the date of this Offering Memorandum, no amounts remain outstanding for such development fee. Under the terms of the Database Services Agreement, Experian is not prevented from creating a database similar to the PCB for use by a single third-party or a group of third parties. Data contributed for such databases, however, cannot be simply replicated from the information collated for the purposes of the PCB, and would have to be contributed again with separate contribution agreements to be used for a different database. As far as we are aware, Experian has not, to date, created a similar database with any of our competitors or any other market participants. In January 2013, we extended the Database Services Agreement until February 2023.

We consider the PCB an important compliance tool. Relevant provisions in CONC make clear that, if customers have appointed financial representatives (which are often third-party debt managers), the Debt Originators must work with those representatives. The PCB provides us with information on these customer representatives through a number of direct and indirect data feeds provided by the customer representatives and the DCAs who work with them. Furthermore, regulatory authorities aim to minimize any pressure generated by multiple DCAs collecting from the same customer. Regulatory authorities also want Debt Originators, and other creditors, to avoid customer mis-traces where, for example, a notice letter from a DCA is sent to the wrong address. We believe our outsourcing model of debt collection, combined with the PCB's information capabilities, enable us to effectively place customer accounts and thus improve our performance in connection with these compliance objectives by working with the DCA that is already collecting from a customer, as well as by increasing the number of customer information ''matches.''

The PCB allows us to match data to confirm whether a specific customer is already making payments on debts, either to us or to another debt purchaser, which can then be factored into pricing. Since the PCB was launched, there has been an increase to 31% in the average match rate at underwriting, allowing for more accurate, de-risked pricing.

In light of the credit market participants' limited access to credit bureau data pre-portfolio purchase and the restrictions on data processing in the UK, which is further complicated by the lack of a central identity system, the PCB is a very important matching and data verification tool that expands our ability to analyze portfolios more effectively prior to the portfolio purchase and enhances collections compliance post-purchase. Similarly, post-purchase, debt purchasers must work within the constraints of credit bureau data products and databases that are primarily designed to facilitate the assessment of customers for new credit, rather than identifying and collecting from defaulted customers.

Litigation

From time to time, we engage in legal proceedings in the ordinary course of our business to collect on the debt that we own or manage. We do not believe that any of these proceedings are material or will have a material adverse effect on our financial position.

Employees

As of December 31, 2016, we had approximately 1,500 full time employees, of whom approximately 500 are located in the UK, split among our offices in Manchester, Farnborough, Glasgow, and London, and of whom 1,000 are located outside the UK, split among our offices in Guernsey, Lisbon, Hilversum, Amsterdam, Almere, Heerenveen and Ghent. The Zenith acquisition will add approximately 70 employees upon completion. Our London office consists mostly of our origination team. We have a rigorous and selective recruitment, training and retention strategy in order to maintain our high standards. All newly recruited employees are provided with a comprehensive induction program which includes comprehensive training in our legal and regulatory compliance policies. Employee performance is tracked through scorecards, which rate individual performance against our three core principles, the ''3 Cs'' of contribution, compliance and culture. Employee retention is articulated around three pillars of fair and attractive compensation, personal development and corporate engagement strategies, and in 2016 the attrition rate was 18%.

Properties

We lease our offices in Manchester, Farnborough, Glasgow, London, Lisbon, Porto, Faro, Hilversum, Amsterdam, Almere, Heerenveen and Ghent.

Environmental Matters

We believe that we do not have any material environmental compliance costs or environmental liabilities.

Current Trends

Regulation and compliance

The industry in which we operate has undergone a number of significant regulatory changes affecting both the Consolidated Group and its DCAs. In particular, the regulation of consumer credit businesses in the UK transferred from the OFT to the FCA on April 1, 2014, making the regulation and supervision of consumer credit activities the responsibility of the FCA. See ''Regulation and Compliance.'' As a consequence of this change, the regulatory requirements applicable to the consumer debt purchase and collection industry have increased, reflecting the new regulatory framework and the fact that the FCA's supervisory and enforcement powers are substantially greater than the OFT's previous powers (for example, the FCA has the power to issue greater fines, to undertake regular on-site visits, to ban activities or products being sold, and to issue public notices of investigatory action). In addition, the risk and compliance framework needed to satisfy the FCA's requirements demands additional investment and resources in our risk and compliance framework.

The CC Companies, and Arrow Global Limited in particular, undertook a program of work to prepare for the new consumer credit regime and transitioning into the full authorization regime. This included a review of the existing risk management framework to adopt financial services best practices, key internal change projects focusing specifically on customer outcomes and a shift toward evidencing compliance with regulatory requirements. We will need to continue to assess the impact of the new regime on our business as the regime becomes established, and as the FCA develops its regulatory and supervisory approach over the coming months and years and progresses its planned program of work in the consumer credit market.

Debt Sellers' panel sizes

We believe that Debt Sellers have become more selective in their choice of a purchaser, and there is a trend among some large Debt Sellers towards a reduction in the size of their panels and consolidation around a few trusted debt purchasers with scale, sophisticated data capabilities, and a strong track record for compliance. We believe that because of our strong reputation in these areas, our scale and our large database targeted towards defaulted accounts in the UK, we are well placed to benefit from this trend.

Supply of available portfolios

Following a recession driven ''shake-out'' in the supply of debt sold between 2008 and 2010 (when the face value of debt sold reduced from £8.5 billion in 2008 to £5.0 billion in 2010), the years from 2011 to 2014 saw an increase in the amount of debt being sold to debt purchasers. This increase was driven by an increase in the availability of funding for debt purchasers, which enabled them to offer higher prices (relative to depressed prices during the recession-driven ''shake-out'') and therefore made debt sale a more attractive proposition for Debt Originators. This increase in supply has been reinforced by the need among Debt Originators to sell the sizeable recessionary backlog of defaulted consumer debt which they failed to sell between 2008 and 2010. Although the volume of completed transactions dropped in 2016 following the UK Referendum, we believe that this trend will continue as a result of ongoing and anticipated regulatory and accounting-related developments, including, among others, the following:

- **Basel III.** The Capital Requirements Directive IV and Capital Requirements Regulation began being implemented across the EU in January 2014. Certain new provisions will be phased-in between 2014 and 2019. Basel III aims to strengthen global capital and liquidity regulations in order to help achieve a more resilient banking sector and maintain bank solvency. The Basel framework requires a certain amount of a bank's regulatory capital to be allocated to every loan or commitment. This restricts the amount of business a bank may conduct before it raises fresh capital.

- **Asset quality review.** In October 2013, the European Banking Authority published tougher standards for non-performing loans and forbearance loans. Under these standards, loans are considered non-performing when they are more than 90 days overdue or unlikely to be repaid. This definition means that a higher proportion of loans in some bank portfolios have to be classified as non-performing. Between March and October 2014, the European Banking Authority and the European Central Bank conducted overlapping reviews of the balance sheets of up to 130 of the largest European banks as part of the asset quality reviews under the Single Supervisory Mechanism. In October 2014, the European Banking Authority and the European Central Bank announced that up to 25 European banks had failed their asset quality reviews and stress tests. Based on the quantum of under-reporting of non-performing loans, the banks are expected to be required to write down the value of those assets and increase levels of capital to cover them under the Single Supervisory Mechanism. The tests were conducted on a sample of 51 European banks covering 70% of the EU banking sector. The European Banking Authority determined that most banks would have enough capital to survive the stress scenario but some Italian banks did not have enough capital. We believe that the continued trend towards earlier recognition of provisions on non-performing loans will support our pipeline of debt purchase opportunities across Europe and therefore reinforces our strategy of focusing on European expansion in the short-to-medium term.

- **IFRS 9 Financial Instruments.** This new accounting policy establishes how and when a bank should recognize expected losses on financial instruments and on loan commitments. Recognition of credit losses will no longer depend on when a bank identifies a credit loss event; expected credit losses in the future will be recognized and updated for changes in credit loss expectations. The accounting policy will require banks to calculate expected losses for accounting purposes more prudently on assets that have experienced a ''significant'' deterioration in credit quality; on a lifetime rather than one-year basis. Although the new rules for IFRS 9 *Financial Instruments* have a planned implementation date of January 2018, more than half of the banks surveyed as part of a global IFRS banking survey conducted by a professional accounting firm expected that the rules would increase their loss provisions by up to 50%.

Pricing

We believe that, while the supply of debt portfolios has increased since 2010, and is expected to increase further in the coming years, the profile of the portfolios available for sale has changed: the debt being sold is fresher (*i.e.* the time elapsed since it defaulted is reducing) and includes a higher proportion of Paying Accounts, which has resulted in higher prices. In addition, we believe that ongoing improvements in collection efficiency and increased competition for certain types of portfolios will drive increasing prices in future years. An increase in available funding for debt purchasers, and lower return requirements for certain participants, are also expected to contribute towards this trend.

REGULATION AND COMPLIANCE

Regulatory Framework

United Kingdom

Operating in compliance with the regulatory environment for consumer debt collection and debt purchase in the UK requires considerable investment in processes, know-how and management. We believe that the regulatory environment favors participants with scale, such as us, that are more likely to be able to comply with the increasing volume of regulation in the industry and with the stricter new FCA regime. Debt Sellers are also becoming increasingly cautious in their selection of debt purchasers and DCA partners, and those who can demonstrate robust compliance processes are favored.

As is the case across many financial services industries, the industry in which we operate is currently undergoing, and may in the future undergo, a number of significant regulatory changes. These affect Debt Sellers, us and our DCAs. The consumer debt collection and debt purchase industry in the UK is highly regulated by a number of different governmental or regulatory bodies. The regulatory regime applicable to us changed significantly with effect from April 1, 2014, when responsibility for the regulation of consumer credit transferred from the OFT to the FCA. In addition, in 2018 data protection regulation will change as a result of the coming into force of the EU General Data Protection Regulation. See ''Risk Factors—Risks Relating to Our Business—The ability to obtain, share and retain customer data is critical to us and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which we operate.'' Our key entities affected and the regulatory framework applicable to the business are described below.

The UK Consumer Credit Regulatory Framework

The FCA is primarily responsible for the regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets, and performs some of the functions previously performed by the FSA (the former UK regulatory body responsible for the supervision of financial services other than consumer credit activities). From April 1, 2014, the FCA's responsibilities were extended to the consumer credit market and regulated consumer credit activities such as lending, credit brokerage and other ancillary credit-related activities. The FCA's ''operational objectives'' are to protect and enhance confidence in the UK financial system by protecting consumers, enhancing the integrity of financial markets and promoting effective competition in the interests of consumers. The FCA also has a ''strategic objective'' of ensuring that relevant markets function well.

The consumer credit regime principally consists of FSMA and relevant secondary legislation, the retained provisions of the CCA and its retained secondary legislation and provisions of the FCA Handbook.

Much of the repealed CCA legislation and former OFT guidance was carried across into the FCA Handbook and can be found in the specialist sourcebook for consumer credit firms, CONC. Certain features of the CCA regime conferring direct rights on consumers have been retained, subject to future review (which is required to take place by April 1, 2019). See ''—Retained CCA Provisions.''

As a result of the change in regime from April 1, 2014, the requirements applicable to the consumer debt purchase and collection industry have increased to become more comparable with the broader financial services industry. This reflects the FCA-headed regulatory framework and is consistent with the FCA's supervisory and enforcement powers being substantially greater than the OFT's previous powers (for example, the FCA's supervisory and enforcement toolkit includes powers to issue greater fines, to undertake regular on-site visits, to ban activities or products being sold, to issue public notices and to instigate investigatory action). See ''—Supervision and Enforcement.''

In preparation for regulation by the FCA, the CC Companies undertook a program of work to prepare for the new consumer credit regime. We have also enhanced our supplier oversight model to ensure that servicers (including DCAs) adhere to the new regulation introduced by the FCA. FCA authorization readiness initiatives were guided by the FCA Handbook, and included reviews of most of our systems, controls, management and organizational policies and arrangements, audit, risk and compliance functions, consumer credit policies and financial regulatory compliance.

Some of the key aspects of the new FCA regime (as far as these are relevant to us) are set out below.

FCA Authorization

Pursuant to Section 19 of FSMA, a firm must be authorized to carry on regulated activities, which from April 1, 2014 include specified consumer credit activities, by way of business in the UK. For example, entering into a regulated credit agreement as lender, and exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement, are regulated activities. Therefore, debt purchasers who acquire the lender's rights and duties under the credit agreement are required to be authorized and to have permission to carry on consumer credit business. Debt collection is also a regulated activity.

Arrow Global Limited, Arrow Global Massey Limited, Arrow Global Legh Limited and Capquest Debt Recovery Limited are currently the only Consolidated Group businesses with full FCA authorization to conduct consumer credit-related regulated activities in the UK.

Prior to granting full authorization for a firm to carry on regulated consumer credit activities, the FCA is required to carry out a thorough assessment of the applicant's business model and to determine whether that firm will meet the required organizational and suitability standards (referred to as the ''threshold conditions'').

The ''threshold conditions'' are the minimum organizational and suitability requirements which must be satisfied in order to obtain (and maintain) FCA authorization. These relate to matters including the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a ''fit and proper person'' to conduct the relevant consumer credit activities and whether the firm has a suitable business model.

As of March 15, 2017, none of our entities has had any application to obtain any authorization, permission, permit or license refused or denied or has had any authorization, permission, permit or license cancelled (other than on its own initiative).

High Level Standards

The FCA's approach to regulation and the standards it requires firms to maintain are set out in the FCA Handbook.

All of the FCA's high level standards (with relevant modifications) apply to all consumer credit firms, including the CC Companies. These include the requirements set out in the following sections of the FCA Handbook: PRIN, GEN, and SYSC.

The PRIN are a general statement of the fundamental obligations that firms must comply with under the regulatory system. They are regarded by the FCA as the basis for most of the other more detailed rules and guidance and include, for example, the requirement for a firm to treat its customers fairly and conduct its business with integrity.

The rules in GEN relate to matters such as status disclosure and interpretation of the FCA Handbook.

The rules in SYSC require firms to organize and control their affairs responsibly and effectively, including requiring firms to establish and maintain appropriate and risk-sensitive financial crime policies and procedures, and to identify, assess and mitigate the risk of money laundering in their business. They also include, among other things, general organizational requirements relating to governance, requirements relating to the skills, knowledge and expertise of staff, outsourcing responsibilities, record-keeping requirements and rules relating to conflicts of interests.

Approved Persons Regime

The FCA's approved persons regime is a system for vetting and holding to account individuals who perform what are known as ''significant influence functions'' (essentially those that run the business or perform important functions, such as senior managers) or the ''customer function'' (persons who deal with the firm's customers). The application of the approved persons regime means that at least one individual in most consumer credit firms will need to be approved to perform certain functions. When determining whether to approve an individual, the FCA will assess his or her honesty, integrity and reputation, competence and capability, and financial soundness. Once approved, an individual acquires personal regulatory duties and responsibilities and can thus be subject to FCA enforcement action for personal failings or culpability.

From March 7, 2016, a new senior managers and senior insurance managers regime applies to banks and insurance companies respectively, which replaced the approved persons regime for such firms. The Bank of England and Financial Services Act 2016 provides for the extension of the regime to all authorized firms, including customer credit firms such as the CC Companies. The FCA is proposing to consult on the implementation of the regime in the second quarter of 2017, with the changes currently expected to be implemented during 2018.

Controllers Regime

A firm which has full authorization is subject to the full change of control regime under Part XII of FSMA. Any change of control of an authorized firm requires pre-approval from the FCA. A failure to obtain such approval will amount to a criminal offence. Therefore, any potential acquirer of one of the CC Companies or of the Group will have to obtain the FCA's approval before acquiring 20% or more of the shares or voting rights of one of the CC Companies or one of their parent undertakings (or, shares or voting power in either as a result of which that acquirer would be able to exercise significant influence over the management of one of the CC Companies), with an equivalent notification requirement for an analogous reduction.

Complaints Reporting and Publishing Requirements

Consumer credit firms must record every complaint they receive, including how they resolved it, and keep the record for three years. Firms will also be required to provide the FCA with a report of the complaints they have received every six months (although some exceptions apply to smaller firms). There is also a general obligation on firms to publish a summary of their complaints data, with specific rules on the timing of publications. The information about complaints that firms must provide and how often firms should report and publish complaints will depend on the activities they carry out.

Conduct of Business Requirements

In its role as the regulator and supervisor of the consumer credit regime in the UK, the FCA maintains the rules and guidance in CONC, which set out the conduct of business requirements for firms carrying on consumer credit activities. Many of these provisions carry forward provisions of repealed CCA legislation and previous OFT guidance.

Of key importance to us is Chapter 7 of the CONC (Arrears, default and recovery (including repossessions)), which sets out detailed standards that businesses that collect consumer debt or carry out tracing activities must meet (which were previously set out in the OFT's debt collection guidance). Chapter 7 of the CONC contains a number of overarching principles that businesses should adopt in any debt recovery activities, including the following:

- treating debtors fairly;
- being transparent when dealing with debtors;
- exercising forbearance and consideration, particularly towards debtors experiencing difficulty;
- acting proportionately when seeking to recover debts;
- establishing and implementing clear, effective and appropriate policies and procedures for engaging with debtors and other relevant parties; and
- establishing and implementing clear, appropriate and effective policies and procedures for identifying and dealing with particularly vulnerable debtors.

In addition to the above principles, CONC provides examples of the types of behavior that the FCA would regard as amounting to unfair or improper practices. Examples include:

- issuing communications to debtors that are unfair, inaccurate, unclear or misleading (whether directly or through the way they appear or as a result of information which they may omit to mention);
- falsely representing the firm's authority or legal position (for example, falsely claiming to work on instructions from the courts as bailiffs);
- using physical or psychological harassment to collect debts (including contacting debtors at inappropriate times of the day or too often, failing to allow for alternative, affordable repayment

amounts when a reasonable proposal is made, or inappropriately threatening to disclose debt details to third parties);

- using deceptive or unfair methods (for example, sending demands to a person without establishing that he or she is the actual debtor);
- inappropriately or unfairly charging for debt recovery (for example, misleading debtors into believing they are liable for recovery charges, where the underlying credit agreement does not so provide);
- acting in a threatening or unclear way on debt collection visits (for example, visiting the debtor at times when it is understood that such debtor might be particularly vulnerable or entering a debtor's property without consent or an appropriate court order);
- continuing to collect statute-barred debt in an unfair way (for example, implying that such debt may be recoverable through the courts); and
- failing to have adequate procedures and processes to ensure that customer data are accurate.

Systematic failure to adhere to the standards in CONC is likely to result in enforcement action being taken by the FCA. This could involve the FCA imposing a fine, making a statement of public censure, or in more serious cases seeking to vary, suspend or withdraw the firm's authorization. The FCA undertakes the monitoring of authorized firms and may ask to perform an on-site visit to ensure that such businesses remain compliant. Previously, the OFT's resources tended to be targeted at those whom they considered the most likely to cause harm to consumers, and often the OFT's enforcement actions were taken in response to the volume of consumer complaints against a company made to regulatory or consumer advice agencies or in response to any practice that was brought to their attention that caused a significant risk to the consumer.

While the FCA is likely to continue with a targeted and risk-based approach, it is more likely to be proactive in pursuing wrongdoing, for example by initiating its own investigations. Where consumer detriment is found, it will use its powers of intervention, which might include taking enforcement action and / or securing redress for consumers.

The FCA has commenced work on reviewing various areas of the consumer credit market. For example, it has introduced a price cap on ''pay-day lending'' which came into force on January 2, 2015. The FCA also published the final report of its market study of competition in the credit card market on July 26, 2016, which found that, while competition was working fairly well, credit card firms could do more to help higher risk consumers and those with persistently high credit card debt, such as by identifying early signs of debt problems and intervening accordingly. While much of this work does not relate directly to debt purchase and collection business, the outcome of such work (particularly if changes are made in the credit card market) may have an impact on the consumer credit sector more generally, including in the areas of debt purchase and debt collection. Although to date the FCA has not indicated that it will focus specifically on debt purchase or debt collection, it may in the future decide to carry out thematic work in this sector or carry out work that may have an impact on this sector. For example, on December 13, 2016, the FCA published the findings of its thematic review of early arrears management in unsecured lending which found (among other things) that, for customers showing signs of financial difficulty, the majority of firms missed early opportunities to identify this and offer appropriate forbearance. The FCA is also expected to publish a report in 2017 on its earlier thematic review of staff remuneration and incentives. Both of these reviews have the potential to impact the debt purchase and debt collection industry.

In contrast to the OFT regime, as most of the detailed requirements of the new regime are now contained in the FCA Handbook, it is possible for the FCA to revise the rules in CONC (provided that appropriate consultation procedures are followed, where required) to deal with particular issues and concerns more promptly than was possible under the OFT regime.

In addition to specific rules relating to debt collecting, we are subject to, or affected by, numerous and detailed legislative and regulatory requirements, principally the CCA, the UTCCR (in relation to contracts entered into prior to October 1, 2015), the CRA (in relation to contracts entered into from October 1, 2015) and the rules and guidance in CONC, which set out specific requirements for the entry into and ongoing management of consumer credit arrangements. The legislation, rules and guidance include both prescriptive and generic provisions on the terms of consumer credit agreements, the advertising of consumer credit services, and what constitutes, and the consequences of, any unfair relationships and unfair terms. The requirements apply both to our own activities and to those of Debt Sellers. The principal aim of the consumer credit regime is consumer protection. In summary, these requirements obligate Debt Sellers to, among other things:

- provide customers with prescribed pre-contractual information;
- ensure that credit agreement documentation complies with prescribed, detailed content and form requirements;
- provide customers with copies of credit agreement documentation upon request;
- provide customers with prescribed forms of notices in relation to defaults and termination;
- provide customers with prescribed forms of post-contractual notices; including statements;
- ensure an ''unfair relationship'' does not arise between a Debt Seller and the customer; and
- ensure that their agreements do not contain unfair terms (and, if they do, the legislation provides that any unfair terms are not binding on the customer).

Non-compliance with some or all of these requirements may, for example, render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded, in addition to giving rise to an enforcement action by the FCA.

The UTCCRs apply to agreements entered into with a consumer prior to October 1, 2015 and may affect the ability to seek enforcement of certain terms of customers' original contracts. In light of the broad and general wording of the UTCCRs which makes any assessment of the fairness of terms largely subjective, it is difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any credit agreement covered by the UTCCRs may contain terms that are deemed to be unfair, which may result in the possible unenforceability of such terms of such credit agreement.

The CRA (which came into force on October 1, 2015) consolidated much of the existing consumer rights law in the UK. Among other things, it repealed the UTCCRs and effectively merged the consumer protection rules under the UTCCRs and the Unfair Contract Terms Act 1977. Under the CRA, it is possible that any credit agreement that has been made or entered into with a consumer from October 1, 2015 may contain terms that are deemed by the court to be ''unfair'', which may result in the possible unenforceability of such terms of such a credit agreement. This fairness test in the CRA extends to consumer notices as well as agreements and also to both non-negotiated and negotiated consumer contracts. However, a term of a consumer credit agreement may not be assessed for fairness if it either (i) specifies the main subject matter of the contract; or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods or services supplied under it. A term may only be exempt from the fairness test if it is written in plain and intelligible language, is legible and is brought to the consumer's attention in such a way that the average consumer would be aware of the term.

The CPUTR prohibits certain practices which are deemed ''unfair'' within the terms of the CPR. Such practices include misleading acts or omissions, aggressive sales tactics and failures to comply with the requirements of professional diligence. In addition, the CPUTR lists 31 specific practices which are always considered to be unfair. The Consumer Protection (Amendment) Regulations 2014 amended the CPUTR with effect from October 1, 2014 so as to give consumers a direct civil right of action for certain breaches of the CPR, including a right to unwind agreements, although these provisions will not apply to some types of credit agreements. Breach of the CPUTR does not, of itself, render an agreement void or unenforceable but the underlying actions that constitute the unfair practice may give rise to liabilities for misrepresentation or breach of contract.

Retained CCA Provisions

To effect the transfer of regulation of consumer credit from the OFT to the FCA, many provisions of the CCA were repealed (for example, the licensing provisions, as consumer credit firms are now subject to the FCA authorization regime). Although many conduct of business provisions were moved to CONC, others still remain in the CCA (such as requirements relating to the entry into and ongoing management of consumer credit arrangements). The FCA is required to complete a review of the retained conduct of business requirements in the CCA by April 1, 2019, with the intention of substituting these with FCA rules wherever possible.

Complaints and Compensation Arrangements

In the UK, the FOS acts as an independent adjudicator of the consumer complaints made to it. Chargeable claims attract a fee that is paid by the business, and a decision by the FOS is binding on the business, but not on the customer. Not all cases are determined to be ''chargeable''; however, the fee in respect of a chargeable case is payable by the business, whether or not the business successfully defends such a case. There are formal escalation procedures for a consumer to make a complaint to the FOS. However, the FOS, rather than necessarily making a decision solely on the basis of strict compliance with the law, makes its decision on the basis of what is fair and reasonable in the circumstances, taking account of the law, rules and good market practice.

Prior to the transfer of the responsibility for the consumer credit regime to the FCA, the FOS had three 'jurisdictions' under which it could consider consumer complaints: (i) compulsory jurisdiction; (ii) voluntary jurisdiction; and (iii) consumer credit jurisdiction. All consumer credit activities are now covered by the compulsory jurisdiction, like other regulated activities, and the consumer credit jurisdiction has been abolished for new complaints received on or after April 1, 2014.

Complaints relating to the behavior of consumer credit firms before April 1, 2014 will continue to be covered by the FOS. The previous eligibility rules in the consumer credit jurisdiction will continue to apply where the complaint was made before the transfer and the compulsory jurisdiction eligibility rules apply where it is made after the transfer.

One important change resulting from the change in FOS jurisdiction rules is that, in the consumer credit jurisdiction, the following types of micro-enterprises were not eligible to complain to the FOS:

- a body corporate;
- a partnership consisting of more than three persons;
- a partnership, all of whose members are bodies corporate; and
- an unincorporated body that consists entirely of bodies corporate.

Micro-enterprises that fall into these categories can, however, refer a complaint to the FOS in the compulsory jurisdiction. Therefore, from April 1, 2014 these micro-enterprises are eligible to complain to the FOS about consumer credit activities. Further, while the consumer credit jurisdiction covered only acts or omissions by a consumer credit firm carrying on regulated consumer credit activities, the compulsory jurisdiction covers not only regulated consumer credit activities but also certain unregulated consumer credit activities carried on by authorized firms.

The Financial Services Compensation Scheme (***FSCS***) is the UK's statutory compensation scheme for customers of financial services firms. It can pay compensation to customers if a firm is unable, or is likely to be unable, to pay claims against it. The FCA is currently consulting on whether to extend the scope of the FSCS to debt management as this is a sector where client money is most at risk and companies may give unsuitable advice.

Supervision and Enforcement

The FCA has wide powers to supervise, and intervene in, the affairs of a consumer credit firm. It can, for instance, require firms to provide particular information or documents to it, formally investigate a firm or undertake sector-wide projects to address risks across, for example, a range of firms or particular market segment.

The FCA's supervisory approach is built around three pillars. Pillar 1 is Proactive Firm Supervision (also referred to as the Firm Systematic Framework) which is designed to be a forward-looking assessment of a firm's conduct risk. Pillar 2 is Event Driven Work where the FCA reacts to what is actually happening at a specific firm. Pillar 3 relates to Products and Issues, where the FCA carries out thematic reviews and market studies across a particular sector or sectors, which are becoming more common.

The FCA undertakes monitoring of authorized firms and may ask to perform an on-site visit to ensure that the business of such firms is compliant with all of the applicable requirements. Previously, when the OFT was in charge of consumer credit regulation, its resources tended to be targeted at those whom it considered the most likely to cause harm to consumers, and often its enforcement actions were taken in response to a large volume of consumer complaints being made to regulatory or consumer advice agencies.

The FCA is likely to continue with a similar targeted and risk-based approach, but it is also likely to be more proactive in pursuing possible regulatory failures and poor practices, for example by initiating its own investigations. This is due, in part, to the fact that the FCA has greater resources than were available to the OFT. Where consumer detriment is found, the FCA will use its powers of intervention, which might include taking enforcement action and / or securing redress for consumers.

Consistent with the FCA's approach to supervision of other financial services sectors, the FCA's supervision of the new consumer credit regime is to be risk-based and proactive. Firms will be categorized upon full authorization according to the risk-rating which determines the level of oversight and engagement the FCA's supervisory team will exercise in respect of the firm. The four risk categories broadly reflect a firm's size and customer numbers, and the corresponding level of risk. Firms within the two highest risk categories will receive more intensive supervision and each will have a named supervisor at the FCA. Firms within the lower two categories will receive less intense supervisory attention and will be supervised by flexible teams.

FSMA provides the FCA with extensive powers to investigate, and to gather information relating to, the conduct of authorized firms and unauthorized persons.

From April 1, 2014, the FCA is able to use the full range of its enforcement and investigatory powers in relation to consumer credit firms to enforce both its own rules and the retained provisions of the CCA. The FCA is not able to apply its new enforcement powers retrospectively. However, the FCA may use its investigatory powers to look at past behavior but will then apply the sanctions that were in force at the time of the breach. The FCA will also co-operate with the Local Authority Trading Standard Services and regional Illegal Money Lending Teams.

The powers the FCA has under the FSMA enforcement toolkit are significantly greater than those previously available to the OFT. The FCA's investigatory powers allow the FCA to require persons to answer questions and provide documents or information and to apply for warrants to enter and search premises. The FCA also has the power to bring civil, criminal and disciplinary proceedings. These powers enable the FCA to:

- withdraw authorizations and approvals;
- stop individuals from working in financial services;
- stop an individual from carrying out specific regulated activities;
- suspend a firm for up to 12 months from carrying out specific regulated activities;
- suspend an individual for up to two years from carrying out specific regulated activities;
- publicly censure firms and approved persons;
- impose substantial financial penalties;
- seek injunctions;
- apply to court to freeze a firm's or individual's assets;
- seek restitution orders; and
- prosecute firms and individuals who undertake regulated activities without authorization.

Data Protection

As a debt purchase business, we must comply with the requirements established by the DPA in relation to processing the personal data of our customers. The ICO is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. Any business controlling the processing of personal data (that is, determining the purposes of the processing and the manner in which it is carried out), such as debt purchaser firms or debt collection firms, must maintain a data protection registration with the ICO.

We control the processing of significant amounts of personal data; therefore, we have a data protection registration for each relevant subsidiary that controls the processing of personal data and a data protection policy. We have also established data protection processes, including having in place a data protection policy, an information security policy and a data retention policy, to comply with the requirements of the DPA and the applicable guidance issued from time to time by the ICO, such as the handling of data subject access requests from individuals. The ICO is empowered to impose requirements through enforcement notices (in effect, stop orders), issue monetary fines and prosecute criminal offences under the DPA.

With regard to the PCB, Experian houses the data, matches records and is responsible for compliance with data protection regulations. Experian is not able to use the data for any purpose other than collections services with us. We cannot access the underlying data, only matched information that is relevant to the compliant collections on matched accounts. The OFT, the ICO, the CSA and the DBSG have in the past indicated their support for data sharing practices that enhance compliance and improve the customer's debt collection experience, and the FCA has also indicated such support. We believe that the PCB is a leading example of such positive data sharing practices.

In Guernsey, the Data Protection (Bailiwick of Guernsey) Law, 2001 (the ***Guernsey Data Protection Law***) regulates the holding and processing of information relating to living individuals that is held either on computers or (in some cases) in manual form. The Guernsey Data Protection Law gives individuals certain rights while requiring those who record and use personal information to be open about the use of that information and to follow sound and proper practices (the data protection principles). The European Commission has issued a decision (2003/821/EC) to confirm that Guernsey provides adequate protection of personal data to permit the transfer of personal data from EU member states to Guernsey. The office of the Guernsey Data Protection Commissioner is responsible for ensuring that data controller's process personal data in accordance with the Guernsey Data Protection Law and that individuals are able to exercise their rights under that law. Data controllers are required to notify the Guernsey Data Protection Commissioner of the details of their processing and these details are published in the Register of Data Controllers. The processing of personal data without an entry on the register is an offence. Arrow Global Guernsey Limited is currently on the Register of Data Controllers in Guernsey. The Guernsey Data Protection Commissioner has indicated that the States of Guernsey is to consider a proposal in relation to new data protection legislation in order to maintain adequacy of protection of personal data by implementing essentially equivalent provisions to the EU General Data Protection Regulation.

LSB's Standards of Lending Practice

The Standards of Lending Practice developed by the LSB came into operation on October 1, 2016 and are applicable to UK banks and lenders who are registered with the LSB. These new lending standards apply to individual customers and cover financial promotions and communications, product sale, account maintenance and servicing, money management, financial difficulty and consumer vulnerability. On March 28, 2017, the LSB is due to launch similar provisions for business customers. The Standards of Lending Practice are not FCA-confirmed industry guidance, although the FCA and the LSB have entered into a memorandum of understanding setting out the basis on which the two organizations will cooperate, coordinate efforts and share information regarding the firms they both regulate and oversee.

We applied to become an associate subscriber of the LSB in March 2016, and were registered with the LSB in July 2016. The majority of UK Debt Sellers are registered with the LSB and therefore look to ensure that their third-party service providers and debt purchasers also comply with the requirements of the LSB and specific credit business activities.

As a consequence of being registered with the LSB, we are required to comply with the relevant provisions of the Standards of Lending Practice and, therefore, we operate in accordance with the applicable provisions of those standards. Our policies are reviewed and updated against the requirements of the Standards of Lending Practice.

The LSB has carried out a number of reviews and/or reports in respect of activities that are relevant to us, primarily in relation to the predecessor to the Standards of Lending Practice, the Lending Code.

In 2013, the LSB published a themed review of the Lending Code subscribers' handling of customers in financial difficulties. This review considered the degree to which subscribers had achieved compliance with the revisions made to the Lending Code with effect from May 1, 2012 relating to the transfer and sale of debt to third parties.

During the initial phase of the review, the LSB noted several issues with the implementation and application of the revised requirements. As a result, the LSB carried out some further reviews, targeting a broader range of subscribers who have DCAs acting on their behalf (and certain debt purchasers and DCAs that are not themselves subscribers to the Lending Code but who purchase debt from subscribers).

The LSB completed this follow up work and issued a report (dated September 2013) summarizing its key findings. The report was consistent with our expectations regarding the progression of the compliance regime. It noted that, overall, standards of compliance had improved and that, in cases where the LSB had identified breaches, action plans had been put in place and will be monitored for completion (including follow up visits by the LSB). The LSB also called on the subscribers to the Lending Code to ensure that the DCAs they use are operating in a compliant manner (taking into account the findings of the LSB's review). In July 2013, we and one of our core panel DCAs were included in a themed review of customers in financial difficulties by the LSB, as one of our key Debt Sellers is an LSB member. Our and the relevant DCA's processes were found to reflect satisfactory compliance arrangements.

In January 2014, the LSB completed a themed review of vulnerable customers in financial difficulties. While the LSB found that the subscribers to the Lending Code who participated in the review had policies and procedures in place to deal appropriately with vulnerable customers, it also found that there were some areas for improvement. It was recommended that the Lending Code be strengthened by restricting the transfer of any accounts to DCAs where mental health issues affecting repayment ability had been identified and that such accounts remain in-house. It was also suggested that it would be good practice for subscribers to consider avoiding referral of a customer to a DCA where he or she meets their internal definition of 'vulnerable'. The LSB continues to carry out work in this area, publishing a preview in April 2016 on how firms identify vulnerable customers at various stages of the customer journey.

In August 2014, the LSB published the results of a themed review of subscribers' handling of customers in financial difficulties. As part of its review, the LSB also reviewed work at third parties acting on behalf of the subscribers covered by the review. The LSB found that the majority of customers were being treated positively, but required action plans from firms where issues of non-compliance were identified. The LSB intends to undertake follow-up visits to these firms, but has not announced any other further action.

In February 2015, the LSB published the results of a themed review of pre-arrears, the objective of which was to assess the adequacy of processes and controls of subscribers and to identify early warning signs of financial difficulties and to contact customers. The LSB found that, overall, the activity undertaken that is considered pre-arrears is largely reactive and recommended that the Lending Code be strengthened to include a separate pre-arrears section.

In May 2015, the LSB published a report setting out the findings of a review into credit card pre-sale information provision by Lending Code subscribers. The report found that the branch and online channels were satisfactory in this regards with some areas requiring improvement, but that telephone channels were in need of more substantial improvements across all areas. However, despite identifying examples of poor customer experiences, the LSB did not find any areas of significant concern in terms of customer detriment.

In April 2016, the LSB published a report setting out the findings from a review of customers in vulnerable circumstances. The LSB reviewed how firms identify customers in vulnerable circumstances, and the support and guidance offered to such customers. The LSB found that firms could do more to demonstrate that the fair treatment of customers in vulnerable circumstances is an active consideration at all stages of the customer journey and product lifecycle. The LSB provided examples of best practice to demonstrate how firms may be able to achieve the desired customer outcomes.

In September 2016 the LSB published a report on Affordability Assessments and Repayment Plans. The LSB reviewed the practice of firms in respect of the completion of such assessments and plans and sought to set out guidance on good practice in this area.

Given the regulatory focus on ensuring fair treatment of customers and the LSB's planned work on lending standards, industry participants may be subject to additional compliance burdens which may have an impact on our profitability. In addition, the findings of the LSB's reviews may trigger investigatory work or enforcement action by the FCA.

The Capquest Group

The Capquest Group, which is a UK consumer debt purchaser and outsourced collections provider, contains one operating company (Capquest Debt Recovery Limited) which is subject to the regulatory framework as set out above. Additionally, one operating company (Capquest Mortgage Servicing Limited) holds regulatory permissions allowing it to service regulated mortgages. Consequently, this entity currently is subject to certain rules within the FCA regime for regulated mortgage activities in addition to the regime in respect of regulated consumer credit activities described above.

Portugal

Our activities purchasing non-paying loan portfolios from Portuguese credit institutions are generally not considered to constitute a regulated activity in Portugal and, together with our engagements of local agencies, fall under the general rules of the Portuguese Civil Code. We must comply with the local law on personal data (Law 67/98), directly implementing an EU Directive (1995/46/EC) and must obtain approval from the local data protection authority, the CNPD, on the purchase and processing of personal data. As of the date of this Offering Memorandum, we have complied with such standards and received the relevant CNPD consents.

The Netherlands

In the Netherlands, in order to act as an intermediary in respect of consumer credit and/or mortgage credit and to offer consumer credit and/or mortgage credit (including activities relating to the servicing of existing credit agreements granted by third parties), we must have and maintain licenses granted by the AFM and the Consolidated Group entities that have such licenses must comply with ongoing requirements and rules of conduct. In addition, to the extent we collect and process personal data as data controllers, we must comply with statutory obligations under the PDPA.

The InVesting Group

The InVesting Group, which is a consumer debt purchaser, asset management and outsourced collections provider with operations in the Netherlands and Belgium, contains a number of operating companies which are subject to the regulatory framework as set out above. Additionally, one of these operating companies holds a license allowing it to grant and act as an intermediary with respect to consumer credit and mortgage credit, and another one of these operating companies holds a license allowing it to grant consumer credit. Consequently, these entities currently are subject to certain rules within the AFM regime for regulated mortgage and/or consumer activities.

European Union

Mortgage Credit Directive

The MCD was transposed into UK law on March 21, 2016. The MCD is focused on residential mortgages with the intention of preventing the irresponsible lending and borrowing practices that became apparent during the financial crisis. It is also aimed at creating a more efficient and competitive single market for mortgages.

Many of the requirements of the MCD were pre-emptively introduced in the UK through the Financial Services Authority's Mortgage Market Review in April 2014. However, the MCD is broader in scope than the previous UK mortgage regulation and applies a standard approach to first charge mortgage contracts and second and subsequent charge mortgage contracts, whereas previously the FCA distinguished between the two and treated the latter not as mortgage contracts but as regulated credit agreements. The implementation of the MCD has resulted in the first and subsequent charge mortgage markets being much more closely aligned, primarily by now treating second and subsequent charge contracts as regulated mortgage contracts. The changes are, to some extent, retrospective, in that second and subsequent charge contracts that were previously regulated by the CCA became regulated mortgage contracts from March 21, 2016 even if entered into prior to that date. We currently use third parties to service accounts affected by the MCD, utilizing the exemption under Regulation 62 of the FSMA (Regulated Activities) Order 2001. The implementation of the MCD has also resulted in greater regulation for buy to let mortgages than was previously the case.

The MCD provides that Member States shall implement rules requiring creditors, credit intermediaries or appointed representatives (as applicable), among other things, to provide consumers with certain personalized pre-contractual information and to adhere to business conduct rules. Lenders (including second charge firms) must conduct an affordability test, looking at customers' income and expenditure, to ensure whether they can afford the mortgage. In addition, lenders must provide a ''European standard information sheet'' to enable consumers to shop around (first charge lenders by March 21, 2019 and second and subsequent charge lenders by March 21, 2016), and, by September 21, 2018, all sales staff at second charge holders must hold a Level 3 mortgage qualification (sales staff at first charge lenders already being subject to such a requirement).

The transposition of the MCD into the UK was achieved primarily through changes to the FCA rules, in particular the MCOB.

Our Risk Management and Compliance

Our compliance and quality control

Risk Management and compliance are central to our operations. The executive team has established an enterprise-wide risk management framework underpinned by a comprehensive suite of policies, operational procedures and governance structures and supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable laws, rules, regulations and guidance. This is complemented by our CRO, who is directly responsible for ensuring our risk framework remains robust and for managing our risk, compliance and assurance functions.

In 2011, we successfully completed a voluntary ICO data protection compliance audit. We also believe that our focus on compliance resonates with Debt Sellers and is essential to succeed in an increasingly regulated market.

Risk classification and reporting

We classify the risks to our business in four broad categories: strategic, operational, regulatory and financial. Strategic risks are high-level risks that fundamentally impact our corporate objectives, such as changes to EU General Data Protection Regulation. Operational risks relate to day-to-day business, such as having sufficient number of staff. Regulatory risks relate to our ability to adhere to regulation, for example, appropriately managing conduct risks. Financial risks relate to matters such as exchange rate movements.

A typical financial services Risk and Control Self-Assessment risk management framework is in place. Heads of each business unit have individual risk registers that are reviewed and updated on a quarterly basis and are reported to the monthly Conduct and Compliance Committee, quarterly Executive Risk Committee and quarterly Board Risk Committee. In addition, all risk and compliance-related matters are reported to the monthly Conduct and Compliance Committee meetings.

We operate a three-lines-of-defense model:

- **Line 1:** The first line of defense comprises two main functions: (i) the Servicer Management Team, which carries out ongoing reviews of service providers including an assessment of the way in which they treat our customers; and (ii) the Portfolio Implementation Team, which is responsible for ensuring that customers are handed to service providers in such a way that the service provider is able to appropriately manage those customers and that other Group functions have a detailed understanding of the specific requirements of individual customer segments to ensure appropriate customer outcomes. In addition to our own first line of defense, service providers also have responsibility for ensuring that they comply with applicable regulatory requirements. Their compliance is also overseen by a variety of external bodies, for example, originating creditors and by our Monitoring and Assurance Team, detailed in ''Line 2'' below. In addition, the first line carries out the preparatory work required in respect of credit oversight reviews.
- **Line 2:** The second line of defense is undertaken by the Monitoring and Assurance Team, which reports to the CRO and oversees both servicers and Line 1. In addition, the Compliance Team ensures that the various business functions across the Consolidated Group are aware of and understand the relevant regulatory requirements, that they continue to comply with those requirements, and that they have the necessary specialist guidance and support needed when implementing change initiatives or in more complex circumstances. The Monitoring and Assurance Team undertakes reviews of suppliers through due diligence activity at inception and through

ongoing monitoring throughout the relationship with each supplier. This team also has oversight of the activity of first line of defense and reviews and challenges that activity.

- **Line 3:** The third line of defense was created in April 2014 through the appointment of BDO as the external provider of our internal audit function. The internal audit function is now led by Deloitte. This third line of defense assesses the adequacy and effectiveness of our services and measures, our compliance with applicable laws and regulations and the effectiveness of our internal controls, including the first and second lines of defense described above.

This structure is intended to ensure the appropriate separation of responsibilities and mitigates potential conflicts; for example, the assessment of a servicer is performed by the Monitoring and Assurance Team within the risk function rather than being undertaken by a function that has a commercial relationship with the servicer. It is also complemented by: (i) Debt Sellers' own audit activity (in the year ended December 31, 2016, we were subject to twelve audits and two due diligence reviews from Debt Sellers to determine our compliance under our contractual obligations, among other things); and (ii) audits by external bodies.

Second Line Risk Function

Led by the CRO, our risk function provides an overarching risk and compliance framework to address the range of risks we face. The risk function is responsible for developing, establishing, implementing and maintaining risk and compliance policies and procedures and for updating these procedures to reflect changes in the regulatory environment. The risk function is engaged in operational decision-making to ensure that future plans are compatible with current and emerging legislation and guidance. Our services agreements with key servicers require DCAs to refer to us any contact with official bodies (including Trading Standards, FOS, the ICO and the CSA) regarding our accounts, as well as complaints that have been raised through litigation. Where appropriate, we will also take over the handling of a customer complaint initially received by a DCA and deal with the customer directly.

The risk function is responsible for our interactions with external regulators and industry bodies, such as the FCA, the LSB and the ICO. The FCA, the ICO and the LSB have the right to audit us should they request to do so. As of the date of this Offering Memorandum, neither has required an inspection of us on this basis; however, as a part of the renewal process for Arrow Global Receivables Management Limited's consumer credit license, and the application for Arrow Global Management Limited's consumer credit license, these two companies were subject to an OFT competency visit in October 2012 that did not identify any significant issues. In 2011, the ICO invited us to participate in a voluntary best practice audit. Based on this audit, the ICO initially concluded that reasonable assurance could be given over compliance activities; however, following our implementation of the ICO's best practice recommendations, this was upgraded to a high assurance rating. We are also subject to compliance audits from Debt Sellers, many of whom are FCA authorized and typically reserve a contractual right to conduct audits periodically. During the year ended December 31, 2016, we were subject to twelve audits and two due diligence reviews in total, including by major global banks and UK retail banks. Following each audit we work collaboratively with the relevant counterparty to address any issues identified during the audit and to implement such changes to our processes that may be necessary as soon as practicable. In addition to relationships with regulators, we coordinate any assessments by industry bodies, such as the CSA.

Escalation of customer related issues is undertaken through our Conduct and Compliance Committee, Executive Risk Committee and Board Risk Committee, as well as through the 'ACE' Program and other project governance routes. An overarching communication structure among our Oversight, Implementation and Performance functions facilitates the communication of issues. This multi-tiered approach is supported by a comprehensive suite of compliance policies and procedures, covering areas such as: aged debt, agency agreements, anti-bribery, anti-money laundering, complaints, compliance monitoring, credit reference agencies, data protection, document retention, general collections, information security, notices and copy documents, litigation, standard letters, statutory demands and bankruptcy, trace and vulnerable customers.

The risk function is also responsible for carrying out due diligence on potential DCA partners and monitoring existing DCA partners for compliance through an annual monitoring and assurance program. This provides assurance that our DCA partners operate in a compliant manner and do not expose us to an unacceptable level or type of risk. In addition, we will use the services of external professional services firms where the due diligence activity specifically warrants external, specialist expertise.

We have established a Supplier Assurance Framework to assess and evidence our DCAs' strengths, capabilities and risks through structured due diligence and assessment. We are able to assess a DCA's performance in terms of operations, controls and procedures in line with our master services agreements, portfolio instructions and regulatory guidance. Formal due diligence assessment are conducted when taking on a new DCA, six months after the first placement and thereafter on a risk-adjusted basis. This structured program allows for the documentation of agency feedback via a comprehensive pre-assessment questionnaire, which is then tested and evidenced, typically over a two-day on-site review.

Portfolio Implementation

Our Implementation Function, led by the Head of Portfolio Implementation, oversees the risks associated with acquiring new assets. The Implementation Function is responsible for customer relations quality assurance at the first point of direct contact with us and manages accounts when the customer has made contact with us before their account has been placed with a DCA. There is a dedicated team and comprehensive mechanisms in place to address customer complaints received by servicing partners or directly by us in a timely manner.

The Implementation Function is involved with ensuring that operational risk is a key part of investment decisions by supporting investment appraisal decisions to ensure that we are not exposed to future issues. As a part of this wider due diligence process undertaken in respect of any proposed debt purchase, the Implementation Function undertakes due diligence of the customer history in relation to the accounts owed by UK seller banks included in a potential purchase in order to reduce the risk of compliance issues arising through these counterparty relationships.

Performance Management

The Performance Function, led by the head of Core Collections, oversees the operational risk and portfolio management associated with servicers. The Performance Management team is the first point of contact for DCAs and is responsible for directing their operations. DCAs' process adherence is monitored through a range of measures including weekly conference calls, monthly on-site visits, quarterly business reviews, TCF scorecards, complaints reports, call listening and operational performance data and dashboards. The Performance Management team uses the findings of the annual audit process (conducted by the Audit and Due Diligence Team-the Monitoring and Assurance Team within the second line risk function), the bi-monthly first line audits (conducted by the operational first line Conduct Team) and the results of audits carried out by Debt Sellers to focus on monitoring activities. The Performance Management team collates DCA management information to help drive compliance monitoring activity.

We actively work with our panel of DCAs in order to continually improve the quality of their customer service, to ensure appropriate customer outcomes and to reduce complaints. We require our servicers to log details of all complaints made to them by debtors, whether during the course of a telephone call or in writing.

In addition, the Performance Function is responsible for guiding our overall approach to TCF through defining relevant policies, delivering staff training and by developing a TCF Scorecard.

Other risk and compliance initiatives

We continue to embed a culture aligned with the principles of TCF through the compliance-driven initiatives outlined below.

Research by Bristol University

In April 2013, we commissioned a piece of research into the motivations and barriers to the engagement of consumers in financial difficulty with creditors, carried out by Bristol University's Personal Finance Research Centre (the ***Bristol University Study***). The Bristol University Study found that consumers are more likely to formulate and engage in a repayment plan if creditors show a good understanding of their personal circumstances, show good communication with the consumer and offer practical tools such as tailored and affordable repayment plans, free independent financial advice and other financial management tools. These findings are helping to inform our approach to collections.

Debt Britain Research

In the UK, we commissioned our Debt Britain study to further enhance our knowledge and understanding of customers facing unmanageable debt. The Debt Britain study, which identified key reasons for which people face unmanageable debt and possible drivers for engagement, will assist us in shaping our service offerings in the future. Importantly, the research also showed that a rise in consumer borrowing, coupled with higher interest rates, is expected to fuel a 17% increase in the number of households in default by 2020, equating to an additional 700,000 households in default, which increases the current estimate of 4.0 million households to 4.7 million.

PCB

In 2011, we launched the PCB, a large database targeted towards defaulted accounts in the UK, in collaboration with Experian, a global information services group that manages and operates the PCB platform. The PCB aggregates data submitted by a closed user group including parties such as us, our DCAs and Debt Originators, third-party debt managers and insolvency practitioners. These contributors are from a wider constituency than that contributing to the credit bureau; for example, DCAs and third-party debt managers contribute to the PCB, but not to the credit bureau. We maintain full discretion over membership in the closed user group. The data aggregated in the PCB forms a database from which we can then receive matches to our own customers. The PCB is one of the various data sources used to create our single customer view. As of December 31, 2016, the PCB contained approximately 23.8 million records.

We also consider the PCB an important compliance tool. Relevant provisions in CONC make clear that, if customers have appointed financial representatives (which are often third-party debt managers), creditors must work with those representatives. The PCB provides us with information on these customer representatives through a number of direct and indirect data feeds provided by the customer representatives and the DCAs who work with them. Furthermore, regulatory authorities aim to minimize any pressure generated by multiple DCAs collecting from the same customer. Regulatory authorities also want Debt Sellers, like other creditors, to avoid customer mis-traces where, for example, a notice letter from a DCA is sent to the wrong address. We believe that our outsourced model, combined with the PCB information capabilities, enable us to effectively place customer accounts and thus improve performance in connection with these compliance objectives by working with the DCA that is already collecting from a customer, as well as by increasing the number of customer information ''matches.''

Internal staff training

We are continuously improving our risk awareness and compliance training program to ensure every employee has an appropriate awareness and understanding of their risk and compliance responsibilities. This program uses a range of approaches, including classroom and computer-based training designed to target content appropriately and, where needed, to formally test employee knowledge and award accreditation.

Industry engagement

We are actively engaged in setting compliance policies within the industry. The senior team is well-represented in industry organizations that are leading the new consumer credit regime transition and migration discussions between industry trade bodies and the FCA and its representatives.

We deal with governmental bodies, including the FCA, the ICO, the FOS and the Department for Business, Innovation and Skills, on an ongoing basis and have active relationships with trade organizations relevant to the debt purchase and collection industry, such as the CSA and the Finance and Leasing Association, so that we can make use of best practices.

Industry groups such as the CSA, which, as the UK's only national association for companies providing debt collection services, acts as a trade body promoting professional industry standard, publishes codes of conduct and receives complaints regarding improper behavior. We also take an active part in the trade associations that represent the industry's interests. Through directorships on industry bodies such as the CSA, whose members include Debt Originators, our senior management is playing a visible and key role in initiating, shaping and implementing industry-wide audit and compliance standards and data gathering initiatives on behalf of the CSA. Such initiatives underline our commitment to proactively managing reputational and compliance risk for all our business partners. For example, Arrow Global Limited, Arrow Global Guernsey Limited, Arrow Global Management Limited, Arrow Global Accounts Management Limited and Arrow Global Receivables Management Limited are members of the CSA, and therefore must abide by its Code of Practice.

Compliance track record

We believe that compliance is integral for developing and maintaining relationships with Debt Sellers. We place great importance on how we conduct our affairs and on the fair treatment of customers, an indication of which is the low rate of complaints made by customers to the regulators. No regulatory body has ever imposed sanctions on us.

The FCA can take into account the complaints received about a business to decide if that firm remains fit to be authorized and may take regulatory enforcement action which could result in penalties such as a fine or public statement of censure. The FCA may also require that a consumer redress scheme be implemented. If any complaint is found in favor of a customer by the FOS, we are required to pay the customer whatever sum the FOS determines is appropriate, but no fine or other penalty can be imposed by the FOS, although cases that reveal systemic problems with a business could be further investigated by the FCA. The FOS would be able to publish our name and information relating to complaints data should complaints reach a certain threshold.

For the year ended December 31, 2016, an average of 40 FOS filed complaints were received by us and our DCAs per million owned accounts. We believe this compares favorably with our competitors. Furthermore, during the year ended December 31, 2016, 377 complaint decisions were received from FOS, and of these, only 36% represented a change in favor of the customer. In 2016, only 11 complaints in respect of us were filed with the ICO. We have not had any fines imposed on us by the ICO.

Compliance and risk mitigation for our Portuguese and Dutch portfolios

Our Portuguese and Dutch portfolios operate under broadly the same risk framework as the UK though oversight requirements reflect the regulatory demands in Portugal, which are typically less onerous than under the UK FCA regime. In Portugal, oversight historically, has been maintained primarily through the use of a leading local law firm, PLMJ—A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice Associados, Sociedede de Advogados, R.L. that prepares the majority of our purchase and servicer contracts, which include clauses stipulating the regulations and guidance with which the relevant DCAs must comply, together with an ongoing oversight program. Each DCA in Portugal is required to warrant and, where appropriate, provide proof of its compliance with all relevant Portuguese legislation. Since we appointed Deloitte as our internal audit function they have started to provide oversight of the Portuguese operations. In the Netherlands, we have embedded our enterprise-wide risk management framework. See ''Regulation and Compliance—Our Risk Management and Compliance.''

MANAGEMENT

The following describes the Board of Directors and senior management of AGG, the ultimate parent company of AGGHL. AGG is a public limited company incorporated under the laws of England and Wales, whose shares are listed on the London Stock Exchange.

Currently, the Board of Directors of AGGHL consists of Lee Rochford and Robert Memmott.

For more information on the Board of Directors of AGGHL, see ''—AGGHL Board'' below.

AGG

Board of Directors

The Board is fully committed to high standards of corporate governance and corporate responsibility throughout the Consolidated Group. The Board is committed to applying the principles of corporate governance set out in the UK Corporate Governance Code and as of the date of this Offering Memorandum is in compliance with all relevant provisions of the UK Corporate Governance Code.

The roles of the Non-Executive Chairman and CEO are distinct and separate, with a clear division of responsibilities approved by the Board. The Board has established Nomination, Remuneration, Audit, Risk and Disclosure Committees, with formally delegated duties and responsibilities with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The Board is made up of two Executive Directors and five Non-Executive Directors, one of whom is also the Chairman. The Chairman was considered independent on appointment and the other Non-Executive Directors are all considered to be independent.

The following table set out information relating to each Director (ages are as of the date hereof):

Name	Age	Position
Jonathan Bloomer MBE	62	Non-Executive Chairman
Lee Rochford	50	Group Chief Executive Officer
Robert Memmott	44	Group Chief Financial Officer
Iain Cornish	56	Non-Executive Director
Lan Tu	50	Non-Executive Director
Maria Luís Albuquerque	49	Non-Executive Director
Andrew Fisher	59	Non-Executive Director

The executive office of the Board of AGG is located at Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom.

Jonathan Bloomer MBE, 62, currently serves as our Non-Executive Chairman and chairman of the Nomination Committee. Mr. Bloomer spent six years at Cerberus Capital, a global private equity firm, between 2006 and 2012, where he held the position of European partner and senior member of the operations team. Prior to his time at Cerberus Capital, he spent 10 years at Prudential PLC (1995 to 2005), where for five years he was the group chief executive officer, and 20 years at Arthur Andersen (1974 to 1994). He is the chairman of Shepherd Direct Ltd and a member of the Code Committee of the Takeover Panel. His previous positions included chairman of the Practitioner Panel of the FSA and board membership of the Geneva Association (International Association for the Study of Insurance Economics) and the Association of British Insurers and the non-executive chairman of Jardine Lloyd Thompson PLC's employee benefits board. Mr. Bloomer holds a degree in Physics from Imperial College and is a fellow of the Institute of Chartered Accountants. Mr. Bloomer was also director and chairman of the audit committee of Autonomy Corporation plc, from which he resigned following its acquisition by Hewlett-Packard. The Serious Fraud Office is, and it has been reported that other governmental agencies are, investigating the public allegations by Hewlett-Packard of accounting impropriety at Autonomy. There have been no reports of proceedings being brought against any of the former directors of Autonomy.

Lee Rochford, 50, currently serves as our Group CEO. Mr. Rochford was Chief Financial Officer at Virgin Money between October 2013 and August 2015, seeing the group through its successful IPO and into life as a listed company. Prior to this he held a number of roles at RBS between 2007 and 2013, culminating as Managing Director and Head of the Financial Institutions Group. Mr. Rochford brings extensive relevant financial services experience, including running a pan-European financial institutions advisory business which focused on the acquisition and sale of portfolios of non-performing loans across Europe, working both with financial institutions and private equity firms. Earlier in his career, Mr. Rochford was Managing Director of Wachovia Securities' Principal Finance team, Managing Director and Head of European Asset Finance at Credit Suisse and Head of Northern European Securitization at BNP Paribas. Mr. Rochford received his degree in Politics and Economics from Oxford University.

Robert Memmott, 44, currently serves as our Group CFO. Mr. Memmott has been a corporate CFO for 14 years, and has over 18 years of experience in senior financial leadership roles in private equity backed and listed organizations. Prior to joining Arrow Global in 2011, he worked with Leeds Bradford International Airport Limited as chief financial officer and company secretary. He also previously served as finance director of Alfred MacAlpine Infrastructure Services Limited, which he joined from Servisair plc, where he was chief financial officer. Mr. Memmott, who has significant experience both in raising and restructuring debt, and in mergers and acquisitions, has a degree in mathematics from the University of Sheffield and qualified as a chartered accountant with KPMG LLP in Manchester.

Iain Cornish, 56, currently serves as a Non-Executive Director and is the Senior Independent Director and chairman of the Risk Committee and the Disclosure Committee. Mr. Cornish spent 19 years (1992 to 2011) at Yorkshire Building Society, where he worked in a number of management roles and then as chief executive officer for eight years (2003 to 2011). Before joining the Yorkshire Building Society, he was a corporate planner at Bradford and Bingley Building Society (1990 to 1992), a senior consultant at KPMG (1987 to 1990), assistant head of corporate planning at the Post Office (1984 to 1987) and senior assistant statistician at the Department of Trade and Industry (1982 to 1984). He is currently a non-executive chairman of Shawbrook Group plc and senior independent director and risk committee chairman at St. James' Place Wealth Management PLC. He was previously a non-executive director of the Prudential Regulatory Authority, a non-executive director of Vanquis Bank, chairman of the Practitioner Panel of the FSA, chairman of the Building Societies Association and an executive committee member of the Council of Mortgage Lenders. He holds a degree in Business, Economics and Statistics from Southampton University.

Lan Tu, 50, currently serves as a Non-Executive Director and chairman of the Remuneration Committee. Ms. Tu has over 10 years of experience in senior leadership roles within American Express and until July 2015 headed its Emerging Payment and Services business in Europe, the Middle East and Africa. Ms. Tu was previously General Manager for American Express' UK and Nordics Merchant Services business and previously ran its International Strategic Planning group and worked at McKinsey & Company for 12 years, primarily in the financial services sector. Ms Tu is currently chief strategy officer at Standard Life and executive chairman of Maudsley Learning at Work, Maudsley B2B CIC.

Maria Luís Albuquerque, 49, currently serves as a Non-Executive Director. Ms. Albuquerque was Portuguese Minister of State and Finance from July 2013 until November 2015 when there was a change of government in Portugal, and Deputy Minister for Treasury from June 2011 to July 2013. Ms. Albuquerque has previously held a number of senior finance and treasury roles in the Portuguese public sector, including Head of Issuing and Markets and the Portuguese Treasury and Debt Management Agency, and director of the department of financial management at REFER, the state owned rail infrastructure company. Ms. Albuquerque is an economist who also lectured in Universidade Lusiada in Lisbon from 1991 to 2006. Ms. Albuquerque is currently a Member of the Portuguese Parliament, having been re-elected in the general election of October 2015.

Andrew Fisher, 59, currently serves as a Non-Executive Director and chairman of the Audit Committee. Mr.Fisher is currently the Finance Director of FTSE100 Provident Financial plc, having been appointed in 2006. He has spent over 20 years as Finance Director of major listed companies where he has accumulated broad international experience and a considerable depth of knowledge across a variety of consumer credit asset classes. Prior to working in industry, he was a partner with Price Waterhouse LLP. Mr.Fisher holds a degree in Accounting from the University of Leeds.

Senior Management

The Group CEO has overall responsibility for AGG's executive management and for ensuring implementation of Board strategy and policy within the approved budgets and timescales. The following table sets out the names and positions of senior management:

Name	Age	Position
Zachary Lewy	42	Founder and CIO
Tracy French	51	Group Human Resources Director
Steven Greenwood	48	Group CRO
Phil Marsland	49	UK CEO
John Calvão	44	Portugal CEO
Joost van Rens	42	Benelux CEO
Stewart Hamilton	41	General Counsel and Company Secretary

Zachary Lewy, 42, is our founder and currently serves as CIO, leading origination, corporate development and external relations. He has 16 years of executive experience in debt purchase, debt collections and contact center management. He started Arrow Global in 2005. Previously, Mr. Lewy worked at Vertex, the business process outsourcing division of United Utilities plc (a FTSE 100 company) in the UK During this time, Mr. Lewy served in various roles, including as corporate development director and president of Vertex North America where he was the global product owner for debt management. He also served as co-founder and executive director of 7C Limited, a UK based call-center operator, which was acquired from AT&T in 1998 and sold to Vertex in 2002. Mr. Lewy has a degree in economics with honors from Princeton University and a certificate in applied and computational mathematics from Princeton University. He served as president of the DBSG, which is part of the debt purchase and collection industry's trade association, the CSA. Mr. Lewy stepped down from the AGG Board in April 2015 to allow him to focus his time on continuing to lead the expanded AGG debt purchasing team. He also holds Board positions on AGG European subsidiaries and interests.

Tracy French, 51, currently serves as Group HR Director. Tracy has 25 years of experience in human resources with expertise in the area of transformation and change, organizational effectiveness, talent management and employee engagement. Before she joined Arrow Global, Tracy was director and owner of Joint Resolutions Ltd. Prior to that, she worked as a senior human resources professional predominantly in the service sector supporting a broad range of private equity, corporate and privately owned organizations from retail banking, insurance, mobile, utilities and food services to undertake large change and transformation programs. Tracy holds an honors degree in Business from the University of Central England.

Steven Greenwood, 48, currently serves as our Group CRO. Mr. Greenwood has over 10 years of experience in senior risk roles. He joined Arrow Global from UK Asset Resolution (UKAR), the holding company established to bring together the government-owned businesses of Bradford & Bingley and Northern Rock (Asset Management). At UKAR, Mr. Greenwood led operational risk and financial crime teams in developing the organization's risk framework and supporting the organization through a number of major transformation programs. He previously worked at Lloyds Banking Group and HBOS leading risk teams across diverse functions, including front and back office banking, savings and mortgages, collections and recoveries, IT, share dealing and customer relations. Mr. Greenwood holds a post graduate diploma from Durham Business School.

Phil Marsland, 49, currently serves as our UK CEO. Mr. Marsland has over 20 years of experience in senior data and analytics and operational roles. He joined us in March 2016 having previously held a number of senior leadership positions with responsibility for direct and customer relationship marketing, general management and consulting at sector-leading organizations including Capital One, American Express, Vodafone and Virgin Active. His most recent prior role was to serve as strategic analytics director at Lloyds Banking Group. Mr. Marsland holds an MBA (with Distinction) from INSEAD, and a BA (Hons) and MA in Physics from Oxford University.

John Calvão, 44, currently serves as our Portugal CEO. Mr. Calvão has more than 17 years' experience in financial services and collections roles. Prior to joining Whitestar, Mr. Calvão served as chief operating officer of MIAC Assurance Corporation, a financial guaranty firm funded by Macquarie Capital. Prior to that, Mr. Calvão served as head of operations at Syncota Guarantee Inc. (**SCA**), which he joined after an independent consultant role overseeing the build-out of the first independent, non-performing loan servicing company in Portugal as its chief operating officer and chief investment officer. Before joining

SCA, Mr. Calvão served as a chief information officer at Clayton, where he launched new businesses in RMPS surveillance and loan servicing. Mr. Calvão began his career at MBIA, and holds a BA (Hons) from Manhattanville College.

Joost van Rens, 42, currently serves as our Benelux CEO. Mr. van Rens has more than 16 years' experience in the financial services industry. Prior to joining the InVesting Group, Mr. van Rens was an operating partner at HAL Investments B.V. and also served as an executive member of the board of HAL's portfolio company, Floramedia. Prior to this, Mr. van Rens was chief executive officer at GrandVision's Masvisión in Spain, and an investment manager at HAL. Mr. van Rens holds a Masters of Science degree in Aerospace Engineering from Delft University of Technology, and a Masters of Business Administration degree from the Kellogg School of Management, Northwestern University (Hons).

Stewart Hamilton, 41, currently serves as General Counsel and Company Secretary of AGG. Mr. Hamilton has over 13 years of experience as a solicitor in corporate and commercial law. He joined us from Addleshaw Goddard in 2011. He qualified as a solicitor in 2002 before working for Baker & McKenzie in London. Mr. Hamilton holds an MA in Economics and Law from the University of Edinburgh and a post graduate diploma in Legal Practice from Nottingham Law School.

Board Committees

As envisaged by the UK Corporate Governance Code, the Board has established the Audit, Risk, Remuneration, Nomination and Disclosure Committees. We are outside of the FTSE 350 and comply with the committee composition requirements applicable to us. The Audit Committee and the Risk Committee previously operated as the Audit and Risk Committee. On January 25, 2017, the Audit and Risk Committee was separated into the Audit Committee and the Risk Committee.

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Consolidated Group and the involvement of the Consolidated Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee is also responsible for advising the Board on overall risk appetite and strategy. The Audit Committee reviews the risk assessment processes and methodology and its capability for identifying and managing new risk, alongside advising on proposed transactions and reviewing reports on material breaches of risk limits.

The Audit Committee will normally meet at least eight times a year at the appropriate times in the financial reporting and audit cycle and at such other times as required.

The categories of responsibility of the Audit Committee covered in its terms of reference are: external audit, internal audit, financial reporting, narrative reporting and internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Audit Committee comprises at least three members who are all independent non-executive directors (two in the case of companies outside the FTSE 350) and includes one member with recent and relevant financial experience. In a company outside the FTSE 350, the chairman may be a member of (but may not chair) the committee so long as he was considered independent on appointment as chairman. The Audit Committee comprises four members who are independent Non-Executive Directors: Iain Cornish, Lan Tu, Andrew Fisher and Maria Luís Albuquerque. The committee is chaired by Andrew Fisher, who has recent and relevant financial experience.

Risk Committee

The Risk Committee is responsible for advising the Board on the Group's overall risk appetite, for overseeing and advising the Board on the current risk exposures of the Group and the overall risk management approach and systems of internal control.

The Risk Committee comprises four members who are independent Non-Executive Directors: Iain Cornish, Lan Tu, Andrew Fisher and Maria Luís Albuquerque. The committee is chaired by Iain Cornish, who has recent and relevant financial experience.

Remuneration Committee

The Remuneration Committee has responsibility for the determination of specific remuneration packages for each of the Chairman, the Executive Directors and certain senior executives of the Consolidated Group, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share option, or other performance-related schemes. It meets at least twice a year.

The responsibilities of the Remuneration Committee covered in its terms of reference relate to the following: determining and monitoring the remuneration policy (such policy to be subject to a binding shareholder vote) and determining, within the parameters of that policy, levels of remuneration, early termination, performance-related pay, pension arrangements, authorizing claims for expenses from the CEO and Chairman, reporting and disclosure, share schemes, clawback, shareholder and employee consultation and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities. The Remuneration Committee will be required to produce compliance statements relating to the remuneration policy and the implementation of that policy for the Consolidated Group's annual report.

The UK Corporate Governance Code recommends that the Remuneration Committee comprises at least three members who are all independent non-executive directors (two in the case of companies outside the FTSE 350) one of whom may be the chairman (but who may not chair the Remuneration Committee). Our Remuneration Committee currently comprises four members who are independent Non-Executive Directors: Lan Tu (chair), Andrew Fisher, Iain Cornish, and the Chairman of the Board (Jonathan Bloomer, who was regarded as independent on appointment).

Nomination Committee

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary.

The Nomination Committee's terms of reference include succession planning, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee will meet at least twice per year.

The UK Corporate Governance Code recommends that a majority of the members of the Nomination Committee should be independent non-executive directors. The committee should be chaired by the chairman or an independent non-executive director. Our Nomination Committee comprises three members who are independent Non-Executive Directors: Iain Cornish and Lan Tu, and is chaired by Jonathan Bloomer (the Chairman of the Board, who was regarded as independent on appointment).

Disclosure Committee

The Disclosure Committee is made up of one Non-Executive Director, Iain Cornish (Andrew Fisher will act an alternate where appropriate), two Executive Directors, Robert Memmott and Lee Rochford (chair) and our Company Secretary, Stewart Hamilton. The Disclosure Committee meets at such times as may be necessary or appropriate.

The Disclosure Committee is responsible for monitoring, evaluating and enhancing disclosure controls and procedures of the Consolidated Group. In particular, responsibilities set out in the terms of reference include the identification of inside information and maintenance of insider lists, the design, implementation and evaluation of disclosure procedures and the resolution of any questions concerning the materiality of certain information. The Disclosure Committee is also required to help make timely and accurate disclosure of all information where disclosure is required to meet legal and regulatory obligations.

Operational Committees

As part of its risk management framework, AGG also operates a number of other operational committees, as more fully described below.

Executive Risk Committee

The Executive Risk Committee is chaired by the Group CEO and comprises the Group CRO, Group CFO, UK CEO, Portugal CEO, Benelux CEO, Founder and CIO, Group Human Resources Director, General Counsel and Company Secretary and the Head of Internal Audit. It meets quarterly and reviews and monitors the major risks to the achievement of the objectives of the business and confirms that adequate, cost effective, mitigating actions are in place or being developed where appropriate. The duties of the committee focus on risk management, internal controls and strategic, financial, investment, operational and conduct risks.

Investment Committee

The Investment Committee is tasked with reviewing portfolio acquisition transactions by evaluating an investment memorandum prepared by teams involved in the underwriting process. The committee is responsible for determining whether to proceed with the purchase of a portfolio. The Investment Committee consists of the Group CEO, Group CFO, Founder and CIO, Group CRO, UK CEO, Portugal CEO, Benelux CEO, General Counsel and Company Secretary, Head of Pricing and one Non-Executive Director.

Underwriting Committee

The Underwriting Committee comprises the pre-indicative bid underwriting meeting, pre-launch of final bid underwriting meeting, pre-final bid committee meeting and Investment Committee. It ensures an objective, rigorous and consistent approach to pricing and due diligence. Any trends of underperformance or outperformance are also identified by the Underwriting Committee to ensure these are reflected in the pricing models.

Conduct and Compliance Committee

The Conduct and Compliance Committee is chaired by the Group CRO and includes representatives from all areas of the business. It meets monthly and reviews various elements of the risk framework, including, an update on the risk and control environment. It also tracks the implementation of actions resulting from servicer assurance reviews, provides a forum to review the impact of regulatory change, sets the compliance standards expected within the business and annually reviews its own mandate.

Portfolio Review Committee

The Portfolio Review Committee is chaired by the Group CEO and comprises the Group CFO, Group CRO, UK CEO, Portugal CEO, Benelux CEO and other senior managers when appropriate. It monitors Core Collections, updated Gross ERC forecasts and operational campaigns focusing on any indicators of impairment. It receives quarterly reports from the business on the performance and planned activity of portfolios against plan and determines the actions required to improve performance for each identified portfolio. The Portfolio Review Committee focuses on portfolio performance, and the integrity of the Arrow Group's Gross ERC forecasts, and makes recommendations to the Audit Committee for any adjustments to asset carrying values.

Treasury and Tax Committee

The Treasury and Tax Committee is chaired by the Group CFO and comprises the Group CEO, Group Treasurer, Founder and CIO, Group CRO, Head of Pricing and General Counsel and Company Secretary. It ensures that a robust control framework is in place for monitoring compliance with the group's treasury and tax policies. It also discusses the economic context in which decisions are taken. It meets quarterly and receives monthly reports from the business. The Treasury and Tax Committee focuses on financial risk management (including liquidity risk, market risk and counterparty risks) and tax risk management and makes recommendations to the Board in order to manage these risks effectively. It reports policy compliance to the Board of Directors on a monthly basis.

Compensation

Robert Memmott, AGG's Executive Director, and Tom Drury, AGG's Executive Director until January 3, 2017, were paid total compensation of £2,439,000 for year ended December 31, 2016. The following table sets forth a breakdown of their total compensation.

	Salary and fees	Taxable benefits(1)	Performance-related bonus(2)	Long-term incentives(3)	Pension-related benefits(4)	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Tom Drury	389	4	389	531	58	1,371
Robert Memmott	306	2	296	418	46	1,068
	695	6	685	949	104	2,439

(1) Private medical and dental cover.

(2) Performance related bonus is the value of the bonus earned in respect of the year including the value of the deferred shares.

(3) Long-term incentives reflect the value of the awards scheduled to vest in March 2017 based on performance over the three years to December 31, 2016. In accordance with the applicable regulations, the value is calculated as the number of shares that are expected to vest multiplied by the average share price over the three month period ended December 31, 2016 (£2.9468), plus the value of dividends paid over the period from grant to vesting (£25,546 in the case of Mr. Drury and £20,128 in the case of Mr. Memmott).

(4) Mr. Drury and Mr. Memmott received a monthly cash allowance of 15% of salary in lieu of participation in a pension arrangement. The cash allowance is not included in the annual bonus or LTIP allocation.

For the majority of 2016 the Non-Executive Directors were paid a basic fee of £45,000 per annum, with further fees of £7,500 per annum being paid for chairing the Remuneration Committee, Audit Committee, and Risk Committee and for holding the position of Senior Independent Director. The Non-Executive Chairman's fee was £160,000 per annum. As set out in our remuneration policy, Non-Executive Director fees are reviewed periodically to comparable companies' pay. These fees were last set at the time of the IPO in 2013. Following a peer benchmarking review by our remuneration consultants, it was resolved to increase the fees with effect from January 1, 2017 to the following levels:

- £55,000 per annum for the basic fee;
- £10,000 per annum for the committee chairs/senior independent director; and
- £170,000 per annum for the non-executive Chairman.

Andrew Fisher was paid at the new fee level from appointment on December 9, 2016.

It is proposed that the fees for the Non-Executive Chairman and other Non-Executive Directors will not be reviewed for another three years.

Share Ownership

The Remuneration Committee encourages share ownership in AGG by the Executive Directors in order to align their interests with those of shareholders. It does this by ensuring that a significant proportion of remuneration is delivered in shares (as well as being subject to performance conditions).

The shareholding requirement for Executive Directors was increased in March 2015 from 100% to 150% of salary (and 150% to 200% for the Chief Executive Officer). Newly appointed Directors are expected to acquire shares with a value of 100% of base salary within five years of appointment (150% in the case of Lee Rochford) and 150% of base salary (200% in the case of Lee Rochford) as soon as possible thereafter. Until the requirement has been met, Executive Directors must retain 50% of all vested LTIP awards (net of tax).

The actual shareholdings of our Executive Directors in office at the end of 2016 are significantly higher—5,261% of salary for Tom Drury, and 2,255% of salary for Rob Memmott based on the number of shares held and closing share price as of December 31, 2016.

Lee Rochford has already taken a significant step towards satisfaction of the guidelines, acquiring 174,928 shares on December 15, 2016 for an aggregate cost of £496,515, meaning that his holding for the purposes of the guidelines was 122% of his starting salary based on the closing share price at December 31, 2016.

As of March 14, 2017, the following Directors and members of senior management had beneficial ownership interests in the shares of AGG.

Director/Senior Manager	Type	Owned Outright	Vested	Unvested Subject to performance conditions	Unvested Not subject to performance conditions	Total shareholding
Lee Rochford	Shares	174,928	—	—	—	174,928
	LTIP(1)	—	—	—	—	—
	DSBP(2)	—	—	—	—	—
	SIP(3)	—	—	—	—	—
Rob Memmott	Shares	2,342,020	—	—	—	2,342,020
	LTIP	—	135,086 (sold on March 13, 2017)	336,758	—	336,758
	DSBP	—	—	—	41,543	41,543
	ISOP	—	—	—	—	—
	SIP	—	—	—	218	218
Zachary Lewy	Shares	3,149,255	—	—	—	3,149,255
	LTIP	—	145,478 (sold on March 13, 2017)	—	—	—
	DSBP	—	—	—	24,814	24,814
	SIP	—	—	—	4,244	4,244
	Restricted share award	—	—	—	538,646	538,646
Phil Marsland	Shares	—	—	—	—	—
	LTIP	—	—	97,460	—	97,460
	DSBP	—	—	—	—	—
	SIP	—	—	—	—	—
John Calvão	Shares	—	—	—	—	—
	LTIP	—	—	80,260	—	80,260
	DSBP	—	—	—	—	—
	SIP	—	—	—	—	—
Stewart Hamilton . .	Shares	128,533	—	—	—	128,533
	LTIP	—	33,416 (nil exercised)	109,053	—	142,469
	DSBP	—	—	—	—	—
	SIP	—	—	—	4,244	4,244
Steve Greenwood .	Shares	—	—	—	—	—
	LTIP	—	41,218 (11,218 sold on March 13, 2017)	110,763	—	140,763
	DSBP	—	—	—	—	—
	SIP	—	—	—	3,115	3,115
Tracy French	Shares	—	—	—	—	—
	LTIP	—	—	101,879	—	101,879
	DSBP	—	—	—	—	—
	SIP	—	—	—	2,752	2,752
Joost van Rens . . .	Shares	—	—	—	—	—
	LTIP	—	—	80,277	—	80,277
	DSBP	—	—	—	—	—
	SIP	—	—	—	—	—
Jonathan Bloomer .	Shares	24,391	—	—	—	24,391
Lan Tu	Shares	23,309	—	—	—	23,309

(1) LTIP means AGG's Long Term Incentive Plan.

(2) DSBP means AGG's Deferred Share Bonus Plan.

(3) SIP means AGG's Share Incentive Plan.

AGGHL Board

The executive office of the board of directors of AGGHL is located at Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom.

The board of directors of AGGHL is as follows:

Name	Age	Position
Lee Rochford	50	Director
Robert Memmott	44	Director

Lee Rochford. See ''—AGG—Board of Directors'' above.

Robert Memmott. See ''—AGG—Board of Directors'' above.

Issuer Board

The executive office of the board of directors of the Issuer is located at Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom.

The board of directors of the Issuer is as follows:

Name	Age	Position
Lee Rochford	50	Director
Robert Memmott	44	Director
Zachary Lewy	42	Director

PRINCIPAL SHAREHOLDERS

AGGHL

Prior to the IPO, AGGHL's total share capital was divided into four classes of shares: A ordinary shares (the only shares that carried voting rights), B ordinary shares, C ordinary shares and D ordinary shares. As part of the restructuring of AGG in connection with the IPO, all shares in AGGHL were changed to one class of share. AGGHL currently has an authorized share capital of £16,679, represented by 16,679 ordinary shares issued (each share having a par value of £1.00). All of the issued and outstanding shares in AGGHL are held by Arrow Global One Limited.

In connection with the IPO, AGG acquired by way of share-for-share exchange the entire issued share capital of Arrow Global One Limited, which in turn acquired by way of share-for-share exchange the entire issued share capital of AGGHL. As a result, AGGHL became an indirect wholly-owned subsidiary of AGG.

AGG

The issued share capital of AGG is 175,266,624 ordinary shares. The total number of voting rights is 175,266,624.

As of March 15, 2017, we have been notified under Rule 5 of the Disclosure Guidance and Transparency Rules that the total voting rights in the shares of AGG is as follows:

Shareholder	Holding	% of total ordinary shares
Jupiter Asset Management Ltd	18,112,998	10.38%
Schroders plc	17,608,036	10.09%
Tom Drury and relative	6,962,283	3.99%
Blackrock Inc	6,681,014	3.83%
Legal and General Group Plc	6,247,274	3.58%
Odin Fortvaltning AS	5,322,029	3.05%
Kairos Investment Management Limited	5,249,949	3.01%

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with certain related parties in the ordinary course of business. The following discussion is a brief summary of certain of our material arrangements, agreements and transactions with related parties during the years ended December 31, 2014, 2015 and 2016.

Following the IPO, for purposes of this Offering Memorandum, we treat transactions outside AGGHL with other members of the Consolidated Group as related party transactions, and for purposes of the Existing Indentures treat (and in respect of the Indenture intend to treat) such transactions as transactions with affiliates.

On August 27, 2014, a loan from one of our shareholders was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the Existing Indentures and which will have the same meaning in the Indenture).

In the period from January 1, 2016 to December 31, 2016, AGG paid a total of £14.1 million to its shareholders as dividends. The source for these funds was the AGGHL Group. AGG has proposed a final dividend payment for the year ended December 31, 2016 of £11.2 million, which is subject to approval at the annual general meeting of AGG. The final dividend is proposed to be paid by AGG to its shareholders on July 7, 2017 and will also be funded by the AGGHL Group. AGGHL will continue to provide funds to AGG for any future dividends that AGG will pay to its shareholders, in accordance with the restrictions set forth in the Existing Indentures, the Indenture, the Arrow Global Revolving Credit Facility and any other debt instrument to which it is, or will become, subject.

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

From time to time we purchase portfolios from banks that may include one of our directors as a board member. See note 22 to our consolidated financial statements included elsewhere in this Offering Memorandum.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of the Existing Notes, the Arrow Global Revolving Credit Facility and the Intercreditor Agreement. Terms not otherwise defined in this section shall, unless the context requires otherwise, have the same meanings set out in the Arrow Global Revolving Credit Facility or the Intercreditor Agreement, as applicable.

References to the ''Company,'' ''we,'' ''us'' and ''our'' are to AGGHL in this ''Description of Other Indebtedness.''

2023 Notes

Overview

On April 21, 2016, the Issuer issued €230.0 million aggregate principal amount of senior secured floating notes due 2023 (the ***2023 Notes***). The 2023 Notes were issued pursuant to an indenture dated April 21, 2016, as amended and restated from time to time (the ***2023 Indenture***). The 2023 Notes are currently guaranteed on a senior secured basis by the Guarantors.

The 2023 Notes and the guarantees thereof are secured by first priority liens on the Collateral.

Interest

The 2023 Notes accrue interest at a rate of three-month EURIBOR plus 4.75% per annum, provided that EURIBOR shall never be less than 0%, reset on the Determination Date (as defined in the 2023 Indenture) and mature on May 1, 2023. Interest on the 2023 Notes is payable in arrear on March 1, June 1, September 1 and December 1 of each year.

Prepayments and redemptions

We may redeem some or all of the 2023 Notes on or after May 1, 2019 at the redemption prices specified in the 2023 Indenture, plus accrued and unpaid interest and additional tax amounts to the redemption date. Prior to May 1, 2019, we may redeem, at our option, some or all of the 2023 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional tax amounts, if any, plus the applicable ''make-whole'' premium. In addition, prior to May 1, 2019, we may redeem up to 40% of the aggregate principal amount of the 2023 Notes using the net cash proceeds from certain equity offerings at a price equal to 104.750% of the principal amount thereof, plus accrued and unpaid interest, if any, if at least 60% of the originally issued aggregate principal amount of the 2023 Notes remains outstanding. Additionally, we may redeem all, but not less than all, of the 2023 Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a Change of Control (as defined in the 2023 Indenture), we may be required to make an offer to repurchase all the 2023 Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

Ranking

The 2023 Notes:

- are general, senior obligations of the Issuer;
- rank equally in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the 2023 Notes, including our obligations under the Arrow Global Revolving Credit Facility and the 2024 Notes;
- rank senior in right of payment to all the Issuer's existing and future indebtedness that is subordinated in right of payment to the 2023 Notes;
- are effectively senior to all the Issuer's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the 2023 Notes;
- are effectively subordinated to all the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the 2023 Notes to the extent of the value of the property or assets securing such indebtedness; and
- are effectively subordinated to any existing and future indebtedness of the subsidiaries of the Company (other than the Issuer) that do not guarantee the 2023 Notes, if any.

Covenants and events of default

The 2023 Indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create or permit to exist liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

Each of these covenants is subject to significant exceptions and qualifications.

In addition, the 2023 Indenture imposes certain requirements as to future subsidiary guarantors and contains certain customary events of default. The 2023 Notes are subject to the provisions of the Intercreditor Agreement.

2024 Notes

Overview

On September 9, 2016, the Issuer issued £220.0 million aggregate principal amount of 5.125% senior secured notes due 2024 (the ***2024 Notes***). The 2024 Notes were issued pursuant to an indenture dated September 9, 2016, as amended and restated from time to time (the ***2024 Indenture***). The 2024 Notes are currently guaranteed on a senior secured basis by the Guarantors.

The 2024 Notes and the guarantees thereof are secured by first priority liens on the Collateral.

Interest

The 2024 Notes accrue interest at a rate of 5.125% per annum and mature on September 15, 2024. Interest on the 2024 Notes is payable in arrear on March 15 and September 15 of each year.

Prepayments and redemptions

We may redeem some or all of the 2024 Notes on or after September 15, 2019 at the redemption prices specified in the 2024 Indenture, plus accrued and unpaid interest and additional tax amounts to the redemption date. Prior to September 15, 2019, we may redeem, at our option, some or all of the 2024 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional tax amounts, if any, plus the applicable ''make-whole'' premium. In addition, prior to September 15, 2019, we may redeem up to 40% of the aggregate principal amount of the 2024 Notes using the net cash proceeds from certain equity offerings at a price equal to 105.125% of the principal amount thereof, plus accrued and unpaid interest, if any, if at least 60% of the originally issued aggregate principal amount of the 2024 Notes remains outstanding. Additionally, we may redeem all, but not less than all, of the 2024 Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a Change of Control (as defined in the 2024 Indenture), we may be required to make an offer to repurchase all the 2024 Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

Ranking

The 2024 Notes:

- are general, senior obligations of the Issuer;

- rank equally in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the 2024 Notes, including the 2023 Notes and our obligations under the Arrow Global Revolving Credit Facility;
- rank senior in right of payment to all the Issuer's existing and future indebtedness that is subordinated in right of payment to the 2024 Notes;
- are effectively senior to all the Issuer's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the 2024 Notes;
- are effectively subordinated to all the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the 2024 Notes to the extent of the value of the property or assets securing such indebtedness; and
- are effectively subordinated to any existing and future indebtedness of the subsidiaries of the Company (other than the Issuer) that do not guarantee the 2024 Notes, if any.

Covenants and events of default

The 2024 Indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create or permit to exist liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

Each of these covenants is subject to significant exceptions and qualifications.

In addition, the 2024 Indenture imposes certain requirements as to future subsidiary guarantors and contains certain customary events of default. The 2024 Notes are subject to the provisions of the Intercreditor Agreement.

Arrow Global Revolving Credit Facility

The Arrow Global Revolving Credit Facility, made available on July 29, 2016, as amended on February 24, 2017 and as it may be further amended, supplemented, refinanced, replaced or otherwise modified from time to time, among the Issuer, the Guarantors and the Security Agent, provides for £215.0 million of committed financing (the ***Total Commitments***), which is available for utilization (subject to certain conditions precedent) by way of drawing of cash revolving loans, and by way of ancillary facilities from July 29, 2016 until the date falling one month prior to the Termination Date (as defined below).

Borrowings under the Arrow Global Revolving Credit Facility are being and may be used to finance or refinance the general corporate and working capital purposes of the Consolidated Group, including for the purposes of certain Permitted Acquisitions (as described below), but not for certain other matters, including (without limitation) the repayment of any of our other indebtedness, payments of dividends, the payment of transaction costs, the provision of backstop, guarantee, cash collateral or other support in respect of facilities existing on July 29, 2016, or for capital expenditure in excess of £250,000 per year.

As of March 15, 2017, our borrowings under the Arrow Global Revolving Credit Facility, pre-netting of transaction fees, were £99.9 million, compared to £76.9 million as of December 31, 2016.

The Arrow Global Revolving Credit Facility is currently guaranteed by the Guarantors and the Issuer. The facility agent (the ***Agent***) under the Arrow Global Revolving Credit Facility is The Royal Bank of Scotland plc.

Ancillary facilities

Subject to a limit of £5.0 million for the use of ancillary facilities under the Arrow Global Revolving Credit Facility, a lender (or its affiliates) may make available to a borrower under the Arrow Global Revolving Credit Facility all or part of that lender's undrawn commitment in the Arrow Global Revolving Credit Facility by way of ancillary facilities such as overdraft facilities, guarantees, bonding, documentary or stand-by letter of credit facilities, short-term loan facilities, derivatives facilities and foreign exchange facilities, subject to the satisfaction of certain conditions precedent.

On July 29, 2016, HSBC Bank plc (a lender under the Arrow Global Revolving Credit Facility) made available to AGL an ancillary overdraft facility in the amount of £2.0 million, which extended a similar ancillary overdraft facility made available by HSBC Bank plc to AGL on June 23, 2015. As of December 31, 2016, £2.0 million was available under the HSBC Bank plc ancillary overdraft facility.

On February 24, 2017, the InVesting Facility was terminated, the amount of €9.7 million (£8.2 million, as converted to pounds sterling at a rate of €1.1731 to £1.00, the Bloomberg Composite Rate on December 30, 2016) then outstanding thereunder was repaid with borrowings under the Arrow Global Revolving Credit Facility, and the €0.3 million of borrowings outstanding under the guarantee facility of the InVesting Facility were re-characterized as an ancillary facility under the Arrow Global Revolving Credit Facility.

Clean down

The Arrow Global Revolving Credit Facility contains an annual minimum five business day net clean down of all utilizations under the Arrow Global Revolving Credit Facility to 90% of the Total Commitments. At least three months must elapse between two such clean down periods.

Repayments and prepayments

The Arrow Global Revolving Credit Facility will terminate on July 31, 2021 (the ***Termination Date***). Any amounts still outstanding at the Termination Date must be repaid on that date. On March 17, 2017, we agreed with lenders under the Arrow Global Revolving Credit Facility that following the issuance of the Notes and conditional upon (i) the redemption of the 2021 Notes, and (ii) satisfaction of certain customary conditions precedent in each case occurring before April 30, 2017 (or such other date as AGGHL and the Agent may agree), the maturity of the Arrow Global Revolving Credit Facility will be extended to the fifth anniversary of the date the agent confirms satisfaction of the conditions outlined above. The only other conditions precedent to receiving the extension are that no default is continuing and that certain customary representations are true and correct in all material respects on the date the notice is given.

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the Arrow Global Revolving Credit Facility by giving five business days' (or such shorter period as may be agreed) prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of £1 million (or its equivalent) and in an integral multiple of £250,000 (or its equivalent).

Amounts repaid may (subject to the terms of the Arrow Global Revolving Credit Facility) be reborrowed.

In addition to voluntary prepayments, the Arrow Global Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Arrow Global Revolving Credit Facility;
- subject to certain criteria, from the proceeds of Asset Dispositions (as defined under ''Description of the Notes'') and from any net insurance proceeds;
- amounts of additional shareholder funding provided by way of an Equity Cure (as defined below); and
- amounts required in connection with the Note Purchase Condition (described below).

Upon the occurrence of (i) a Change of Control (see below) or (ii) the sale of all or substantially all of the assets of the restricted group whether in a single transaction or a series of related transactions, the Arrow Global Revolving Credit Facility shall be cancelled and all outstanding utilizations and ancillary outstanding (together with accrued interest and all other accrued amounts) shall become immediately due and payable.

A ***Change of Control*** means:

(a) the occurrence of a Notes Change of Control (as defined in the Arrow Global Revolving Credit Facility); or

(b) any person or group of persons acting in concert gains direct or indirect control of the Parent; or

(c) the Parent ceases to hold directly 100% of the entire issued share capital in Arrow Global Investments Holdings Limited; or

(d) the Parent ceases to hold directly 100% of the entire issued share capital in Arrow Global Debt Limited.

Interest and fees

The interest rate per annum applicable to loans made under the Arrow Global Revolving Credit Facility is equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 2.75% per annum.

We are also required to pay a commitment fee, in arrear on the last day of each financial quarter during the availability period, on available but not utilized or not cancelled commitments under the Arrow Global Revolving Credit Facility at a rate of 35% of the margin per annum on the undrawn portion of each lender's commitment under the Arrow Global Revolving Credit Facility.

We are also required to pay fees related to the issuance of ancillary facilities and certain fees to the Agent and the Security Agent in connection with the Arrow Global Revolving Credit Facility.

Security and guarantees

The Arrow Global Revolving Credit Facility is guaranteed irrevocably and unconditionally, subject to certain customary limitations and Agreed Security Principles, on a joint and several basis, by Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, the Issuer, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Limited, Arrow Global Accounts Management Limited, Arrow Global Europe Limited, Quest Topco Limited, Quest Bidco Limited, Quest Newco Limited, Capquest Group Limited, Capquest Debt Recovery Limited, Capquest Investments Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Vesting Finance Holding B.V. and Vesting Finance Incasso B.V. (being the Parents' subsidiaries that guarantee the Existing Notes).

The Arrow Global Revolving Credit Facility also provides that (subject to certain customary limitations and the Agreed Security Principles):

- the aggregate turnover, aggregate gross assets (excluding goodwill) and earnings before interest, tax, depreciation and amortization of the Guarantors must represent not less than 85% of the Consolidated Group's revenue, gross assets (excluding goodwill) and Consolidated EBITDA (as defined in the Arrow Global Revolving Credit Facility);
- any member of the Consolidated Group that becomes a guarantor under the Existing Notes or the Notes must become a guarantor under the Arrow Global Revolving Credit Facility and grant security as the Agent may require; and
- a member of the Consolidated Group that has earnings before interest, tax, depreciation and amortization calculated on the same basis as Consolidated EBITDA (but on an unconsolidated basis and excluding intra-group items and investments in Subsidiaries of any member of the Consolidated Group) representing 5% or more of Consolidated EBITDA of the Consolidated Group calculated on a consolidated basis or has gross assets or turnover (each on an unconsolidated basis excluding intra-group items, goodwill and investments in Restricted Subsidiaries of any member of the Group) representing 5% or more of the gross assets or turnover of the Consolidated Group calculated on a consolidated basis (excluding goodwill) must become a guarantor under the Arrow Global Revolving Credit Facility and grant security as the Agent may require, within 30 days.

The Arrow Global Revolving Credit Facility benefits from the same original security as the Existing Notes and the Notes. See ''Description of the Notes—Security.''

Covenants

The Arrow Global Revolving Credit Facility contains customary information and negative covenants (including certain restrictive covenants that replicate those contained in the Existing Indentures and that will be contained in the Indenture, and the Note Purchase Condition and restriction on making acquisitions, each described in more detail below), subject to certain agreed exceptions and materiality carve outs.

The Arrow Global Revolving Credit Facility requires the Issuer, each borrower and each guarantor under the Arrow Global Revolving Credit Facility to observe certain customary affirmative covenants, subject to certain agreed exceptions and materiality carve outs.

In this respect, our financial and operating performance is monitored by two financial covenants, which require us to ensure that:

- the LTV Ratio, does not exceed 0.75 to 1.00; and
- the SSLTV Ratio does not exceed 0.25 to 1.00,

where the LTV ratio means the aggregate indebtedness of the AGGHL Group less cash and cash equivalent investments held by the AGGHL Group, divided by Gross ERC and where SSLTV Ratio means, in respect of any date of calculation, the aggregate amount of all obligations of members of the Consolidated Group under the Arrow Global Revolving Credit Facility and any Hedging Agreement at that time, less cash and cash equivalent investments held by the Consolidated Group at such date, divided by Gross ERC.

These financial covenants are tested quarterly.

We have the right to cure any breach of these financial covenants by the provision of additional shareholder funding (within 15 business days after the date of delivery of financial statements and quarterly compliance certificate evidencing such breach) (the ***Equity Cure***), subject to certain restrictions, including (i) that the provision of the additional shareholder funding does not cause a Change of Control; (ii) the amount of the additional shareholder funding may not exceed the amount required to cure the breach; (iii) the cure may be effected no more than two times during the life of the Arrow Global Revolving Credit Facility and not in two consecutive quarters; and (iv) the proceeds of the additional shareholder funding must be applied in permanent cancellation and, if applicable, prepayment of the Arrow Global Revolving Credit Facility.

Note Purchase Condition

The Arrow Global Revolving Credit Facility allows members of the Consolidated Group to repay, purchase, defease or redeem (or otherwise retire for value) or acquire any of the Notes (as defined in the Facility), refinancing debt permitted under the Arrow Global Revolving Credit Facility (***Replacement Debt***) and debt with a maturity of more than one year (including the Existing Notes) (***Term Debt***) (together, a ***Debt Repayment***, and the relevant Notes, Replacement Debt or Term Debt that are being refinanced, the ***Old Debt***), provided that:

- the Debt Repayment is made pursuant to a refinancing using the proceeds of an issuance or borrowing of new Notes, Replacement Debt or Term Debt with an aggregate principal amount that is equal to or greater than the aggregate principal amount of the Old Debt and a maturity date not earlier than that of the Old Debt, such that immediately following the Debt Repayment and the relevant issuance or borrowing, the aggregate principal amount of Notes, Replacement Debt and Term Debt that remains outstanding is no less than it was immediately prior to the Debt Repayment;
- no default continuing or resulting from the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition; and
- the Parent has demonstrated it would have been in compliance with the financial covenants as of the most recent testing date (both on an actual basis and on a pro forma basis assuming the relevant prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition had been made on the first day of the testing period).

In the alternative, to the extent that members of the Consolidated Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions, the aggregate principal amount of all Notes, Replacement Debt and Term Debt prepaid, purchased, defeased, redeemed (or otherwise retired for value) or acquired since July 29, 2016 does not exceed 35% of the aggregate principal amount of the Notes issued as of July 29, 2016 (***Original Debt***). To the extent that members of the Consolidated Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in the aggregate exceed 35% of the aggregate principal amount of the Original Debt but in aggregate are no greater than 50% of the aggregate principal amount of the Original Debt, the Parent is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an amount under the Arrow Global Revolving Credit Facility in order that the Arrow Global Revolving Credit Facility is reduced by the same proportion as the debt so repurchased relative to aggregate principal amount of the Original Debt. In the event that members of the Consolidated Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in the aggregate exceed 50% of the aggregate principal amount of the Original Debt, the Parent is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an equal amount under the Arrow Global Revolving Credit Facility in order that the Arrow Global Revolving Credit Facility is reduced by the same amount as the debt so repurchased (on a pound for pound basis).

Permitted Acquisitions

The Arrow Global Revolving Credit Facility may be used for the general corporate and working capital purposes of the Consolidated Group, including for the purposes of funding Permitted Acquisitions, which include acquisitions of businesses or portfolio accounts where certain conditions are met, provided that:

- no event of default is continuing on the closing date for the acquisition or would occur as a result of the acquisition;
- aggregate amount of Gross ERC attributed to all French and Italian portfolio accounts does not exceed 20% of Gross ERC (on a pro forma basis taking into account the relevant acquisition);
- aggregate amount of Gross ERC attributed to all non-core, non-French and non-Italian portfolio accounts does not exceed 10% of Gross ERC (on a pro forma basis taking into account the relevant acquisition);
- aggregate amount of Gross ERC attributed to all non-consumer portfolio accounts does not exceed 12.5% of Gross ERC (on a pro forma basis taking into account the relevant acquisition);
- in the case of a business acquisition, the acquired company/business is incorporated in the United States, Canada, the United Kingdom or the European Union, and such acquired company, business or undertaking is engaged in business which is substantially similar, related to, ancillary or complementary to that carried on by the Consolidated Group in the debt purchase and debt collection industry and the acquired company/business (if a Material Company, as defined therein) becomes a guarantor under the Arrow Global Revolving Credit Facility and grants security (within 30 days) and the relevant acquisition enhancing the Consolidated EBITDA of the Consolidated Group for the next full three financial years; and
- in the case of a portfolio accounts acquisition, the consideration does not exceed: 10% of Gross ERC (on a pro forma basis taking into account the relevant acquisition).

Events of default

The Arrow Global Revolving Credit Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross-default with respect to an Event of Default under, and as defined in, the Existing Indentures, and as will be defined in the Indenture, the occurrence of which would allow the lenders to (i) cancel the Total Commitments and/or ancillary commitments; (ii) declare that all or part of the loans (plus accrued interest and all other accrued amounts) are immediately due and payable; (iii) declare that all or part of the loans are payable on demand; (iv) declare any of the amounts (or cash cover in relation to those amounts) outstanding under the ancillary facilities to be immediately due and payable; (v) declare any of the amounts (or cash cover in relation to those amounts) outstanding under the ancillary facilities to be payable on demand; and/or (vi) exercise or direct the Security Agent to exercise any of its rights and remedies under the Arrow Global Revolving Credit Facility and other related finance documents.

Governing law

The Arrow Global Revolving Credit Facility and any non-contractual obligation arising out of or in connection with it are governed by and construed and enforced in accordance with English law although the restrictive covenants, which are included in the Arrow Global Revolving Credit Facility and largely replicate those contained in the Existing Indentures and that will be contained in the Indenture, are interpreted in accordance with the law of the State of New York (without prejudice to the fact that the Arrow Global Revolving Credit Facility is governed by English law).

Intercreditor Agreement

In connection with their entering into the Arrow Global Revolving Credit Facility and the 2020 Indenture, the Company, the Issuer, the then Guarantors, the trustee for the 2020 Notes, the Security Agent, the lenders under the Arrow Global Revolving Credit Facility and others entered into an intercreditor agreement on January 29, 2013, as amended and restated from time to time, (the ***Intercreditor Agreement***) to govern the relationships and relative priorities among (i) the creditors of the Arrow Global Revolving Credit Facility (the ***Lenders***); (ii) the trustee on behalf of itself and the holders of the 2020 Notes; (iii) hedge counterparties under certain hedging agreements (the ***Hedge Counterparties***); (iv) certain future creditors of the Consolidated Group; (v) certain intra-group creditors and debtors; (vi) various creditor representatives; and (vii) The Royal Bank of Scotland plc as the Security Agent.

The Intercreditor Agreement was amended and restated on November 25, 2014 to provide for (among other things) FX hedging to qualify, be secured and rank equally with the *Pari Passu* Debt (as defined below). Consequently the definition of ''Hedging Liabilities'' was expanded so as to include (i) Super Senior Interest Rate Hedging Liabilities, and (ii) Senior Hedging Liabilities (as defined below).

Super Senior Interest Rate Hedging Liabilities include any transactions hedging any interest rate liabilities in relation to the lender's liabilities (or any refinancing or replacement of the same not exceeding the original principal amount of those original liabilities) or constitute other hedging liabilities to the extent such hedging liabilities are permitted by the terms of the Arrow Global Revolving Credit Facility documents, the Senior note documents and any existing *Pari Passu* Debt documents.

Senior Hedging Liabilities include any FX hedging liabilities (being any foreign exchange transactions permitted under the terms of the Arrow Global Revolving Credit Facility documents, the Senior note documents and any existing *Pari Passu* Debt documents) and non-credit facility interest rate hedging liabilities (other than any Super Senior Interest Rate Hedging Liabilities).

The Intercreditor Agreement was further amended and restated on August 11, 2016 to clarify the definition of ''RCF Facility Agreement'' such that a replacement Arrow Global Revolving Credit Facility would be captured within the definition.

Following the Capquest acquisition, the Capquest Group acceded to the Intercreditor Agreement as debtors and intra-group creditors.

Following the InVesting acquisition, certain entities in the InVesting Group acceded to the Intercreditor Agreement as debtors and intra-group creditors.

In connection with the issuance of the 2021 Notes, the Trustee under the 2021 Notes, on behalf of itself and holders of the 2021 Notes, acceded to the Intercreditor Agreement.

In connection with the issuance of the 2023 Notes, the Trustee under the 2023 Notes, on behalf of itself and holders of the 2023 Notes, acceded to the Intercreditor Agreement.

In connection with the issuance of the 2024 Notes, the Trustee under the 2024 Notes, on behalf of itself and holders of the 2024 Notes, acceded to the Intercreditor Agreement.

Upon execution of an Intercreditor Creditor Representative Accession Undertaking in the form set out in the Intercreditor Agreement, the Trustee, on behalf of itself and the holders of the Notes will become a party to the Intercreditor Agreement.

The Company and each of its affiliates that incurs, or will incur, any liability or provides, or will provide any guarantee under the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture or the *Pari Passu* Debt documents are referred to in this description as ''Debtors.''

The Intercreditor Agreement sets out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- when enforcement actions can be taken in respect of the Collateral;
- the terms pursuant to which the Subordinated Liabilities (as defined below under ''—Ranking and priority'') will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Debtors, provided that it is not prohibited by the terms of the Arrow Global Revolving Credit Facility, the Existing Indentures and the Indenture, which may rank *pari passu* to the Existing Notes, and the Notes and be secured by the Collateral (the ***Pari Passu Debt***), subject to the terms of the Intercreditor Agreement. The Creditors of the *Pari Passu* Debt (the ***Pari Passu Creditors***) have rights under the Intercreditor Agreement, which are summarized below.

The Intercreditor Agreement also allows, after all Credit Facilities Liabilities (as defined below) have been fully and finally discharged, for the Debtors to enter into a new super senior credit facility, provided that the total amount outstanding under such facility is not prohibited under the Existing Indentures or the Indenture. For the purposes of this description, any references to the Arrow Global Revolving Credit Facility, Lenders or Credit Facilities Liabilities should be read as including any such other super senior credit facility.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and to have authorized the Trustee to enter into it on its behalf.

The following description is a summary of certain provisions that are contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes.

Ranking and priority

The Intercreditor Agreement provides, subject to the provisions regarding permitted payments and application of proceeds following an enforcement event as set out below, that the right and priority of payment of all present and future liabilities and obligations under the Arrow Global Revolving Credit Facility (the ***Credit Facilities Liabilities***), the hedging agreements entered into by the Hedge Counterparties (the ***Hedging Liabilities***), the Existing Notes and the Notes (the ***Notes Liabilities***) and the *Pari Passu* Debt will rank *pari passu* in right and priority of payment without any preference between them. These liabilities will rank ahead of any liabilities of the Debtors to the Company and its subsidiaries (the ***Intra-Group Liabilities***) or any debt to a holding company (the ***Structural Liabilities*** and, together with the Intra-Group Liabilities, the ***Subordinated Liabilities***). The Intercreditor Agreement does not purport to rank the Subordinated Liabilities among themselves.

Collateral

The Lenders, the Hedge Counterparties, the Trustee, the holders of the Existing Notes, the holders of the Notes and the *Pari Passu* Creditors will benefit from a common guarantee and security package and no such secured creditor may take the benefit of any guarantee or security from the Guarantors unless such guarantee or security is also offered (to the extent legally possible) for the benefit of the other secured creditors. The Collateral shall rank and secure the liabilities owed to the Lenders, the Hedge Counterparties, the Trustee, the holders of the Notes, the holders of the Existing Notes, the holders of the Notes and the *Pari Passu* Creditors *pari passu* and without any preference between them.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral will be released in certain circumstances described further below in ''—Release of Security and Guarantees—Non-distressed disposals'' and ''—Release of Security and Guarantees—distressed disposals.''

Permitted payments

The Intercreditor Agreement permits payments to be made by the Debtors under the Arrow Global Revolving Credit Facility, the hedging documents, the Existing Indentures, the Indenture and any *Pari Passu* Debt documents (provided that such payments are permitted under such documents) and does not limit or restrict any payment by any Debtor in the ordinary course of business. The Intercreditor Agreement also does not prohibit payments to creditors of Intra-Group Liabilities, provided that there has been no acceleration event (which here excludes the placing of liabilities on demand). Payments may be made in respect of Structural Liabilities to the extent not prohibited by the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture and the *Pari Passu* Debt documents, provided that there has been no acceleration event (which here excludes the placing of liabilities on demand). There are also restrictions on payments to Hedge Counterparties except for certain specified permitted payments.

The Debtors may not make payments in respect of the Existing Notes, the Notes, Liabilities (as defined in the Intercreditor Agreement) or the *Pari Passu* Debt after an acceleration event unless in accordance with the enforcement proceeds waterfall described under ''—Application of proceeds.''

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture or the *Pari Passu* Debt documents.

Limitations on enforcement

For the purposes of enforcement of the Collateral, the Lenders and their creditor representatives and the Hedge Counterparties (but, in the case of the Hedge Counterparties, solely in their capacity as parties to any hedging document pursuant to which super senior interest rate Hedging Liabilities (''***Super Senior Interest Rate Hedging Liabilities***'' are owed by a Debtor) are referred to as the ''***Super Senior Creditors***.''

If any of the Super Senior Creditors, the holders of the Existing Notes, the holders of the Notes or the *Pari Passu* Creditors wishes to enforce the Collateral, either (i) 66⅔% by credit participation value of the Super Senior Creditors (the ''***Majority Super Senior Creditors***''); or (ii) 50% by credit participation value (including capitalized interest, if applicable) of the holders of the Existing Notes, the holders of the Notes, *Pari Passu* Creditors and the Hedge Counterparties (but, in the case of the Hedge Counterparties, solely in their capacity as parties to any hedging document pursuant to which non-super senior interest rate Hedging Liabilities or FX Hedging Liabilities (''***Senior Hedging Liabilities***'') are owed by a Debtor) (the ''***Majority Senior Creditors***'') (each Creditor in this sub-paragraph (ii) being a ***Senior Creditor***'') must give five business days' notice of the proposed enforcement instructions to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30-day initial consultation period during which time the creditor representatives for each of the creditor classes must consult with each other in good faith as to the manner of enforcement.

A creditor representative is not obliged to consult (or may cease to consult, as applicable) as described above if:

- an insolvency event has occurred and is continuing in relation to a Debtor;
- there is an event of default continuing in respect of the relevant creditor group and the relevant creditor group determines, acting in good faith, that to enter into or continue consultations and thereby delay the commencement of enforcement could reasonably be expected to have a material adverse effect on (i) the Security Agent's ability to enforce any of the Collateral or (ii) the realization proceeds available to that creditor group of any enforcement of the Collateral; or
- the required creditor representatives agree on the proposed enforcement of the Collateral and that no consultation period is required or that such period shall terminate (as applicable).

During the 30-day consultation period, none of the Super Senior Creditors, or Senior Creditors will be entitled to accelerate any of their respective liabilities, except for the following:

(i) a creditor representative may cancel all available commitments under the Arrow Global Revolving Credit Facility, as applicable, if an event of default under the Arrow Global Revolving Credit Facility has occurred or is occurring;

(ii) the Super Senior Creditors, the holders of the Notes, the holders of the Existing Notes and the *Pari Passu* Creditors may make a demand in respect of any amount placed on demand prior to the commencement of the consultation period; and

(iii) a creditor representative may set-off any amount that it is entitled to set-off under the Arrow Global Revolving Credit Facility, as applicable.

Each Lender, Hedge Counterparty, holder of the Existing Notes, holder of the Notes, *Pari Passu* Creditor and each creditor with respect to Subordinated Liabilities, as applicable, agrees with the Security Agent that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Consolidated Group as instructed by the Security Agent. The Security Agent will only give instructions relating to such proceedings as directed by an Instructing Group, if such instructions have been given in accordance with the Security Enforcement Principles and otherwise comply with the provisions in the Intercreditor Agreement described above relating to enforcement limitations.

Conflicting enforcement instructions

At the end of the consultation period, the Security Agent must act on the instructions of the instructing group (the ''***Instructing Group***''). The Instructing Group consists of the Majority Super Senior Creditors and the Majority Senior Creditors. If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who constitute the Instructing Group or those different classes are unable to agree on joint instructions, then provided that the Majority Senior Creditors have complied with the consultation obligations set out above, if instructions as to enforcement from the Majority Senior Creditors are instructions to enforce or not to enforce the Collateral or otherwise require a distressed disposal, the enforcement instructions from the Majority Senior Creditors will prevail over those of the Super Senior Creditors and the Majority Senior Creditors will constitute the Instructing Group.

If (i) the Majority Senior Creditors have constituted the Instructing Group and given instructions as to enforcement action and three months have passed since the date on which the first enforcement instructions were issued by that Instructing Group with no steps having been taken in relation to the commencement of enforcement action of any Collateral; or (ii) the liabilities owed to the Super Senior Creditors have not been fully discharged in cash within six months of the date on which the first shared security notice was issued (being the notice from the Instructing Group to the other creditors that it wishes to commence enforcement), any enforcement instructions given by the Majority Super Senior Creditors will then prevail, provided that they are consistent with the Security Enforcement Principles.

Any enforcement instructions given must comply with certain Security Enforcement Principles and the security enforcement objective, including the following:

- to achieve the security enforcement objective, namely to maximize, so far as is consistent with the prompt and expeditious realization of value from enforcement of the Collateral, the recoveries of all of the secured parties;
- all or substantially all enforcement proceeds will be received in cash by the Security Agent or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Credit Facilities Liabilities will be repaid and discharged in full;
- to the extent that the enforcement is over Collateral with an aggregate book value of such assets exceeding £2,500,000 or over capital stock, the Security Agent shall appoint an independent internationally recognized investment bank, an independent internationally recognized accountancy firm, or another independent internationally recognized professional services firm which is regularly engaged in providing valuations of businesses or financial assets to prepare and deliver an opinion to the Trustee and the creditor representatives of the Lenders under the Credit Facilities in respect of such sale or disposal as to whether the proceeds received or recovered in

connection therewith is fair from a financial point of view taking into account all relevant circumstances, including, without limitation, the method of enforcement or disposal; and

- the Financial Advisor's Opinion will be conclusive evidence as to whether the security enforcement objective and the Security Enforcement Principles have been met.

Turnover

Subject to certain exclusions, if any holders of the Existing Notes, any holders of the Notes or any Lender, *Pari Passu* Creditor, Hedge Counterparty (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral, the proceeds of any demand made in respect of guarantee liabilities or any payment or distribution of, or on account of or in relation to, any of the liabilities which is not specifically permitted under the Intercreditor Agreement except in accordance with ''—Application of proceeds'' below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the Security Agent and promptly pay an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

The Trustee shall only have an obligation to turn over or repay amounts received or recovered by it as described above (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement; and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the holders of the Notes in accordance with the applicable Indenture. A similar protection exists for any trustees of *Pari Passu* Debt pursuant to the Intercreditor Agreement.

There is also a general turnover obligation on the subordinated creditors to turn over all amounts not received prior to a distress event, which is not a permitted payment or after a distress event or insolvency event in accordance with the application of proceeds regime in accordance with the Intercreditor Agreement.

Application of proceeds

All amounts from time to time received pursuant to the provisions described under ''—Turnover'' above or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral or otherwise paid to the Security Agent under the Intercreditor Agreement for application as set forth below shall be held by the Security Agent on trust and applied in the following order:

- first, in discharging any sums owing to the Security Agent, any receiver or any delegate; and then any amounts payable to the Trustee; and then pari passu and pro rata to each creditor representative the unpaid fees, costs, expenses and liabilities of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative;
- second, pari passu and pro rata, in or towards discharging all costs and expenses incurred by the Super Senior Creditors (but, in the case of the Hedge Counterparties, only to the extent that Super Senior Interest Rate Hedging Liabilities are owed to such Hedge Counterparty) in connection with any realization or enforcement of the Collateral or any action taken at the request of the Security Agent;
- third, in or towards payment or distribution to (i) the agent of the Lenders on its own behalf and on behalf of the Lenders and (ii) the Hedge Counterparties, for application towards the discharge of the Credit Facilities Liabilities and the Super Senior Interest Rate Hedging Liabilities on a *pro rata* basis;
- fourth, *pari passu* and *pro rata* in or towards payment or distribution to (i) the Hedge Counterparties, (ii) the Trustee on behalf of the holders of the Existing Notes and the holders of the Notes and (iii) the creditor representatives of the *Pari Passu* Creditors, for application towards any unpaid costs and expenses incurred by or on behalf of any Hedge Counterparty (to the extent not recovered under the second bullet point above), any holders of the Existing Notes, any holders of the Notes and *Pari Passu* Creditors in connection with any realization or enforcement of the Collateral or any action taken at the request of the Security Agent;

- fifth, *pari passu* and *pro rata* in or towards payment or distribution to (i) the Hedge Counterparties for application towards the discharge of the Senior Hedging Liabilities (in accordance with that relevant hedging document), (ii) the Trustee on behalf of the holders of the Existing Notes, and the holders of the Notes for application towards the discharge of the Senior Note Liabilities (as defined in the Intercreditor Agreement), if any, and (iii) the creditor representatives of the *Pari Passu* Creditors for application towards the discharge of the *Pari Passu* Debt; and
- sixth, after the secured creditors have been discharged in full, in payment or distribution of the surplus (if any) to the relevant Debtor or other person entitled to it.

Option to purchase

The holders of the Existing Notes, the holders of the Notes and *Pari Passu* Creditors that are holders of certain issued debt securities may, after the commencement of a consultation period referred to in ''—Limitations on Enforcement'' above are subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Lenders), exercise an option to purchase the Credit Facilities Liabilities in full and at par.

Release of Security and Guarantees—Non-distressed disposals

In circumstances where a disposal is not a distressed disposal (a disposal of an asset by a Debtor which is subject to the Collateral or a disposal of the shares in the capital of any holding company of a Debtor which is not otherwise prohibited by the terms of the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture, any *Pari Passu* Debt documents and any Hedging documentation), the Intercreditor Agreement provides that the Security Agent is irrevocably authorized and instructed to deliver:

- any release of the Collateral and any other claim over that asset;
- where that asset consists of shares in the capital of a Debtor, any release of the Collateral and any other claim over that Debtor's property and/or the shares in and property of any of its subsidiaries;
- any release of any Collateral and any other claim granted by any subsidiary of that holding company over any of its assets;
- where that asset consists of shares in the capital of a holding company of a Debtor, any release of the Collateral and any other claims granted by or over that holding company or any subsidiary of that holding company over any of its or their assets; and
- any release of the Collateral or any claim described above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by the relevant Debtor,

provided that in the case of a disposal to another member of the Group, the release of the security interests over the Collateral is not prohibited under the terms of the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture or any *Pari Passu* Debt documents, any required replacement security is granted by the transferee before or at the same time as the release and, if required by the terms of the Arrow Global Revolving Credit Facility, the Existing Indentures, the Indenture or *Pari Passu* Debt documents, any proceeds from the disposal are applied in mandatory prepayment of the relevant debt.

Release of Security and Guarantees—distressed disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides that the Security Agent is irrevocably authorized and instructed:

- to release the Collateral or any other claim over the relevant asset and execute and deliver or enter into any release of that Collateral, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset that is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the 2021 Notes or the Notes) and certain other liabilities; (ii) any Collateral granted over that Debtor's assets and the assets of any of

its subsidiaries; and (iii) any other claim of a Debtor or intra-group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;

- if the asset that is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any Collateral granted over the assets of any subsidiary of that holding company; and (iii) any other claim of a Debtor or intra-group lender over the assets of any subsidiary of that holding company;
- provided always that the disposal is in accordance with the security enforcement principles, if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes), certain other liabilities, and intra-group receivables; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.
- Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described under ''—Application of proceeds'' above.

Amendment

The Intercreditor Agreement may only be amended with the consent of the creditor representative for the Lenders (acting in accordance with the terms of the Arrow Global Revolving Credit Facility), the required percentage of holders of the Existing Notes and holders of the Notes (as set out in the Existing Indentures and the Indenture) or the written consent of the Trustee (acting in accordance with the terms of the Existing Indentures and as will be set out in the Indenture), the required percentage of *Pari Passu* Creditors (as set out in the relevant *Pari Passu* Debt documents) or the written consent of the creditor representative of the *Pari Passu* Creditors (acting in accordance with the terms of the relevant *Pari Passu* Debt documents), the Parent and the Security Agent unless it relates to certain specified matters such as ranking, priority, subordination, turnover, enforcement, disposal proceeds, amendments or the payment waterfall. Such amendments require consent from all Lenders, the Trustee acting in accordance with the terms of the Existing Indentures and the Indenture, in the case of any *Pari Passu* Debt constituting an issuance of debt securities, the creditor representative of the *Pari Passu* Creditors (acting in accordance with the terms of the relevant *Pari Passu* Debt documents), in the case of any *Pari Passu* Debt constituting a credit facility, the creditor representative of the *Pari Passu* Creditors in that tranche of *Pari Passu* Debt, each Hedge Counterparty (to the extent such amendments adversely affect the Hedge Counterparty), the Parent and the Security Agent.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Notes in certain circumstances set out further in ''Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements.''

To the extent the Debtors wish to enter into additional or replacement *Pari Passu* Debt or other additional or replacement indebtedness that is permitted to share in the Collateral pursuant to the Arrow Global Revolving Credit Facility, the Indenture, the Existing Indentures and other *Pari Passu* Debt documents, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement as set out further in ''Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements'' on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement also permits the Security Agent (subject to the terms of the Arrow Global Revolving Credit Facility) to enter into new or supplemental security and/or release and retake Transaction Security (as defined in the Intercreditor Agreement) if certain conditions are met, as set out further in ''Description of the Notes—Certain Covenants—Impairment of security interest.''

Currency Hedging Arrangements

Simultaneously with the closing of the Offering, or shortly thereafter, we expect to enter into hedging arrangements (the ***Currency Hedging Arrangements***) in relation to our increasing exposure to the euro as we focus on targeted European expansion in the short-to-medium term. The Currency Hedging Arrangements are expected to be secured by the Collateral and rank equally in right of payment with the Notes (*i.e.*, treated as Senior Hedging Liabilities under the Intercreditor Agreement).

DESCRIPTION OF THE NOTES

The Issuer will issue and the Guarantors will guarantee €360.0 million aggregate principal amount of senior secured floating rate notes due 2025 (the ''*Notes*'') in this offering. The Notes will be issued by Arrow Global Finance plc (the ''*Issuer*''), a public limited company incorporated and existing under the laws of England and Wales, which has been organized as a special purpose finance subsidiary to facilitate the offering of debt securities, including the Notes, and which has no operations and no assets other than its rights under on-loans of the proceeds from the offering of the Existing Secured Notes (as defined herein).

In this ''Description of the Notes:'' (1) the ''*Company*'' refers only to Arrow Global Guernsey Holdings Limited and any successor obligor in respect of the Company Guarantee (as defined herein), and not to any of its subsidiaries; (2) the ''*Issuer*'' refers only to Arrow Global Finance plc, and any successor obligor to Arrow Global Finance plc on the Notes; (3) ''*Holdings*'' refers only to Arrow Global Investments Holdings Limited, and any successor obligor in respect of its Holdings Guarantee (as defined herein), and not to any of its subsidiaries, including the Issuer; (4) the ''*Group*'' refers to Arrow Global Guernsey Holdings Limited and its consolidated subsidiaries; and (5) the ''*Notes*'' refers only to the Notes. The Issuer is a wholly owned subsidiary of Holdings.

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the ''*Indenture*'') among, *inter alios*, the Issuer, the Guarantors (as defined herein), The Bank of New York Mellon, London Branch, as trustee (the ''*Trustee*'') and The Royal Bank of Scotland plc, as security agent (the ''*Security Agent*''). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See ''Transfer Restrictions.'' The terms of the Notes include those that will be stated in the Indenture, but will not include or incorporate any provisions by reference to, or otherwise be subject to, the Trust Indenture Act of 1939, as amended.

The Indenture, the Notes and the Note Guarantees (as defined herein) will be subject to the terms of the Intercreditor Agreement (as defined herein) and any Additional Intercreditor Agreements (as defined herein) entered into in the future. The terms of the Intercreditor Agreement are important to understand the terms and ranking of the Liens on the Collateral securing the Notes and the Note Guarantees. See ''Description of Other Indebtedness—Intercreditor Agreement'' for a description of the material terms of the Intercreditor Agreement.

Copies of the Indenture, the form of Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement will be available as set forth under ''*Additional Information*.''

The Indenture will be unlimited in aggregate principal amount, but this issuance of Notes is limited to €360.0 million aggregate principal amount of Notes. We will be permitted to issue an unlimited principal amount of additional Notes under the Indenture subject to the procedures described therein (''*Additional Notes*''); provided that we will only be permitted to issue Additional Notes if (i) the Additional Notes will be (x) fungible with the Notes originally issued for U.S. federal income tax purposes or (y) issued with separate Common Code and ISIN numbers, as applicable, from the Notes originally issued and (ii) issued in compliance with the covenants that will be contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under ''—Certain Covenants—Limitation on Indebtedness''). The Notes (and any Additional Notes) will be treated as a single class for all purposes under the Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as will otherwise be specified in the Indenture. Unless the context otherwise requires, in this ''Description of the Notes,'' references to the ''Notes'' include the Notes and any Additional Notes that are actually issued.

Summary Description of the Notes

The Notes:

- will be senior obligations of the Issuer and rank equal in right of payment with any existing or future Indebtedness of the Issuer that is not expressly subordinated to the Notes, including the Existing Secured Notes and the Revolving Credit Facility;
- will be secured by the Collateral described below along with obligations under the Existing Secured Notes and the Revolving Credit Facility (although any liabilities in respect of obligations under the Revolving Credit Facility that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);

- will be senior in right of payment to any future Subordinated Indebtedness of the Issuer;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- will be unconditionally guaranteed on a senior secured basis by the Guarantors.

Principal, Maturity and Interest

The Issuer will issue €360.0 million aggregate principal amount of Notes on the Issue Date. The Notes will mature on , 2025. The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The redemption price of the Notes at maturity is 100.000% of the principal amount plus accrued and unpaid interest and Additional Amounts, if any. The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear Bank SA/NV (''*Euroclear*'') and/or Clearstream Banking, S.A. (''*Clearstream*''). If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Notes will accrue at a rate per annum (the ''*Applicable Rate*''), reset quarterly, equal to the sum of (i) three-month EURIBOR plus (ii) %, as determined by the Calculation Agent (as defined herein). Interest on the Notes will be payable, in cash, quarterly in arrear on , , and of each year, commencing , 2017, to holders (''*Holders*'') of record on the immediately preceding , , and , respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Each interest period shall end on (but not include) the relevant interest payment date.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

''Determination Date'' with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the applicable Interest Period.

''*EURIBOR*'' with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date; provided, however, that EURIBOR shall never be less than 0%. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., Brussels time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

''*Interest Period*'' means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include , 2017.

“*Representative Amount*” means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

“*Reuters Page 248*” means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

“*TARGET Settlement Day*” means any day on which the Trans European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the “*Interest Amount*”). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, provided, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Note is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts, if any, on the Global Notes (as defined herein) will be payable at the specified office or agency of one or more Paying Agents (as defined herein); *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear and/or Clearstream will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities (“*Definitive Registered Notes*”) will be payable at the specified office or agency of a Paying Agent in London maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See “—Paying Agent and Registrar for the Notes.”

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents (each, a “*Paying Agent*”) for the Notes in London. The initial Paying Agent will be The Bank of New York Mellon, London Branch. The Issuer will also maintain one or more registrars (each, a “*Registrar*”) with offices in Luxembourg and a transfer agent with offices in London (the “*Transfer Agent*”). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon (Luxembourg) S.A. and The Bank of New York Mellon, London Branch respectively. The Registrar, Transfer Agent and Paying Agent (as applicable) will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of such exchange so require, the Issuer will publish notice of the change in a Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. Each time the register is amended or updated, the Registrar shall send a copy of the relevant register to the Issuer who will keep an updated copy of the register at its registered office (the ''*Duplicate Register*''). In the event of inconsistency between the Register and the Duplicate Register, for the purposes of Luxembourg law only, the Duplicate Register shall prevail.

Transfer and Exchange

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*144A Global Notes*'').
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*Regulation S Global Notes*'' and, together with the 144A Global Notes, the ''*Global Notes*'').
- The Global Notes will, upon issuance, be deposited with the common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (''*Book-Entry Interests*'') will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''Transfer Restrictions.'' In addition, transfers of Book-Entry Interests between participants in Euroclear and/or Clearstream will be effected by Euroclear and/or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear and/or Clearstream and its respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear and/or Clearstream from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''Transfer Restrictions.''

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear and/or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under the definition of ''Unrestricted Subsidiary,'' the Company will be permitted at any time to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Note Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will be unconditionally guaranteed, jointly and severally, on the Issue Date by the Company, Holdings and each other existing material Restricted Subsidiary of the Company, subject to certain exceptions. Each Restricted Subsidiary, other than Holdings, that provides a guarantee of the Notes (a ''*Subsidiary Note Guarantee*'') is referred to herein as a ''*Subsidiary Guarantor*,'' and together with the Company and Holdings, are referred to herein as the ''*Guarantors*.''

The Guarantors will consist of Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Accounts Management Limited, Arrow Global Limited, Capquest Investments Limited, Capquest Debt Recovery Limited, Arrow Global Europe Limited, Quest Topco Limited, Quest Bidco Limited, Quest Newco Limited, Capquest Group Limited, Arrow Global Investments, Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Vesting Finance Holding B.V. and Vesting Finance Incasso B.V. and will include each entity that has guaranteed, or is a borrower under, the Revolving Credit Facility at the Issue Date. As of December 31, 2016, the Guarantors held 96.0% of the AGGHL Group's assets and were responsible for 97.3% of the AGGHL Group's total liabilities on a consolidated basis. For the year ended December 31, 2016, the Guarantors contributed 100.2% of the AGGHL Group's Adjusted EBITDA on a consolidated basis, and 100.0% of the AGGHL Group's total revenue on a consolidated basis. Each of the Guarantors will guarantee the Notes as of the Issue Date and will guarantee any Additional Notes that may be issued from time to time thereafter. In addition, subject to the Agreed Security Principles, if the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary (other than an Immaterial Subsidiary or a Permitted Purchase Obligations SPV) after the Issue Date or any Restricted Subsidiary guarantees or becomes liable for certain Indebtedness, the Company will cause such new Subsidiary to provide a Note Guarantee. The new Guarantor will also, subject to the Agreed Security Principles, be required to pledge assets in favor of such Note Guarantee as described under ''—Security'' and ''—Certain Covenants—Further assurances.''

The Agreed Security Principles apply, or will apply, to the granting of guarantees and security in respect of obligations under the Existing Secured Notes, the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, capital maintenance, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules, retention of title claims and similar principles.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United

States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.''

The guarantees provided by the Company (the ''*Company Guarantee*''), Holdings (the ''*Holdings Guarantee*'' and together with the Company Guarantee and the Subsidiary Note Guarantees, the ''*Note Guarantees*'') and the Subsidiary Note Guarantee of a Subsidiary Guarantor will terminate:

(1) in the case of a Subsidiary Note Guarantee only, upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of Capital Stock of the relevant Guarantor or of a Parent thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Company or a Restricted Subsidiary), in each case in a transaction that does not violate the provisions of the Indenture;

(2) in the case of a Subsidiary Note Guarantee only, upon the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;

(3) upon defeasance or discharge of the Notes, as provided in ''—Defeasance'' and ''—Satisfaction and Discharge'';

(4) in the case of a Subsidiary Note Guarantee only (other than a Subsidiary Note Guarantee issued on the Issue Date), to the extent that the relevant Guarantor is not an Immaterial Subsidiary solely due to the operation of clause (i) of the definition of ''Immaterial Subsidiary,'' upon the relevant release of the guarantee or discharge of Indebtedness referred to in such clause;

(5) upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(6) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement;

(7) upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Notes under the covenant described in ''—Additional Note Guarantees''; or

(8) as described under the caption ''—Amendments and Waivers.''

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of Non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company, including Holders. The Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of any future Subsidiaries of the Company that do not become Guarantors.

Security

The Collateral

Pursuant to the Security Documents, including English law debentures and Guernsey law security interest agreements with respect to the shares of Arrow Global Guernsey Limited and Arrow Global Debt Limited and Guernsey law security interest agreements with respect to the bank accounts of Arrow Global Guernsey Limited and the Company, the Issuer and each Guarantor will grant or confirm (as applicable) to the Security Agent security interests in all the following (collectively, the ''*Collateral*''), subject to the operation of the Agreed Security Principles (including the exceptions set out below):

(a) real property and any rights or interests related thereto of the Issuer and such Guarantor;

(b) all the shares in the Issuer, each such Guarantor (other than the Company), Arrow Global Debt Limited, Arrow Global Portugal Limited, Arrow Global Management Limited and any Trust Management SPV;

(c) all bank accounts of each such Guarantor and the Issuer (other than accounts used to collect amounts held on trust for third parties);

(d) all other material assets of the Issuer and each such Guarantor (including amounts owing by a debtor to a Guarantor under certain Portfolio Assets (other than such Portfolio Assets which expressly prohibit an assignment or charge of such Guarantor's rights, title and benefits thereunder); and

(e) the rights of the Issuer and each such Guarantor under intercompany receivables,

and all related rights thereto, which collateral will also be required to be pledged to secure the Existing Secured Notes and the Revolving Credit Facility.

On the Issue Date, the Issuer and the Guarantors will also provide a security confirmation confirming that all security documents currently securing the Revolving Credit Facility and the Existing Secured Notes will extend to secure the Notes.

Notwithstanding the foregoing, certain assets are excluded from Collateral and may not be secured or such security perfected in accordance with the Agreed Security Principles, including:

- the assets and shares of Strzala SP. z o.o.;
- the assets of Arrow Global Portugal Limited, Arrow Global Management Limited, Arrow Global Debt Limited and any Trust Management SPV which are not required to be grantors of security or guarantees;
- the assets of Arrow Global Limited held in Portugal and Slovakia or that are subject to Portuguese or Slovakian law;
- the Receivables of Arrow Global LLC which were assigned to Arrow Global Guernsey Limited in respect of which steps have not been and will not be taken to perfect the transfer of legal title and where the aggregate gross collections in relation to such Receivables on a three year rolling basis will not exceed £1,000,000;
- property and assets held on trust for a third-party which is not the Company or any Restricted Subsidiary;
- if the cost of providing security is not proportionate to the benefit accruing to the Holders and the other secured parties;
- if providing such security requires consent of a third-party and, if the asset is material, such consent cannot be obtained after the use of reasonable efforts;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules or similar matters or entering into the Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of directors or officers;
- if perfecting such security would have an unreasonable adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture;
- in the case of debt purchase agreements, and book and other debts, notices to the counterparties will only be served after a ''Relevant Acceleration Event'' (as defined in the Intercreditor Agreement); and

- in the case of Servicing Agreements (as defined in the Revolving Credit Facility), notices to the counterparties will only be served after an ''Event of Default'' (as defined in the Intercreditor Agreement) has occurred and is continuing.

Administration and Enforcement of Security

The Collateral (and the Security Documents with respect to the Collateral) is administered by a Security Agent (or in certain circumstances a receiver or delegate) pursuant to the Intercreditor Agreement for the benefit of all the secured parties. For a description of the Intercreditor Agreement, see ''Description of Other Indebtedness—Intercreditor Agreement.'' The description in relation to the Collateral below has been prepared on the basis that the Trustee will accede to the Intercreditor Agreement on the Issue Date as described under ''Intercreditor Agreement.''

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the Company's insolvency and various contractual limitations set out in the Intercreditor Agreement. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—The insolvency laws of England and Wales may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes,'' and ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.''

The Security Documents provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Trustee under the Indenture or the Security Agent under the Security Documents. The Security Agent will agree to release a security interest created by the Security Documents that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the Holders. Subject to the terms of the Intercreditor Agreement and the Indenture, the Holders will, in certain circumstances, share in the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. See ''Description of Other Indebtedness—Intercreditor Agreement.''

Subject to the terms of the Security Documents and the Indenture, the Issuer and the Guarantors have the right to remain in possession and retain control of the Collateral (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer and Guarantors in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of obligations under the Revolving Credit Facility or other super priority debt pursuant to the Intercreditor Agreement would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a *pari passu* basis, including Existing Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.''

The creditors under the Revolving Credit Facility and the holders of the Existing Secured Notes have, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed The Royal Bank of Scotland plc, as Security Agent, in each case to act as its security agent under the Intercreditor Agreement and the other relevant documents to which the security agent is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent and the Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to each of them under the Intercreditor Agreement or other documents to which the Security Agent and/or the Trustee is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent and/or the Trustee on its behalf; and

- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined herein) and each Holder will also be deemed to have authorized the Security Agent and the Trustee to enter into any such Additional Intercreditor Agreement.

Release of Liens on the Collateral

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Agent shall release, and the Trustee shall release (if action is required by it) and if so requested direct the Security Agent to release, without the need for consent of the Holders, Liens on the Collateral securing the Notes:

(1) upon payment in full of principal, interest and all other amounts under the Notes issued under the Indenture or discharge or defeasance of the Indenture;

(2) upon release of a Note Guarantee (with respect to the Liens securing such Note Guarantee granted by such Guarantor);

(3) in connection with any disposition of Collateral to any Person other than the Company or any of its Restricted Subsidiaries, or to a Guarantor (including, for the avoidance of doubt, a disposition of Collateral to any Person other than the Company or Restricted Subsidiary to be held in trust by the Company or a Restricted Subsidiary for such Person); provided that if the disposition of the Collateral is to a Guarantor, the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes (but excluding any transaction subject to ''—Certain Covenants—Merger and consolidation—The Company, Holdings and the Issuer''); provided, further, that, in each case, such disposition is permitted by ''—Certain Covenants—Limitation on sales of assets and subsidiary stock'' and the other provisions of the Indenture;

(4) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement;

(6) as may be permitted by the covenant described under ''—Certain Covenants—Impairment of security interest'';

(7) as described under the caption ''—Amendments and Waivers'';

(8) upon defeasance or discharge of the Notes, as provided in ''—Defeasance'' and ''—Satisfaction and Discharge''; or

(9) upon a release of the Initial Lien that resulted in the creation of the Lien under the covenant described under the caption ''—Certain Covenants—Limitation on Liens.''

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any further action on the part of the Trustee (unless action is required by it).

Intercreditor Agreement

On the Issue Date, the Trustee will accede to the Intercreditor Agreement as a creditor representative to allow the Notes to constitute *Pari Passu* Debt (as described under ''Description of Other Indebtedness—Intercreditor Agreement'') for the purposes of the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility and Priority Hedging Obligations that are secured by assets that also secure our obligations under the Notes, the Note Guarantees, the Existing Secured Notes, and the guarantees of the Existing Secured Notes will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received upon any enforcement action over any Collateral, after all obligations under the Revolving Credit Facility and Priority Hedging Obligations have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other *pari passu* indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement, including the Existing Secured Notes and the Existing Secured Indentures.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence or refinancing by the Company or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent may enter into an intercreditor or similar agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an ''*Additional Intercreditor Agreement*'') with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Intercreditor Agreement (or on terms that in the good faith judgment of the Issuer are not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement, it being understood that an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will not be deemed to be less favorable to the Holders and will be permitted by this covenant if the Incurrence of such Indebtedness and any Lien in its favor is permitted by the ''Limitation on Indebtedness'' and ''Limitation on Liens'' covenants; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement. As used herein, the term ''Intercreditor Agreement'' shall include references to any Additional Intercreditor Agreement that supplements or replaces the Intercreditor Agreement entered into on January 29, 2013.

The Indenture will provide that, at the written direction of the Issuer and without the consent of the Holders, the Trustee or Security Agent may, from time to time, enter into one or more amendments to any Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency of any such agreement; (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture); (iii) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement; (iv) further secure the Notes (including any Additional Notes Incurred in compliance with the Indenture); (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes Incurred in compliance with the Indenture or to implement any Permitted Collateral Liens; or (vi) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under ''—Amendments and Waivers'' or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or any Intercreditor Agreement.

The Indenture will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Intercreditor Agreement (whether already entered into, then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee or Security Agent to enter into any one or more amendments to any Intercreditor Agreement as contemplated above on each Holder's behalf.

Optional Redemption

At any time and from time to time on or after   , 2019, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Notes Redemption Price
2019	%
2020 and thereafter	100.000%

At any time and from time to time prior to , 2019, the Issuer may redeem the Notes with the Net Cash Proceeds received from any Equity Offering upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to % plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes); *provided* that:

(1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering; and

(2) not less than 60% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding immediately thereafter.

At any time and from time to time prior to , 2019, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General provisions related to optional redemption

Notice of redemption of the Notes will be provided as set forth under ''—Selection and Notice'' below. If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Notice of any redemption of the Notes upon any Equity Offering may be given prior to the completion thereof. Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering), which shall be specified in the notice of redemption to Holders.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under ''—Change of Control'' or ''—Certain Covenants—Limitation on sales of assets and subsidiary stock.'' The Issuer, the Company and any Restricted Subsidiary may at any time and from time to time purchase Notes on the open market or otherwise.

Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Trustee or the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee by the Issuer, and in compliance with the requirements of Euroclear and/or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear and/or Clearstream or Euroclear and/or Clearstream prescribes no method of selection, on a *pro rata* basis or by lot. Neither the Trustee nor the Registrar shall be liable for selections made under this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish any notice of redemption on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and, in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date if the Notes are in definitive certificated form, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

Redemption for Taxation Reasons

The Issuer or Successor Company, as defined below, or a Guarantor may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a ''*Tax Redemption Date*'') (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and including all Additional Amounts (see ''—Additional Amounts''), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under ''—Additional Amounts'') affecting taxation; or

(2) any change in, or amendment to, the application, administration or interpretation of such laws, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) of a Relevant Taxing Jurisdiction

(each of the foregoing in clauses (1) and (2), a ''*Change in Tax Law*'');

the Issuer, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes or any Note Guarantee would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent and, in the case of a payment by a Guarantor, having the Issuer or another Guarantor make the payment, but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described under ''—Selection and Notice.'' Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, Successor Company or a Guarantor will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of internationally recognized standing to the effect that the Issuer, Successor Company or Guarantor has or have been or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the existence and satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Additional Amounts

All payments made by or on behalf of the Issuer, a Successor Company or Guarantor (a ''*Payor*'') on the Notes or the Note Guarantees, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Guernsey, the United Kingdom, or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by the Issuer, Successor Company, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for Tax purposes, or otherwise considered to be a resident for Tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clauses (1), (2) and (3), a ''*Relevant Taxing Jurisdiction*''),

will at any time be required from any payments made with respect to any Note or Note Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the ''*Additional Amounts*'') as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Note Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner of a Note and a Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or enforcement of rights under the Indenture or under a Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld or deducted by reason of the failure by the Holder or the beneficial owner of the Note to satisfy or comply with (or cause any Affiliate to satisfy or comply with) any certification, declaration, identification, information or other requirements required by statute, treaty, regulation, or administrative practice of the Relevant Taxing Jurisdictions as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a declaration of non-residence, provided that, in each case the Holder or beneficial owner is legally eligible to do so);

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or any Note Guarantee;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(5) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(6) any Taxes imposed under Sections 1471-1474 of the U.S. Internal Revenue Code (or any regulations or agreements thereunder, any official interpretation thereof, or any law interpreting an intergovernmental agreement thereto); or

(7) any combination of the above.

Such Additional Amounts will also not be payable (x) to the extent the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required for payment) within 30 days after the relevant payment was first made available for payment to the Holder, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period or (y) to the extent that, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (5) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Company, and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 in principal amount of the Notes.

If any Payor in good faith becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to or in respect of Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary. For the avoidance of doubt, the Payor's determination that such Additional Amounts are due, the preparation and delivery of such Officer's Certificate and the Trustee and the Paying Agent's reliance thereon will not affect the Payor's responsibility to pay Additional Amounts.

Wherever in the Indenture, the Note Guarantees or this ''Description of the Notes'' there are mentioned, in any context:

(1) the payment of principal;

(2) purchase or redemption prices in connection with a purchase or redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or Note Guarantees,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any jurisdiction from the execution, initial delivery, initial registration or enforcement of any Notes, the Indenture, the Intercreditor Agreement, the Security Documents or any other document or instrument in relation thereto excluding any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction.

The foregoing obligations of this ''Additional Amounts'' section will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the Indenture, each Holder will have the right to require the Issuer to repurchase all or part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this ''Change of Control'' section in the event and to the extent that it has unconditionally exercised its right to redeem all the Notes as described under ''—Optional Redemption'' or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under ''—Optional Redemption'' or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will provide a notice (the ''*Change of Control Offer*''), to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the ''*Change of Control Payment*'');

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is provided) (the ''*Change of Control Payment Date*'') and record date;

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Note or part thereof not tendered will continue to accrue interest;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is provided prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with an agent to be determined by the Issuer an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authentication agent appointed by the Trustee will, upon receipt of an authentication order from the Issuer, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 or an integral multiple of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control; *provided* that the purchase date will be no earlier than 30 days from the date a notice of such Change of Control Offer is provided.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third-party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control or make such an acquisition more difficult.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third-party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

Each lender under the Revolving Credit Facility may require repayment of all amounts due to it and a cancellation of its commitment under the Revolving Credit Facility upon the occurrence of a change of control. A change of control under the Revolving Credit Facility may not be a Change of Control as defined in the Indenture. Future debt of the Company or of the Issuer may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or require repurchase upon a Change of Control, as the case may be. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company or the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—We may not be able to obtain the funds required to repurchase the Notes upon a Change of Control and the Change of Control provisions contained in the Existing Indentures and that will be contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.''

The definition of ''Change of Control'' includes a disposition of all or substantially all the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of ''all or substantially all'' of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Company to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer or a Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is greater than 2.25 to 1.0 and (2) to the extent that the Indebtedness is Secured Indebtedness, the Senior Secured Leverage Ratio for the Company and its Restricted Subsidiaries is no greater than 4.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or a Guarantor pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of (x) £125.0 million and (y) 17.5% of ERC, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of the Indenture; provided that if the Indebtedness being guaranteed is subordinated to the Notes or Notes Guarantee, then the guarantee must be subordinated to the Notes or Notes Guarantee to the same extent as the Indebtedness guaranteed; or (b) without limiting the covenant described under ''—Limitation on Liens,'' Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; provided, however, that: (a) if the Issuer or any Guarantor is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, it is either a Working Capital Intercompany Loan or unsecured and expressly subordinated in right of payment to prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or Note Guarantee, as applicable; and (b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary, and any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes), (b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (7) or (11) of this paragraph) outstanding on the Issue Date, (c) the Existing Secured Notes that are outstanding on the Issue Date, (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (e) Management Advances;

(5) Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); provided, however, with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur £1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving pro forma effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed

Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (i) £20.0 million and (ii) 4.0% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, in each case not in connection with the borrowing of money, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, provided, however, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); provided that, in the case of a disposition, the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence; (b) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business; and (c) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of Receivables for credit management purposes, in each case, not in connection with the borrowing of money and Incurred or undertaken in the ordinary course of business on arm's length commercial terms;

(11) Indebtedness Incurred by the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of (i) £30.0 million and (ii) 5.0% of Total Assets; provided, that, the aggregate principal amount of such Indebtedness Incurred pursuant to this clause (11) by Restricted Subsidiaries that are not Guarantors shall not exceed the greater of (i) £15.0 million and (ii) 2.5% of Total Assets;

(12) Indebtedness represented by Permitted Purchase Obligations;

(13) Indebtedness Incurred by the Issuer or a Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; provided, however, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10) and (14) of the third paragraph of the covenant described below under ''—Limitation on Restricted Payments'' to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and/or clauses (1), (6), (10) or (14) of the third paragraph of the covenant described below under ''—Limitation on Restricted Payments'' in reliance thereon; and

(14) Indebtedness represented by the unpaid purchase price for Underlying Portfolio Assets, acquired either directly or as a result of any Rights to Collect or any Rights to Participate, in each case, acquired in the ordinary course of business provided such amounts are due within one year of such acquisition.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may, from time to time, reclassify, such item or any portion of such item of Indebtedness and will only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness Incurred pursuant to clause (1) of the second paragraph of this covenant may not be reclassified, and Indebtedness under the Revolving Credit Facility Incurred or outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided in clause (1) of the second paragraph of this covenant;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7) or (11) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) for the purposes of determining ''ERC'' under clause (1)(i)(y) of the second paragraph of this covenant, (i) *pro forma* effect shall be given to ERC for purchases or disposals of Underlying Portfolio Assets, Rights to Collect and Rights to Participate made since the last measurement date and prior to such date of calculation, on the basis of estimates made on a *pro forma* basis in good faith by a responsible financial or accounting Officer of the Company, and (ii) ERC shall be measured on or about the date on which the Company obtains new commitments (in the case of revolving facilities) or incurs new Indebtedness (in the case of term facilities);

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness will be equal to the amount of the liability in respect thereof determined on the basis of IFRS and as specified in the definition of ''Indebtedness.''

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this ''—Limitation on Indebtedness'' covenant. The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of ''Indebtedness.''

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this ''—Limitation on Indebtedness'' covenant, the Company shall be in default of this covenant).

For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pounds sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in pounds sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement. For purposes of calculating compliance with clause (1) of the second paragraph of this covenant or for calculating the amount of Indebtedness outstanding under the Revolving Credit Facility, to the extent a Credit Facility is utilized for the purpose of guaranteeing or cash collateralizing any letter of credit or guarantee, such guarantee or collateralization and issuance of such letter of credit or guarantee shall be deemed to be an Incurrence utilization of such Credit Facility permitted under clause (1) of the second paragraph of this covenant without double counting.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or other distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital

Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on or in respect of, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any:

(x) Subordinated Indebtedness (other than, in each case, any capitalization of Subordinated Indebtedness or (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement, and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under ''—Limitation on Indebtedness''); or

(y) any Subordinated Shareholder Funding, other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding; or

(4) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a ''*Restricted Payment*''), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph under the ''—Limitation on Indebtedness'' covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the 2013 Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (6), (10), (11), (12) and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the 2013 Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the 2013 Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or Subordinated Shareholder Funding refinancing existing Subordinated Shareholder Funding) of the Company subsequent to the 2013 Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any

Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions since the 2013 Issue Date);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the 2013 Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions since the 2013 Issue Date);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c);

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Company or a Restricted Subsidiary;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided* further, *however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The fair market value of property or assets other than cash covered by clause (c) of the preceding paragraph shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, ''*Permitted Payments*''):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under ''—Limitation on Indebtedness'' above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under ''—Limitation on Indebtedness'' above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

    (a) (i) from Net Available Cash to the extent permitted under ''—Limitation on sales of assets and subsidiary stock'' below, but only if (i) the Company shall have first complied with the terms described under ''—Limitation on sales of assets and subsidiary stock'' and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

    (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a ''change of control''), but only (i) if the Company shall be required to make a Change of Control Offer under ''—Change of Control'' and shall have complied with the terms described thereunder and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (A) £2.0 million plus (B) £1.0 million multiplied by the number of calendar years that have commenced since the 2013 Issue Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the 2013 Issue Date (including through receipt of

proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (C), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under ''—Limitation on Indebtedness'' above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication): (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5) and (7) of the second paragraph under ''—Limitation on Affiliate Transactions'';

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from any Public Offering following the 2013 Issue Date or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company, in each case from the Net Cash Proceeds of a Public Offering and (b) an amount equal to the greater of (i) the greater of (x) 6% of the Market Capitalization and (y) 6% of the IPO Market Capitalization, *provided* that, after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries shall be equal to or less than 2.5 to 1.0, and (ii) the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization, *provided* that, after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries shall be equal to or less than 3.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed £35.0 million;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);

(13) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or, in the case of Designated Preference Shares issued by any Parent or any Affiliate thereof, the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries; and

(16) any Restricted Payment (including loans or advances), *provided* that after giving *pro forma* effect to any such Restricted Payment, the Consolidated Leverage Ratio does not exceed 2.50 to 1.0.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

As of December 31, 2016, the amount available under the first paragraph of this covenant for Restricted Payments was approximately £99.2 million.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the ''*Initial Lien*''), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if, contemporaneously with the Incurrence of such Initial Lien, the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;

(B) make any loans or advances to the Company or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Revolving Credit Facility, (b) the Notes, any Additional Notes and the Note Guarantees, (c) the Security Documents, (d) the Existing Secured Notes and the Existing Secured Indentures (including guarantees in respect of the Existing Secured Notes), or (e) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary or

entered into in connection with such transaction) and outstanding on such date; provided that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a renewal, refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an ''*Initial Agreement*'') or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole with respect to such dividend and other payment restrictions than those encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, the terms of any license, authorization, concession or permit or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements in each case not entered into for speculative purposes (as determined in good faith by the Board of Directors);

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under ''—Limitation on Indebtedness'' if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility,

together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Company) and where, in the case of clause (ii), the Company determines at the time such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes;

(12) restrictions relating to Permitted Purchase Obligations SPVs effected in connection with the Incurrence of Permitted Purchase Obligations that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable;

(13) any encumbrance or restriction existing by reason of any lien permitted under ''—Limitation on Liens'';

(14) any encumbrance or restriction on assets held in trust for a third-party, including pursuant to the relevant trust agreement; or

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); provided that the terms and conditions of any such encumbrances or restrictions are, in the good faith judgment of the Board of Directors of the Company, no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Limitation on sales of assets and subsidiary stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

   (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a Non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary or Indebtedness of the Issuer) or Indebtedness under the Revolving Credit Facility (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any)(except in the case of the Revolving Credit Facility) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase *Pari Passu* Indebtedness at a price of no more than 100% of the principal amount of such *Pari Passu* Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided* that the Company or a Restricted Subsidiary shall redeem, repay or repurchase *Pari Passu* Indebtedness pursuant to this clause (ii) only if the Issuer makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such *Pari Passu* Indebtedness; or

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; *provided*, *further*, that if the assets (including Capital Stock) sold constitute Collateral, subject to the Agreed Security Principles, the Company shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Additional Assets (to the extent such assets (including Capital Stock) were of a category of assets included in the Collateral as of the Issue Date) in favor of the Notes on a first-ranking basis (subject to pre-existing Liens and Permitted Collateral Liens), *provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) above or this clause (b), the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph, or offered to be applied in accordance with clause (3)(a)(ii) above, will be deemed to constitute ''*Excess Proceeds*'' under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of ''Excess Proceeds'' under the Indenture exceeds £5.0 million (or equivalent thereof), the Issuer will be required to make an offer (''*Asset Disposition Offer*'') to all Holders and, to the extent the Issuer elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase the maximum principal amount of Notes and any such *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the ''Excess Proceeds,'' at an offer price in respect of the Notes in an amount equal to (and, in the case of any *Pari Passu* Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of *Pari Passu* Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the *Pari Passu* Indebtedness, as applicable, and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the ''Excess Proceeds,'' the Company may use any remaining ''Excess Proceeds'' for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of ''Excess Proceeds,'' the ''Excess Proceeds'' shall be allocated among the Notes and *Pari Passu* Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pounds sterling, such Indebtedness shall be calculated by converting any such principal amount into its Sterling Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of ''Excess Proceeds'' shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than pounds sterling, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in pounds sterling that is actually received by the Issuer upon converting such portion into pounds sterling.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the ''*Asset Disposition Offer Period*''). No later than five Business Days after the termination of the Asset Disposition Offer Period (the ''*Asset Disposition Purchase Date*''), the Issuer will purchase the principal amount of Notes and, to the extent they elect, *Pari Passu* Indebtedness required to be purchased pursuant to this covenant (the ''*Asset Disposition Offer Amount*'') or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or an agent designated by the Issuer, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will (via an authenticating agent) authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company or the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of £25.0 million and 5.0% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any such conflict.

Additional Note Guarantees

The Company will cause each Restricted Subsidiary (other than the Issuer) that, after the Issue Date, guarantees any Indebtedness of the Company or any Guarantor, or assumes or in any other manner becomes liable with respect to any Indebtedness under the Revolving Credit Facility or any Refinancing Indebtedness in respect thereof, to simultaneously or prior thereto execute and deliver a supplemental indenture or other appropriate agreement providing for such Restricted Subsidiary's Note Guarantee on the same terms and conditions as those set forth in the Indenture. In addition, the Company shall cause each Restricted Subsidiary (other than the Issuer, an Immaterial Subsidiary or a Permitted Purchase Obligations SPV) to execute and deliver a supplemental indenture or other appropriate agreement providing for such Restricted Subsidiary's guarantee of the Notes on the same terms and conditions as those set forth in the Indenture, within 30 days of delivery of the Company's audited consolidated annual reports to the Trustee pursuant to the Indenture that show that such Restricted Subsidiary is not an Immaterial Subsidiary or a Permitted Purchase Obligations SPV (each such additional guarantee of the Notes, an ''*Additional Note Guarantee*'').

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Notes to the extent that the grant of such Note Guarantee would be inconsistent with the Agreed Security Principles.

Notwithstanding the foregoing and the other provisions of the Indenture, any Additional Note Guarantee by a Restricted Subsidiary of the Notes shall provide by its terms, and the Indenture shall provide, that it shall be automatically and unconditionally released and discharged in the circumstances described under ''—Note Guarantees.'' Any Additional Note Guarantee shall be considered a ''Note Guarantee'' as described in ''—Note Guarantees.''

Each Additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Maintenance of listing

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Luxembourg Stock Exchange for so long as such Notes are outstanding; *provided* that, if the Company is unable to obtain admission to such listing or if at any time the Company determines that it will not maintain such listing, it will obtain (where the Notes are initially so listed, prior to the delisting of the Notes from the Luxembourg Stock Exchange), and thereafter use its best efforts to maintain, a listing of such Notes on another ''recognized stock exchange'' as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with or for the benefit of any Affiliate of the Company (such transaction or series of transactions being an ''*Affiliate Transaction*'') involving aggregate value in excess of £1.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction, individually or together with other related Affiliate Transactions, involves an aggregate value in excess of £5.0 million, the terms of such transaction

have been approved by a resolution of the majority of the members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of the preceding paragraph if such Affiliate Transaction is approved by a resolution of a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this covenant if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under ''—Limitation on Restricted Payments,'' any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under ''—Limitation on Restricted Payments'') or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (10), (11), (15) and (17) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, which, in each case, are in the ordinary course of business and are either fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the senior management of the Company or the relevant Restricted Subsidiary or on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity; and

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; provided that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture.

Reports

For so long as any Notes are outstanding, the Company will furnish to the Trustee for the benefit of the Holders the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, Adjusted EBITDA, ERC and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies, which is similar in scope to the information provided in this Offering Memorandum; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments, which is similar in scope to the information provided in this Offering Memorandum; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ended March 31, 2017, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recently completed quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, Adjusted EBITDA, ERC and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with IFRS in effect on the date of such report or financial statement (or otherwise on the basis of IFRS then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for below, no report needs to include separate financial statements for any Subsidiaries of the Company. At its election, the Company may provide consolidated financial statements of the IPO Entity in lieu of those for the Company, in which case references to the Company in clauses (1), (2) and (3) of the preceding paragraph will be deemed to be references to the IPO Entity; *provided* that if the consolidated financial statements of the IPO Entity are included in such report, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Company shall be included for any period after the Issue Date.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenue, Adjusted EBITDA, ERC, net income, cash, total assets, total debt, shareholders equity and interest expense.

The Company shall also use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Company and its Subsidiaries or any Parent or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Company in good faith).

The posting on a website maintained by the Company and its Subsidiaries or any Parent of the reports required to be furnished pursuant to this covenant will be deemed to satisfy the requirements to furnish such reports. The Company or any Subsidiary required to provide a report pursuant to clause (3) of this covenant and relying on this paragraph of this covenant shall notify the Trustee when it has complied with this paragraph of this covenant. The Company or any Subsidiary required to provide a report pursuant to clauses (1) and (2) of this covenant and relying on this paragraph of this covenant shall notify the Trustee of the filing deadlines applicable to it with respect to such reports in advance of the first time it relies on this paragraph of this covenant and thereafter of any changes in such deadlines and/or any delays in compliance with this paragraph of this covenant.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant at the offices of the Paying Agent or post such reports on the official website of the Luxembourg Stock Exchange at *http://www.bourse.lu*.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The subsequent making available of any report required by this covenant shall be deemed automatically to cure any Default or Event of Default resulting from the failure to make available such report within the time frame required under this covenant. Any subsequent restatement of financial statements shall have no retroactive effect for purposes of calculations previously made pursuant to the covenants contained in the Indenture.

Merger and consolidation

The Company, Holdings and the Issuer

None of the Company, Holdings or the Issuer will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the ''*Successor Company*'') will be a Person organized and existing under the laws of any member state of the European Union (other than Greece), or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway, Switzerland, Guernsey or Jersey and the Successor Company (if not the Company, Holdings or the Issuer, as applicable) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company, Holdings or the Issuer, as applicable, under the Notes and the Indenture and (b) to the extent required by applicable law to effect such assumption, all obligations of the Company, Holdings or the Issuer, as applicable, under the Intercreditor Agreement and the Security Documents;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under ''—Limitation on Indebtedness'' or (b) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries on a consolidated basis would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture, and that all conditions precedent therein provided for relating to such transaction have been complied with and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and the Notes constitute legal, valid and binding obligations of the Successor Company, enforceable in accordance with their terms (in each case, in form and substance reasonably satisfactory to the Trustee); provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under ''—Limitation on Indebtedness.''

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all the properties and assets of one or more Subsidiaries of the Company or Holdings, which properties and assets, if held by the Company or Holdings, as applicable, instead of such Subsidiaries, would constitute all or substantially all the properties and assets of the Company or Holdings, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all the properties and assets of the Company or Holdings, as applicable.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company, Holdings or the Issuer, as applicable, under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

Subsidiary Guarantors

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into a Subsidiary Guarantor; unless

 (A) the other Person is the Company or a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

 (B) (1) either (x) a Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture, executed and delivered to the Trustee all the obligations of the Subsidiary Guarantor under its Note Guarantee and, to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement and the Security Documents; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

 (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

Suspension of covenants on achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a ''*Suspension Event*''), then, the Issuer shall notify the Trustee of this fact (provided that the Trustee shall be under no obligation to notify the Holders of this fact) and beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: ''—Limitation on Restricted Payments,'' ''—Limitation on Indebtedness,'' ''—Limitation on restrictions on distributions from Restricted Subsidiaries,'' ''—Limitation on Affiliate Transactions,'' ''—Limitation on sales of assets and subsidiary stock,'' and the provisions of clause (3) of the first paragraph of the covenant described under ''—Merger and consolidation,'' and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the ''—Limitation on Restricted Payments'' covenant will be interpreted as if it has been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under ''—Limitation on Indebtedness'' or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under ''—Limitation on

Indebtedness,'' such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) and (c) of the second paragraph of the covenant described under ''—Limitation on Indebtedness.''

Impairment of security interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action, which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral that is prohibited by the covenant entitled ''Limitation on Liens''; *provided*, that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the Intercreditor Agreement or the applicable Security Documents. Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any security interest in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that, except where permitted by the Indenture or the Intercreditor Agreement, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting the security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or released and retaken are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or release and retake and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Further assurances

Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Subject to the Agreed Security Principles, if any Restricted Subsidiary becomes a Guarantor pursuant to the Indenture, the Company will cause such Guarantor to provide security over substantially all of its assets in favor of the Security Agent for the benefit of the Trustee acting for and on behalf of the Holders and consistently with the Intercreditor Agreement. For the avoidance of doubt, the assets and shares of any Permitted Purchase Obligations SPV will be excluded from the Collateral.

Limitation on permitted activities

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to the extent as would not be material to the Company and the Restricted Subsidiaries taken as a whole.

Limitation on Issuer activities

The Issuer will not engage in any business activity or undertake any other activity, other than any activity: (a) subject to compliance with the terms of the Indenture, related to the offering, sale, issuance, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or investment in the Notes, the Existing Secured Notes or any Public Debt; (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Notes, the Indenture, the Existing Secured Notes, the Existing Secured Indentures and any other document relating to the Notes or the Existing Secured Notes (including the proceeds loans with respect to the Existing Secured Notes), the Security Documents, the Intercreditor Agreement and the Revolving Credit Facility or any document relating to any Public Debt; (c) related to the establishment and maintenance of the Issuer's corporate existence; (d) related to using amounts received by the Issuer to make investments in cash or Cash Equivalents in a manner not otherwise prohibited by the Indenture; or (e) reasonably related to the foregoing. The Issuer will not (a) incur any Indebtedness (except to the Company or a Wholly Owned Restricted Subsidiary) other than, subject to compliance with the terms of the Indenture, the Notes, the Existing Secured Indentures, the Existing Secured Notes or any Public Debt, (b) issue any Capital Stock (other than to the Company or a Wholly Owned Restricted Subsidiary) or (c) undertake any transaction that will require the Issuer to register as an ''investment company'' or an entity ''controlled by an investment company'' as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The Issuer will not, and the Company will not permit the Issuer to, use the proceeds from the issuance of the Notes other than as contemplated in the ''Use of Proceeds'' section of this Offering Memorandum.

Limitation on Company activities

The Company will not engage in any business or undertake any other activity, own any assets or incur any liabilities other than: (a) the ownership of the Capital Stock of Holdings, debit and credit balances with its Restricted Subsidiaries and other minimal credit and cash balances in bank accounts and related Investments in Cash Equivalents, Temporary Cash Investments or Investment Grade Securities; (b) the provision of administration services (including the on-lending of monies to Restricted Subsidiaries in the manner described in (a) above) and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services; (c) the entry into and performance of its obligations (and Incurrence of liabilities) under the Notes, the Indenture, the Existing Secured Notes, the Existing Secured Indentures, the Revolving Credit Facility, any Hedging Obligations, any Public Debt, other Indebtedness (including any Additional Notes) or any other obligations, in each case permitted by the Indenture, any Security Document to which it is a party, the Intercreditor Agreement or any proceeds loans relating to the foregoing; (d) the making of any payments or other distributions of the types specified in clauses (1), (2) and (3) of the definition of Restricted Payments in compliance with the covenant described above under ''—Limitation on Restricted Payments'' and the making of any Permitted Investments of the types specified under clauses (6) and (16) of the definition thereof; (e) reorganizations for bona fide corporate purposes in compliance with the covenant described above under ''—Merger and consolidation''; *provided* that any successor entity resulting from any such reorganization is subject to the covenant described in this paragraph; (f) the granting of security interests in accordance with the terms of the Notes, the Indenture, the Existing Secured Notes, the Existing Secured Indentures, the Revolving Credit Facility, any Hedging Obligations, any Public Debt, other Indebtedness or any other obligations, in each case permitted by the Indenture, any Security Document to which it is a party, the Intercreditor Agreement or any proceeds loans relating to the foregoing; (g) professional fees and administration costs in the ordinary course of business as a holding company; (h) related or reasonably incidental to the establishment or maintenance of its or its Subsidiaries' corporate existence; (i) any liabilities under any purchase agreement or any other document entered into in connection with the issuance of the Notes or any other Indebtedness permitted under the Indenture (including any Additional Notes); and (j) any other activities which are not specifically listed above and (i) which are ancillary to or related to those listed above or (ii) which are *de minimis* in nature.

Limitation on Trust Management SPVs

No Trust Management SPV will: (a) engage in any business activity or undertake any other activity, other than such activities (i) necessary or ancillary to managing Trust Management Assets including as necessary to fulfill any obligations or duties of the Trust Management SPV as a trustee and including as specifically contemplated hereby including the disposition of any Trust Management Assets, Incurrence of Indebtedness where the proceeds of such Indebtedness are used to finance the purchase of Trust Management Assets and granting liens on Trust Management Assets or (ii) related to the establishment and maintenance of the Trust Management SPV; (b) issue any Capital Stock other than to the Company or any other Restricted Subsidiary; (c) incur any Indebtedness other than Indebtedness without recourse to the Company or any other Restricted Subsidiary or any of their assets; (d) hold any assets other than Trust Management Assets and any other assets necessary or ancillary to managing such Trust Management Assets; (e) establish any subsidiaries or own Capital Stock of any entity for any purpose; or (f) undertake any transaction that will require the Issuer to register as an ''investment company'' or an entity ''controlled by an investment company'' as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

Payments for consent

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to all Holders and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor (A) would require the Issuer, the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer and the Company in their sole discretion determine (acting in good faith) would be materially burdensome; or (B) would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

Each of the following will be an ''*Event of Default*'' under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in principal amount of the outstanding Notes with (a) the Issuer's obligations under the covenants described under ''—Change of Control'' above or (b) the Guarantors' or the Restricted Subsidiaries' or the Issuer's obligations under the covenants described under ''—Certain Covenants'' above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in principal amount of the outstanding Notes with the Guarantors' or the Issuer's other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee exists on the Issue Date, or is created after the Issue Date, which default: (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (''*payment default*''); or (b) results in the acceleration of such Indebtedness prior to its maturity (the ''*cross acceleration provision*''); and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £10.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, the Company, Holdings or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary;

(7) failure by the Issuer, the Company or any Restricted Subsidiary to pay final judgments aggregating in excess of £12.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final;

(8) any security interest under the Security Documents on any material Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such default continues for 10 days; and

(9) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guarantee, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture;

provided, however, that a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) above shall be remedied or cured, or waived by the holders of the

Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of not less than a majority in aggregate principal amount of the Notes then outstanding under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any and (ii) a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holders of not less than 90% in aggregate principal amount of the Notes then outstanding, each of which may only be waived with the consent of the Holders of not less than 90% in aggregate principal amount of the Notes then outstanding) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested in writing that the Trustee pursue the remedy;

(3) such Holders have offered in writing to the Trustee security and/or indemnity (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of such security and/or indemnity (including by way of pre-funding); and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default of which a responsible officer of the Trustee has been informed in writing has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security by the Holders (including by way of pre-funding) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (and within 14 days upon request at any time after the 120 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured by the Holders (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for the Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes, an amendment or waiver may not, with respect to any such Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under ''—Optional Redemption'' or ''—Redemption for Taxation Reasons'';

(5) make any such Note payable in currency other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under ''—Additional Amounts'' that adversely affects the right of any Holder of such Notes in any material respect;

(8) release all or substantially all the Guarantors from their obligations under their respective Note Guarantees or the Indenture, except otherwise in accordance with the terms of the Indenture;

(9) release the security interest granted for the benefit of the Holders in the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted by the Indenture and the Intercreditor Agreement;

(10) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Guarantors, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of the Note Documents to this ''Description of the Notes,'' or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or the Guarantors under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect or to make any change that would provide any additional rights or benefits to the holders of Notes;

(6) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;

(7) provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under ''—Certain Covenants—Additional Note Guarantees,'' to add Note Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture or the Security Documents;

(8) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Note Document;

(9) in the case of the Security Documents, mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facility, in any property which is required by the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; provided that the granting of such security interest is not prohibited by the Indenture and the covenant described under ''—Certain Covenants—Impairment of security interest'' is complied with;

(10) release Collateral in accordance with the terms of the Indenture, the Intercreditor Agreement and the Security Documents or to release any Note Guarantee in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) with respect to the Intercreditor Agreement, make such amendments as are necessary in order to permit (to the extent not already permitted) any liabilities under any master agreement, confirmation, schedule or other agreement entered into by a ''Debtor'' and a ''Hedge Counterparty'' (each as defined therein) for the purpose of hedging any currency or interest rate exposures (which are, in each case, permitted under the Indenture) to be Secured Liabilities (as defined in the Intercreditor Agreement) and treated in the same manner as either the Super Senior Liabilities (as defined in the Intercreditor Agreement) or the *Pari Passu* Debt (as defined in the Intercreditor Agreement) for the purposes of Clause 18 (Application of proceeds) of the Intercreditor Agreement.

The Issuer will, for so long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, to the extent required by the rules of such exchange, inform the Luxembourg Stock Exchange of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this Offering Memorandum setting forth reasonable details in connection with any such amendments, supplements or waivers.

The consent of the Holders will not be necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer, the Company and the Guarantors under the Notes and the Indenture (''*legal defeasance*'') and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate with respect to the Notes (other than with respect to the defeasance trust).

The Issuer at any time may terminate all obligations under the covenants described under ''—Certain Covenants'' (other than clauses (1) and (2) of ''—Certain Covenants—Merger and consolidation'') and ''—Change of Control'' and the default provisions relating to such covenants described under ''—Events of Default'' above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions, the judgment default provision, the guarantee default provision and the security default provision described under ''—Events of Default'' above (''*covenant defeasance*'').

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of the covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under ''—Certain Covenants—Merger and consolidation''), (4), (5), (6) (other than with respect to the Issuer, Holdings and the Company), (7), (8) or (9) of the first paragraph under ''—Events of Default'' above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''*defeasance trust*'') with the Trustee (or such other entity designated or appointed (as agent) by the Trustee for this purpose) for the benefit of the Holders of the Notes, cash in euros, European Government Obligations, or a combination of cash in euros and European Government Obligations, in such amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such other entity designated or appointed (as agent) by the Trustee for this purpose), for the benefit of the Holders of the Notes cash in euros, European Government Obligations, or a combination thereof in an amount sufficient in the good faith determination of the Issuer to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under this Indenture to apply deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the ''—Satisfaction and Discharge'' section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)) and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited amounts towards payment of the Notes at maturity or on the redemption date, as the case may be.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or the Company or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, the Company or the Guarantors under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Bank of New York Mellon, London Branch is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee will be permitted to engage in other transactions with the Company, the Issuer and their respective Affiliates and Subsidiaries.

In particular, the Trustee also serves as trustee in respect of the Existing Secured Notes.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has actual knowledge that it has or acquires a conflict of interest that is not eliminated or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Acknowledgment and Consent to Bail-in

By accepting a Note, each holder, and by signing the Indenture, each counterparty to a BRRD Party under the Indenture, shall be deemed to have acknowledged, accepted and agreed (i) that a BRRD Liability arising under the Indenture may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority and (ii) to be bound by:

(1) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of any BRRD Party to it under the Indenture, that (without limitation) may include and result in any of the following, or some combination thereof:

   (A) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

   (B) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the relevant BRRD Party or another person (and the issue to or conferral on it of such shares, securities or obligations);

   (C) the cancellation of the BRRD Liability; or

   (D) the amendment or alteration of the amounts due in relation to the BRRD Liability, including any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(2) the variation of the terms of the Indenture, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered, in lieu of mailing to Holders, to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. In addition, for so long as any of the Notes are listed the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of such exchange so require, notices with respect to the Notes listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market will be published on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Trustee such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Person if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes or any Note Guarantee will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer and any Guarantor under or in connection with the Notes or any Note Guarantee in respect thereof, as applicable, including damages. Any amount received or recovered in a currency other than euros, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only constitute a discharge to the Issuer or such Guarantor to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder or the Trustee to certify in a manner satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Enforceability of Judgments

Since all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against any of them, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

''*2013 Issue Date*'' means January 29, 2013.

''*2021 Indenture*'' means the indenture dated November 4, 2014 among *inter alios*, the Issuer, the Guarantors and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a supplemental indenture dated December 10, 2014, a second supplemental indenture dated September 28, 2015 and a third supplemental indenture dated June 3, 2016 (and as it may be further amended, supplemented and/or restated from time to time).

''*2021 Notes*'' means the Issuer's €335,000,000 Senior Secured Floating Rate Notes due 2021 issued pursuant to the 2021 Indenture on November 4, 2014 and September 28, 2015, so long as they are outstanding.

''*2023 Indenture*'' means the indenture dated April 21, 2016 among *inter alios*, the Issuer, the Guarantors and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated June 3, 2016 (and as it may be further amended, supplemented and/or restated from time to time).

''*2023 Notes*'' means the Issuer's €230,000,000 Senior Secured Floating Rate Notes due 2023 issued pursuant to the 2023 Indenture on April 21, 2016, so long as they are outstanding.

''*2024 Indenture*'' means the indenture dated September 9, 2016 among inter alios, the Issuer, the Guarantors and The Bank of New York Mellon, London Branch, as trustee, (and as it may be further amended, supplemented and/or restated from time to time).

''*2024 Notes*'' means the Issuer's £220,000,000 5.125% Senior Secured Notes due 2024 issued pursuant to the 2024 Indenture on September 9, 2016, so long as they are outstanding.

''*Acquired Indebtedness*'' means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from any Person, in each case whether or not Incurred in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) on the date of consummation of such acquisition of assets and, with respect to clause (3) on the date of the relevant merger, consolidation or other combination.

''*Additional Assets*'' means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary engaged in a Similar Business.

''*Affiliate*'' of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, ''control,'' when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms ''controlling'' and ''controlled'' have meanings correlative to the foregoing.

''*Agreed Security Principles*'' means the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Company.

''*AGG*'' means Arrow Global Group PLC.

''*Applicable Premium*'' means, on any redemption date, the greater of:

(a) 1.0% of the principal amount of such Note; or

(b) the excess of:

  (i) the present value at such redemption date of (x) the redemption price of such Note at   , 2019 (such redemption price being set forth in the table appearing under the caption ''—Optional Redemption''), plus (y) all required interest payments due on such Note through   , 2019 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus   basis points and assuming that the rate of interest on such Notes from the redemption date through   , 2019 will equal the rate of interest on such Notes in effect on the date on which the applicable notice of redemption is given; over

  (ii) the outstanding principal amount of such Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, Paying Agent or Calculation Agent.

''*Asset Disposition*'' means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a ''disposition'') by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption ''—Change of Control'' or the provisions described above under the caption ''—Certain Covenants—Merger and consolidation'' and not by the provisions of the Asset Disposition covenant.

Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of Portfolio Assets (including dispositions of Rights to Collect or Rights to Participate) or inventory or other assets, in each case, in the ordinary course of business including into a trust in favor of third parties or otherwise;

(4) a disposition of obsolete, surplus or worn out equipment, or equipment or other property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under ''—Certain Covenants—Merger and consolidation—The Company, Holdings and the Issuer'' or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than the greater of (i) £15.0 million and (ii) 2.5% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under ''—Certain Covenants—Limitation on Restricted Payments'' and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under ''—Certain Covenants—Limitation on sales of assets and subsidiary stock,'' asset sales, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of Receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(14) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(15) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and leaseback transactions, finance leases, asset securitizations and other similar financings permitted by the Indenture where the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (15), does not exceed the greater of (i) £3.0 million and (ii) 1.5% of Total Assets; and

(16) the sale, transfer or other disposition of Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for bona fide hedging purposes and not for speculative purposes (such purpose to be determined in good faith by the Board of Directors or senior management of the Company.

''*Associate*'' means (1) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (2) any joint venture entered into by the Company or any Restricted Subsidiary.

''*Bail-in Legislation*'' means in relation to a member state of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

''*Bail-in Powers*'' means any write-down and conversion powers as defined in relation to the relevant Bail-in Legislation.

''*Board of Directors*'' means (1) with respect to the Company, the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

''*BRRD*'' means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

''*BRRD Liability*'' has the meaning assigned to such term in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

''*BRRD Party*'' means The Bank of New York Mellon (Luxembourg) S.A., as Registrar under the Indenture.

''*Bund Rate*'' as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to   , 2019; provided, however, that if the period from the redemption date to   , 2019, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to   , 2019, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

''*Business Day*'' means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, New York, New York, United States or Luxembourg are authorized or required by law to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a day on which the second generation Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments.

''*Calculation Agent*'' means a financial institution appointed by the Issuer to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

''*Capital Stock*'' of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''*Capitalized Lease Obligation*'' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as in effect on the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS as in effect on the Issue Date, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

''*Cash Equivalents*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the government of the United States, Canada, a member state of the European Union (other than Greece, Portugal and Italy), Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Company or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof issued by any lender party to a Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least ''A-1'' or the equivalent thereof by S&P or at least ''P-1'' or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least ''A-2'' or the equivalent thereof by S&P or ''P-2'' or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member state of the European Union (other than Greece and Portugal), Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either S&P or Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of ''BBB – '' or higher from S&P or ''Baa3'' or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of twelve months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

''*Change of Control*'' means:

(1) the Company becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any ''person'' or ''group'' of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date) is or becomes the ''beneficial owner'' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, *provided* that for the purposes of this clause, any holding company whose material assets relate to the direct or indirect ownership of the Capital Stock of the Company will not itself be considered a ''person'' or ''group'';

(2) the adoption of a plan relating to the liquidation or dissolution of the Company other than in a transaction which complies with the provisions described under ''—Certain Covenants—Merger and consolidation''; or

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary.

''*Clearstream*'' means Clearstream Banking, S.A., or any successor securities clearing agency.

''*Code*'' means the U.S. Internal Revenue Code of 1986, as amended.

''*Commodity Hedging Agreements*'' means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

''*Company*'' means Arrow Global Guernsey Holdings Limited and its successors and assigns.

''*Consolidated EBITDA*'' for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges plus, to the extent not already included or added back, any costs associated with Hedging Obligations or derivatives;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization expense, including any amortization of Portfolio Assets;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Offering), in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking; and

(7) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

''*Consolidated Income Taxes*'' means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes) and corporation Taxes and franchise Taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

''*Consolidated Interest Expense*'' means, with respect to any Person for any period, without duplication, (1) interest payable (whether in cash or capitalized) on Financial Indebtedness of such Person and its Restricted Subsidiaries for such period, plus (i) any amortization of debt discount or premium with respect to such Indebtedness and (ii) any commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing or bank guarantees, but, in each case, excluding any expense associated with Subordinated Shareholder Funding less (2) interest income for such period.

''*Consolidated Leverage*'' means the sum of the aggregate outstanding Financial Indebtedness of the Company and its Restricted Subsidiaries as of the relevant date of calculation on a consolidated basis in accordance with IFRS.

''*Consolidated Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a ''*Sale*'') or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such Sale constitutes ''discontinued operations'' in accordance with the then applicable IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a ''*Purchase*''), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings, as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings, as if such Sale or Purchase occurred on the first day of such period.

In the event that the Company or any Restricted Subsidiary Incurs, assumes, guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than, in the case of redemption, defeasance, retirement or extinguishment, Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Consolidated Leverage Ratio is made (the ''*Consolidated Leverage Ratio Calculation Date*''), then the Consolidated Leverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided*, *however*, that the *pro forma* calculation of Consolidated Leverage shall not give effect to (i) any Indebtedness Incurred on the Consolidated Leverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under ''—Certain Covenants—Limitation on Indebtedness'' or (ii) the discharge on the Consolidated Leverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under ''—Certain Covenants—Limitation on Indebtedness.''

For purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries, whenever *pro forma* effect is to be given to a transaction, (a) the *pro forma* calculations shall be made in good faith by a responsible financial or accounting Officer of the Company (including synergies and cost savings) and (b) in respect of synergies and cost savings, the *pro forma* calculations shall be made as though the full effect of such synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or accounting Officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs have been fully implemented on the first day of the relevant period.

''*Consolidated Net Income*'' means, for any period, the profit (loss) on ordinary activities after taxation of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or (y) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ''—Certain Covenants—Limitation on Restricted Payments,'' that could have been distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ''—Certain Covenants—Limitation on Restricted Payments,'' any profit (loss) on ordinary activities after taxation of any Restricted Subsidiary (other than any Guarantor) if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Revolving Credit Facility, the Existing Secured Notes, the Existing Secured Indentures, the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under ''—Certain Covenants—Limitation on restrictions on distributions from Restricted Subsidiaries,'') except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (as determined in good faith by the Company), or any charges or reserves in respect of any restructuring, redundancy or severance expense;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

''*Contingent Obligations*'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (''*primary obligations*'') of any other Person (the ''*primary obligor*''), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''*Credit Facility*'' means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ''Credit Facility'' shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

''*Currency Agreement*'' means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

''*Default*'' means any event which is, or after notice or passage of time or both would be, an Event of Default.

''*Designated Non-Cash Consideration*'' means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under ''—Certain Covenants—Limitation on sales of assets and subsidiary stock.''

''*Designated Preference Shares*'' means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as ''Designated Preference Shares'' pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under ''—Certain Covenants—Limitation on Restricted Payments.''

''*Disinterested Director*'' means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Company shall be deemed not to have such a financial interest solely by reason of such member's holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

''*Disqualified Stock*'' means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under ''—Certain Covenants—Limitation on Restricted Payments.''

''*Equity Offering*'' means (x) a sale of Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares and other than an Excluded Contribution) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities of the Parent, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or any of its Restricted Subsidiaries.

‘‘*ERC*’’ means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Company and its Restricted Subsidiaries from all Portfolio Assets during the period of 84 months, as calculated by the Portfolio ERC Model, as of the last day of the month most recently ended prior to the date of calculation.

‘‘*EU Bail-in Legislation Schedule*’’ means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at http://www.lma.eu.com/pages.aspx?p=499.

‘‘*Euroclear*’’ means Euroclear Bank SA/NV or any successor securities clearing agency.

‘‘*European Government Obligations*’’ means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit.

‘‘*European Union*’’ means the European Union, including any country which is as of the Issue Date, or becomes after the Issue Date, a member of the European Union.

‘‘*Exchange Act*’’ means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

‘‘*Excluded Contribution*’’ means Net Cash Proceeds or property or assets received by the Company: (i) as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date; or (ii) from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company; in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.

‘‘*Existing Secured Indentures*’’ means, collectively, the 2021 Indenture, the 2023 Indenture and the 2024 Indenture.

‘‘*Existing Secured Notes*’’ means, collectively, the 2021 Notes, the 2023 Notes and the 2024 Notes.

‘‘*fair market value*’’ may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

‘‘*Financial Indebtedness*’’ means any Indebtedness described under clauses (1), (2), (4), (5), (6) and (7) of the definition of ‘‘Indebtedness.’’

‘‘*Fixed Charge Coverage Ratio*’’ means, with respect to any Person on any determination date, the ratio of (x) Consolidated EBITDA of such Person for the most recently completed four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person and its Restricted Subsidiaries for such four consecutive fiscal quarters. In the event that the Company or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than, in the case of redemption, defeasance, retirement or extinguishment, Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ‘‘*Fixed Charge Coverage Ratio Calculation Date*’’), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, assumption, Guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under ‘‘—Certain Covenants—Limitation on Indebtedness’’ or (ii) the discharge on the Fixed Charge Coverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under ‘‘—Certain Covenants—Limitation on Indebtedness.’’

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations that have been made by the Company or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period and will also include cost savings reasonably anticipated by management to occur from programs implemented during the relevant period as though the full run-rate effect of such cost savings were realized on the first day of the relevant period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued any operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto, including anticipated synergies and cost savings for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation and the full effect of such anticipated synergies and cost savings had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting Officer of the Company (including synergies and cost savings). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting Officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency inter-bank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

''*Fixed Charges*'' means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such period;

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period;

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; and

(4) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such guarantee or Lien is called upon, determined on a consolidated basis in accordance with IFRS.

''*Governmental Authority*'' means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

''*Guarantee*'' means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to

keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term ''Guarantee'' will not include endorsements for collection or deposit in the ordinary course of business. The term ''Guarantee'' used as a verb has a corresponding meaning.

''*Guarantors*'' means the Company and any Restricted Subsidiary that Guarantees the Notes.

''*Hedging Obligations*'' of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a ''*Hedging Agreement*'').

''*Holder*'' means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the nominee of the common depositary for Euroclear and Clearstream.

''*IFRS*'' means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that ''IFRS'' shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Company shall give notice of any such election to the Trustee.

''*Immaterial Subsidiary*'' means any Restricted Subsidiary that (i) has not guaranteed, or is not a co-obligor under, any other Indebtedness of the Issuer or any Guarantor and (ii) (A) has Total Assets (as determined in accordance with IFRS) of less than 5% of the Company's consolidated Total Assets and (B) has Consolidated EBITDA of less than 5% of the Company's Consolidated EBITDA (in each case, measured (i) for the four quarters ended most recently for which internal financial statements are available, (ii) on a *pro forma* basis giving effect to any acquisitions or depositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable and (iii) on the basis of management accounts and excluding intercompany balances, investments in subsidiaries and joint ventures and intangible assets).

''*Incur*'' means issue, create, assume, enter into any Guarantee of, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms ''*Incurred*'' and ''*Incurrence*'' have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility will only be deemed to be ''Incurred'' at the time any funds are borrowed thereunder.

''*Indebtedness*'' means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) Capitalized Lease Obligations of such Person;

(5) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary (other than the Issuer), any Preferred Stock (but excluding, in each case, any accrued dividends);

(6) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*,

that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(7) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(8) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term ''*Indebtedness*'' shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any asset retirement obligations, prepayments or deposits received from clients or customers, in each case, in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (5), (6) or (8) above) shall be (a) in the case of any Indebtedness issued with original issue discount, the amount in respect thereof that would appear on the balance sheet of such Person in accordance with IFRS and (b) shall be the principal amount of the Indebtedness, in the case of any other Indebtedness. Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(iv) Indebtedness of a Trust Management SPV where the proceeds of such Indebtedness are used to finance the purchase of assets to be held in such trust; provided that the Incurrence of such Indebtedness is without recourse to and contains no obligation on the Company or any other Restricted Subsidiary or any of their assets in any way.

''*Indenture*'' means the indenture to be dated the Issue Date among, *inter alios*, the Issuer, the Guarantors and The Bank of New York Mellon, London Branch, as trustee, and The Royal Bank of Scotland plc, as security agent, pursuant to which the Issuer will issue the Notes.

''*Independent Financial Advisor*'' means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Company.

''*Initial Public Offering*'' means (a) the initial public offering of the shares in AGG on October 11, 2013 (unless clause (b) applies, the ''*IPO Entity*''); or (b) any other Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (with such offeror being the ''*IPO Entity*'') following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

''*Intercreditor Agreement*'' means the intercreditor agreement dated January 29, 2013, and made between the Issuer, the Guarantors, the Security Agent, the agent for the Revolving Credit Facility, the trustee for the 2021 Notes, the 2023 Notes and the 2024 Notes and the other parties named therein, as amended and restated on November 25, 2014 and August 11, 2016 and as it may be further amended, restated or otherwise modified or varied from time to time.

''*Interest Rate Agreement*'' means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

''*Investment*'' means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Rights to Collect or any Rights to Participate, or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption ''—Certain Covenants—Limitation on Restricted Payments.''

For purposes of ''—Certain Covenants—Limitation on Restricted Payments'':

(1) ''*Investment*'' will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent ''Investment'' in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's ''Investment'' in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

''*Investment Grade Securities*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member state of the European Union (other than Greece and Portugal), or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of ''A –'' or higher from S&P or ''A3'' or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

''*Investment Grade Status*'' shall occur when the Notes receive both of the following: (1) a rating of ''BBB−'' or higher from S&P; and (2) a rating of ''Baa3'' or higher from Moody's; or the equivalent of such ratings by either such rating organizations or, if no rating of Moody's or S&P then exists, the equivalent of such applicable rating by any other Nationally Recognized Statistical Rating Organization.

''*IPO Entity*'' has the meaning given to it in the definition of ''Initial Public Offering.''

''*IPO Market Capitalization*'' means £358.0 million.

''*Issue Date*'' means , 2017.

''*Lien*'' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

''*Management Advances*'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding £0.5 million in the aggregate outstanding at any time.

''*Management Investors*'' means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

''*Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

''*member state*'' means each country that is a member of the European Union as of August 1, 2014.

''*Moody's*'' means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*Nationally Recognized Statistical Rating Organization*'' means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

''*Net Available Cash*'' from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

''*Net Cash Proceeds*,'' with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions).

''*Note Documents*'' means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, and the Security Documents.

''*Offering*'' means this offering of Notes.

''*Officer*'' means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an ''Officer'' for the purposes of the Indenture by the Board of Directors of such Person.

''*Officer's Certificate*'' means, with respect to any Person, a certificate signed by one Officer of such Person.

''*Opinion of Counsel*'' means a written opinion from legal counsel in form and substance reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

''*Parent*'' means any person of which the Company at any time is or becomes a Subsidiary after the Issue Date.

''*Parent Expenses*'' means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to secondment, employment or similar agreements entered into between the Company and/or any of its Restricted Subsidiaries and/or any Parent or any employee thereof), (b) costs and expenses with respect to any litigation or other dispute relating to the Offering or the ownership, directly or indirectly, of the Issuer by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent, and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(5) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed £1.0 million in any fiscal year;

(6) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness: (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary, (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(7) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries.

''*Pari Passu Indebtedness*'' means Indebtedness of the Company (other than Indebtedness of the Company pursuant to the Revolving Credit Facility) or any Guarantor if such Guarantee ranks equally in right of payment to the Note Guarantees which, in each case, is secured by Liens on the Collateral, including the Existing Secured Notes.

''*Paying Agent*'' means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

''*Permitted Asset Swap*'' means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under ''—Certain Covenants—Limitation on sales of assets and subsidiary stock.''

''*Permitted Collateral Liens*'' means (A) Liens on the Collateral described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (18), (19), (20), (21), (22) and (24) of the definition of ''Permitted Liens,'' (B) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (c) and (d) (if the original Indebtedness was so secured), (6) or (11) of the second paragraph of the covenant described under ''—Certain Covenants—Limitation on Indebtedness''; *provided*, *however*, that such Lien ranks equal to all other Liens on such Collateral securing Indebtedness of the Company or such Restricted Subsidiary, as applicable (except that (i) a Lien in favor of Indebtedness Incurred under clause (1) of the second paragraph of ''—Certain Covenants—Limitation on Indebtedness'' and (ii) a Lien in favor of Priority Hedging Obligations may have super priority not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement (in respect of clause (i), as in effect on the Issue Date)), (C) Liens on the Collateral securing Secured Indebtedness Incurred under the first paragraph of the covenant described under ''—Certain Covenants—Limitation on Indebtedness''; or (D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C). To the extent that a Lien on the Collateral consists of a mortgage over any real estate located in the United Kingdom, it shall constitute a Permitted Collateral Lien only to the extent that a mortgage ranking at least *pari passu* is granted in favor of the Security Agent for the benefit of the Trustee and the Holders.

''*Permitted Investment*'' means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business if such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in Receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with ''—Certain Covenants—Limitation on sales of assets and subsidiary stock'';

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a legally binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with ''—Certain Covenants—Limitation on Indebtedness'';

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of £25.0 million and 5.0% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under ''—Certain Covenants—Limitation on Restricted Payments,'' such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition of ''*Permitted Investment*'' and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of ''Permitted Liens'' or made in connection with Liens permitted under the covenant described under ''—Certain Covenants—Limitation on Liens'';

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under ''—Certain Covenants—Limitation on Affiliate Transactions'' (except those described in clauses (1), (3), (6), (8) and (9) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) Guarantees not prohibited by the covenant described under ''—Certain Covenants—Limitation on Indebtedness'' and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding not to exceed the greater of £25.0 million and 5.0% of Total Assets; and

(18) Investments in the Notes, the Existing Secured Notes and any Additional Notes and Investments pursuant to the proceeds loans with respect to the Existing Secured Notes.

''*Permitted Liens*'' means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property in accordance with clause (7) of the second paragraph of the covenant described under ''—Limitation on Indebtedness''; *provided* that any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens do not extend to or cover any property or assets of the Company and its Restricted Subsidiaries other than (a) the property or assets acquired or (b) the property or assets of the Person acquired, merged with or into or consolidated or combined with the Company or a Restricted Subsidiary;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third-party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third-party relating to such property or assets;

(21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(22) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(23) Liens which do not exceed £20.0 million at any one time outstanding;

(24) Liens on Capital Stock of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) Liens securing Permitted Purchase Obligations, provided that any such Lien is only over the assets and Capital Stock of the relevant Permitted Purchase Obligations SPV;

(26) Liens on Rights to Collect, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments held on trust for third parties; and

(27) Liens on Trust Management Assets, provided such liens do not secure any Indebtedness of the Company or any Restricted Subsidiary other than a Trust Management SPV.

''*Permitted Purchase Obligations*'' means any Indebtedness Incurred by a Permitted Purchase Obligations SPV to finance or refinance the acquisition of Portfolio Assets purchased by such Permitted Purchase Obligations SPV, whether directly or through the acquisition of the Capital Stock of any Person owning such Portfolio Assets or otherwise, in an aggregate principal amount not exceeding at the time of the Incurrence of such Permitted Purchase Obligations, together with any other Indebtedness Incurred pursuant to clause (12) of the second paragraph of the ''—Limitation on Indebtedness'' covenant and then outstanding, 12.5% of the ERC of the Company and its Restricted Subsidiaries, calculated in good faith on a pro forma basis by management as of the date of purchase of such Portfolio Assets, provided that:

(1) except for the granting of a Lien described in clause (25) of the definition of ''Permitted Liens,'' no portion of any Permitted Purchase Obligations or any other obligations (contingent or otherwise) of the applicable Permitted Purchase Obligations SPV (i) is guaranteed by the Company or any other Restricted Subsidiary, (ii) is recourse to or obligates the Company or any other Restricted Subsidiary in any way, or (iii) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(2) neither the Company nor any other Restricted Subsidiary has any obligation to maintain or preserve the applicable Permitted Purchase Obligations SPV's financial condition or cause such entity to achieve certain levels of operating results, and

(3) such Permitted Purchase Obligation is secured (if at all) only over the assets of, and Capital Stock of, the relevant Permitted Purchase Obligations SPV.

''*Permitted Purchase Obligations SPV*'' means a Wholly Owned Restricted Subsidiary (i) which engages in no activities other than the acquisition of Portfolio Assets, the Incurrence of Permitted Purchase Obligations to finance such acquisition and any business or activities incidental or related to such business and is set up in connection with the Incurrence of Permitted Purchase Obligations, (ii) to which the Company or any Restricted Subsidiary contributes, loans or otherwise transfers no amounts in excess of amounts required, after giving effect to the Incurrence of Permitted Purchase Obligations, to consummate the relevant purchase of assets and amounts required for incidental expenses, costs and fees for the set-up and continuing operations of such Permitted Purchase Obligations SPV, and (iii) all the Capital Stock of which is held by a Wholly Owned Restricted Subsidiary which holds no other material assets.

''*Person*'' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

''*Portfolio Assets*'' means all (a) Underlying Portfolio Assets owned directly by the Company and its Restricted Subsidiaries (whether such direct ownership is in whole or in part), (b) Underlying Portfolio Assets subject to Rights to Collect and (c) Underlying Portfolio Assets subject to Rights to Participate.

''*Portfolio ERC Model*'' means the models and methodologies that the Company, its servicers, financial partners or investment partners use to calculate the value of its ERC and those of its Subsidiaries, consistently with its most recent audited financial statements as of such date of determination.

''*Preferred Stock*,'' as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

''*Priority Hedging Obligations*'' means designated Hedging Obligations in an aggregate amount outstanding at any time of up to £10.0 million.

''*Public Debt*'' means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after: (1) an Equity Offering has been consummated; and (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £50 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Rating Agencies*" means S&P and Moody's or, in the event S&P or Moody's no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by S&P or Moody's.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced, *provided*, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred within 120 days after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Taxes*" means:

(1) any Taxes (other than (x) Taxes measured by gross or net income, receipts or profits and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its: (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries); (b) issuing or holding Subordinated Shareholder

Funding; or (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries; or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any consolidated or combined Taxes measured by income for which such Parent is liable up to an amount not to exceed the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Company or its Restricted Subsidiaries.

''*Relevant Resolution Authority*'' means the resolution authority with the ability to exercise any Bail-in Powers in relation to the relevant BRRD Party.

''*Restricted Investment*'' means any Investment other than a Permitted Investment.

''*Restricted Subsidiary*'' means any Subsidiary of the Company other than an Unrestricted Subsidiary.

''*Reversion Date*'' means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

''*Revolving Credit Facility*'' means the senior secured revolving credit facility agreement dated July 29, 2016 among the Company, the Security Agent, The Royal Bank of Scotland plc as Agent and the other parties named therein, as amended, supplemented, refinanced, replaced or otherwise modified from time to time.

''*Rights to Collect*'' means the Company's or any Restricted Subsidiary's entitlement to collect and retain amounts generated by, or otherwise related to, Underlying Portfolio Assets in circumstances where such Underlying Portfolio Assets are owned by a Person that is not the Company or one of its Restricted Subsidiaries and such Person is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Company or a Restricted Subsidiary.

''*Rights to Participate*'' means the rights of the Company or any Restricted Subsidiary to receive amounts generated by, or otherwise related to, Underlying Portfolio Assets owned by Persons other than the Company or one of its Restricted Subsidiaries, which amounts are payable to the Company or a Restricted Subsidiary under instruments, participations or sub-participations, total return or pass-through contracts or any other similar arrangements.

''*S&P*'' means Standard & Poor's Credit Market Services Europe Limited or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*SEC*'' means the U.S. Securities and Exchange Commission.

''*Secured Indebtedness*'' means any Financial Indebtedness secured by a Lien.

''*Senior Secured Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Company)) less the aggregate amount of cash and Cash Equivalents of the Company and its Restricted Subsidiaries at such date to (y) the aggregate amount of Consolidated EBITDA of the Company and its Restricted Subsidiaries for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case calculated with such *pro forma* adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio.

''*Securities Act*'' means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Security Documents*'' means the Intercreditor Agreement and any Additional Intercreditor Agreement, the debenture, the security over shares agreement and each other document under which collateral is pledged to secure the Notes.

''*Senior Management*'' means any previous or current officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

''*Significant Subsidiary*'' means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the Total Assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

''*Similar Business*'' means (1) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (2) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''*Stated Maturity*'' means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

''*Sterling Equivalent*'' means, with respect to any monetary amount in a currency other than pounds sterling, at any time of determination thereof by the Company or the Trustee, the amount of pounds sterling obtained by converting such currency other than pounds sterling involved in such computation into pounds sterling at the spot rate for the purchase of pounds sterling with the applicable currency other than pounds sterling as published in The Financial Times in the ''Currency Rates'' section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

''*Subordinated Indebtedness*'' means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

''*Subordinated Shareholder Funding*'' means any funds provided to the Company by any Parent or any Affiliate of any Parent, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the provisions of the Indenture as a ''Restricted Payment'';

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding,

provided, further, *however*, that upon the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

''*Subsidiary*'' means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''*Taxes*'' means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

''*Temporary Cash Investments*'' means any of the following:

(1) any investment in (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state (other than Greece and Portugal), (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or (b) direct obligations of any country recognized by the United States of America rated at least ''A'' by S&P or ''A-1'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility, (b) any institution authorized to operate as a bank in any of the countries or member states referred to in clause (1)(a) above, or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least ''A'' by S&P or ''A-2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of ''P-2'' (or higher) according to Moody's or ''A-2'' (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state (other than Greece and Portugal), Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least ''BBB'' by S&P or ''Baa3'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least ''A'' by S&P or ''A2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

''*Total Assets*'' means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

''*Trust Management Assets*'' means Rights to Collect, Rights to Participate or Underlying Portfolio Assets, in each case held by a Trust Management SPV on trust for a beneficiary which is not the Company or a Restricted Subsidiary.

''*Trust Management SPV*'' means a Restricted Subsidiary whose purpose is managing Trust Management Assets and other activities necessary or ancillary to managing Trust Management Assets, including necessary to fulfill any obligations or duty of the Trust Management SPV as a trustee.

''*Underlying Portfolio Asset*'' means performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

''*Uniform Commercial Code*'' means the New York Uniform Commercial Code.

''*Unrestricted Subsidiary*'' means:

(1) any Subsidiary of the Company (other than the Issuer and Holdings) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), other than the Issuer and Holdings, to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company

which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with ''—Certain Covenants—Limitation on Restricted Payments.''

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least £1.00 of additional Indebtedness under clause (1) of the first paragraph of ''—Certain Covenants—Limitation on Indebtedness'' or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be worse than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

''*Voting Stock*'' of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

''*Wholly Owned Restricted Subsidiary*'' means a Restricted Subsidiary of the Company, all the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Restricted Subsidiary) is owned by the Company or another Wholly Owned Restricted Subsidiary.

''*Working Capital Intercompany Loan*'' means any loan to or by the Company or any of its Restricted Subsidiaries to or from the Company or any of its Restricted Subsidiaries from time to time (i) for purposes of consolidated cash and tax management and working capital management and (ii) for a duration of less than one year.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold to QIBs in reliance on Rule 144A under the U.S. Securities Act will initially be represented by global notes in registered form without interest coupons attached (the ***Rule 144A Global Notes***). The Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by global notes in registered form without interest coupons attached (the ***Regulation S Global Notes*** and, together with the Rule 144A Global Notes, the ***Global Notes***). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Except as set forth below, the Notes will be issued in registered global form in minimum denominations of €100,000 and integral multiples of €1,000 thereof.

Ownership of interests in the Rule 144A Global Notes (***Rule 144A Book-Entry Interests***) and in the Regulation S Global Notes (the ***Regulation S Book-Entry Interests*** and, together with the Rule 144A Book-Entry Interests, the ***Book-Entry Interests***) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or holders of the Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, as applicable (or its nominee), will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), on such other basis as they deem fair and appropriate, *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and Additional Amounts) to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuer will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under ''Description of the Notes—Additional Amounts.'' If any such deduction or withholding is required to be made, then, to the extent described under ''Description of the Notes—Additional Amounts,'' the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (*i.e.* the common depositary for Euroclear or Clearstream or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar or any of its or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in ''street name.''

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in pounds sterling.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream each reserves the right to exchange the Global Notes for definitive registered notes in certificated form (***Definitive Registered Notes***), and to distribute Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states that require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Rule 144A Global Note will have a legend to the effect set forth under ''Transfer Restrictions.'' Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under ''Transfer Restrictions.''

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the applicable Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the applicable Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''Notice to U.S. Investors,'' ''Notice to Certain European Investors'' and ''Transfer Restrictions'' and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar or a transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for the selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the applicable Indenture and Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated, upon receipt of an authentication order from the Issuer, and is surrendered to the registrar or at the office of a transfer agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer, the Trustee or the Paying Agent may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss that any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the applicable Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See ''Notice to U.S. Investors,'' ''Notice to Certain European Investors'' and ''Transfer Restrictions.''

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a daily newspaper having general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in London so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of the Notes, including, without limitation, the consequences of the receipt of interest and premium, if any, on any sale or redemption of the Notes or any interest therein.

References in this discussion to Notes acquired, owned, held or disposed of by holders of the Notes include, except where otherwise expressly stated, the Book-Entry Interests held by purchasers in the Notes in global form deposited with, and registered in the name of a common depositary for Euroclear and Clearstream.

Certain United Kingdom Tax Issues

The following is a general description of certain UK tax consequences relating to the Notes and is based on current UK tax law and HMRC published practice, both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all UK tax considerations relating to the Notes, does not purport to constitute legal or tax advice, relates only to persons who are the absolute beneficial owners of Notes and who hold the Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. If you are subject to tax in any jurisdiction other than the UK or if you are in any doubt as to your tax position, you should consult an appropriate professional advisor.

Interest on the Notes

Payment of Interest on the Notes

Interest on the Notes may be payable without withholding or deduction for or on account of UK income tax provided the Notes are and remain listed on a ''recognized stock exchange'' within the meaning of Section 1005 of the Income Tax Act 2007 (the ***ITA***). The Luxembourg Stock Exchange is a recognized stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Luxembourg Stock Exchange if they are included in the Official List of the Luxembourg Stock Exchange and are listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of UK income tax where the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) at the time the payment is made that either (i) the person beneficially entitled to the interest is a UK resident company or a non-UK resident company that carries on a trade in the UK through a permanent establishment and the payment is one that the non-UK resident company is required to bring into account when calculating its profits subject to UK corporation tax or (ii) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in Sections 935-937 of the ITA, *provided* that in either case HMRC has not given a direction, the effect of which is that the payment may not be made without that withholding or deduction.

Interest on the Notes may also be paid without withholding or deduction on account of UK tax where the maturity of the Notes is less than 365 days and provided that Notes are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of 365 days or more.

In other cases, an amount must be withheld from payments of interest on the Notes on account of UK income tax at the basic rate (currently 20%), subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Payments by the UK Guarantors

If the UK Guarantors make any payments in respect of interest on the Notes (or other amounts due under the Notes other than payments in respect of principal) such payments may be subject to UK withholding tax at the basic rate (currently 20%) subject to any available relief that can be claimed under applicable double tax treaties or other exemptions and except that any withholding would be disapplied in respect of payments to recipients who the UK Guarantors reasonably believe are either a UK resident company or a non-UK resident company carrying on a trade through a permanent establishment that is within the charge to UK corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HMRC directs otherwise).

Provision of information

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

Further UK Tax Issues

Interest on the Notes constitutes UK source income for tax purposes and, as such, may be subject to UK tax by way of assessment (including self-assessment) even where paid without withholding or deduction.

However, interest with a UK source received without withholding or deduction for or on account of UK income tax will not be chargeable to UK tax in the hands of a holder of the Notes (other than certain trustees) who is not resident for tax purposes in the UK unless (i) that holder of such Notes is a company that carries on a trade in the UK through a permanent establishment in the UK or, if not such a company, carries on a trade, profession or vocation in the UK through a branch or agency, and (ii) the interest is received in connection with, or such Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of such Notes.

The provisions relating to additional payments referred to above in ''Description of the Notes—Additional Amounts'' would not apply if HMRC sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

UK Corporation Tax Payers

In general, holders of the Notes (***Noteholders***) that are within the charge to UK corporation tax (other than investment trusts, venture capital trusts, authorized unit trusts and open ended investment companies) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) on a basis that is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or where the Noteholder's functional currency is not pound sterling, then the pound sterling equivalent of such profits, gains and losses as computed in the Noteholder's functional currency) will be taken into account in computing taxable income for corporation tax purposes. Noteholders that are investment trusts, venture capital trusts, authorized unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Notes as other Noteholders that are within the charge to UK corporation tax, other than with respect to capital profits, gains or losses.

Other UK Tax Payers

Taxation of Chargeable Gains

The Notes will not constitute ''qualifying corporate bonds'' within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992 unless they qualify as deeply discounted securities for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see below). If the Notes do not constitue ''qualifying corporate bonds'', a disposal (including a redemption of Notes) by a Noteholder who is resident in the UK or who carries on a trade, profession or vocation in the

UK through a branch or agency to which such Notes are attributable may give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued Income Profits

On a disposal of the Notes by Noteholders, any interest that has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the ITA if that holder of Notes is resident in the UK or carries on a trade in the UK through a branch or agency to which the Notes are attributable. Holders of Notes are advised to consult their own professional advisors for further information about the accrued income scheme.

Taxation of Discount

Dependent, among other things, on the discount (if any) at which the Notes are issued, the Notes may be deemed to constitute ''deeply discounted securities'' for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes are deemed to constitute deeply discounted securities, individual holders of such Notes who are resident for tax purposes in the UK or who carry on a trade, profession or vocation in the UK through a branch or agency to which such Notes are attributable generally will be liable to UK income tax on any gain made on the sale or other disposal (including redemption) of such Notes. Holders of Notes are advised to consult their own professional advisors if they require any advice or further information relating to ''deeply discounted securities.''

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No UK stamp duty or SDRT should be payable on the issuance of, or on a transfer of, or agreement to transfer, the Notes.

Certain U.S. Federal Income Tax Considerations

The following is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below). This discussion addresses only U.S. Holders that purchase the Notes in the Offering at their issue price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes or the Offering.

This discussion does not address the tax treatment of prospective investors subject to special U.S. federal income tax rules, such as banks, dealers, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, regulated investment companies, real estate investment trusts, persons holding the Notes in connection with a permanent establishment or fixed base outside of the United States or as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address U.S. federal estate and gift, state and local or non-U.S. tax considerations.

The following discussion is based upon the U.S. Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, U.S. judicial decisions and administrative pronouncements. All of the preceding authorities are subject to change, possibly with retroactive effect, which may result in U.S. federal income tax consequences different from those discussed below. We have not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the ***IRS***) with respect to any of the U.S. federal income tax consequences described below. As a result, there can be no assurance that the IRS or a court considering these issues will not disagree with or challenge any of the conclusions we have reached and describe herein.

EACH U.S. HOLDER IS URGED TO SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT UNDER ITS OWN PARTICULAR CIRCUMSTANCES.

For purposes of this discussion, a ***U.S. Holder*** is a beneficial owner of the Notes that is (i) a citizen or resident of the United States as determined for U.S. federal income tax purposes, (ii) a corporation or other business entity treated as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust (A) if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (B) if the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires or holds the Notes generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that acquires or holds the Notes are urged to consult their own tax advisors regarding the specific tax consequences to them of the partnership acquiring, owning and disposing of the Notes.

Characterization of the Notes

We intend to treat the Notes as debt for U.S. federal income tax purposes. However, there can be no assurance that the IRS or the courts would agree with this characterization of the Notes. If the Notes were treated as equity interests in the Issuer, U.S. Holders could be subject to consequences that are materially different from those discussed below. Prospective investors are urged to consult their tax advisors regarding the characterization of the Notes, the possibility that the Notes could be classified as equity interests in the Issuer and the consequences of owning equity interests in an entity such as the Issuer.

In addition, special rules apply to debt instruments with payment contingencies, unless those contingencies are remote or certain other exceptions apply. The Notes provide for contingent payments in certain events. See ''Description of the Notes—Change of Control,'' ''Description of the Notes—Optional Redemption'' and ''Description of the Notes—Additional Amounts.'' If such contingencies were not remote the Notes could be treated as contingent payment debt instruments subject to those special rules. We believe each such contingency is remote, and therefore do not intend to treat the Notes as subject to special rules for contingent payment debt instruments. The remainder of this disclosure assumes that the Notes are not so treated, but no assurance can be given that the IRS will not assert a contrary position. Our position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position in the manner required by applicable U.S. Treasury regulations. Our position is not, however, binding on the IRS, and if the IRS were to assert successfully a contrary position, all stated interest received by U.S. Holders would be treated similar to OID, a U.S. Holder might be required to accrue income on the Notes in excess of stated interest and a U.S. Holder's gain on a sale or other taxable disposition of the Notes would generally be treated as ordinary income. Prospective purchasers of the Notes are urged to consult their own tax advisors regarding the treatment of the Notes as contingent payment debt instruments.

Interest

Stated interest on the Notes, including Additional Amounts (including any Taxes withheld on payments of such Additional Amounts, if any, generally will be includible in the gross income of a U.S. Holder in accordance with such holder's regular method of tax accounting. Interest, Additional Amounts, if any, and OID, if any, accrued on the Notes generally will be ordinary income from sources outside the United States and generally will be considered ''passive category income'' or, in the case of certain U.S. Holders, ''general category income'' for foreign tax credit purposes. Subject to applicable limitations, a U.S. Holder may claim a deduction or foreign tax credit for any non-U.S. withholding tax withheld at the appropriate rate. U.S. Holders are urged to consult their own tax advisors regarding the possible availability of foreign tax credits.

The Notes may be issued with OID for U.S. federal income tax purposes. Generally, the Notes will be issued with OID if their ***stated redemption price at maturity*** exceeds their ***issue price*** by at least a *de minimis* amount. The issue price of the Notes is the initial offering price at which a substantial amount of the Notes is sold to the public for cash (excluding sales to underwriters, brokers or similar persons). The stated redemption price at maturity of a Note is the total of all payments due on the Note other than payments of ***qualified stated interest***. In general, qualified stated interest is stated interest that is payable unconditionally in cash or in property at least annually at a single fixed rate (or at certain qualifying floating rates). Except as described above under ''—Characterization of the Notes,'' stated interest on the Notes will be qualified stated interest.

A U.S. Holder of a Note issued with OID generally must accrue the OID into income on a constant yield-to-maturity basis whether or not it receives cash payments and regardless of its method of tax accounting. A U.S. Holder generally must include in gross income the sum of the daily portions of OID that accrue on the Note for each day during the taxable year in which such U.S. Holder held the Note. For any accrual period, the OID allocable to the accrual period, if any, is the excess of (i) the product of the Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted for the length of the accrual period) over (ii) the sum of any stated interest payments allocable to the accrual period. A Note's adjusted issue price generally equals the issue price of the Note increased by the aggregate amount of OID accrued on a Note, if any, in all prior accrual periods and reduced by the amount of all payments previously received (other than payments of stated interest). A U.S. Holder may elect to include in gross income all yield on a Note using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

A cash basis U.S. Holder receiving stated interest in euros must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted into U.S. dollars on such date.

An accrual basis U.S. Holder (or a cash basis U.S. Holder with respect to OID, if any) accruing interest (or OID) in euros generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of a payment in euros (including, upon sale of a Note, the receipt of proceeds attributable to accrued and unpaid interest or OID previously included in income), U.S. Holders that have accrued interest (or OID) will recognize exchange gain or loss equal to the difference, if any, between the U.S. dollar amount previously accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Foreign exchange gain or loss will be U.S. source ordinary income or loss and generally will not be considered additional interest income or expense.

An accrual basis U.S. Holder (and a cash basis U.S. Holder with respect to OID, if any) may elect to translate accrued interest (or OID) into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, for an accrual period that spans two taxable years, in the case of the first partial period, the last day of the taxable year). If accrued interest is actually received within five business days of the last day of the accrual period (or the taxable year, in the case of a partial accrual period), an electing accrual basis U.S. Holder (and an electing cash basis U.S. Holder with respect to OID, if any) instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for purposes of translating accrued interest income (or OID) into U.S. dollars. Currency translation elections will apply to all debt instruments that the electing U.S. Holder holds or acquires as of the beginning of that taxable year and thereafter and cannot be revoked without the consent of the IRS. For purposes of determining exchange gain or loss, all payments on a Note (other than payments of stated interest) will be viewed as payments, first, of stated interest, then of previously accrued OID (with payments considered made for the earliest accrual periods first), if any, and, finally, payments of principal.

Disposition of a Note

A U.S. Holder generally will recognize capital gain or loss upon a sale or other disposition of a Note in an amount equal to the difference between the amount realized from such disposition (less any accrued and unpaid stated interest, which will be treated as a payment of stated interest) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. Holder's U.S. dollar cost of the Note determined at the spot exchange rate on the date of purchase, increased by the translated U.S. dollar amount of any previously accrued OID, if any, and reduced by the U.S. dollar amount of any payments on the Note (other than payments of stated interest). A U.S. Holder that receives euros upon the sale or other disposition of the Notes, will realize an amount equal to the U.S. dollar value on the date of sale of the euros received. If the Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. Such an election by an accrual basis U.S. Holder will apply consistently thereafter and cannot be revoked without the consent of the IRS. A U.S. Holder will have a tax basis in the euros received equal to the U.S. dollar amount realized.

To the extent recognized gain or loss is attributable to changes in the exchange rate for euros between the dates of acquisition and disposition of the Notes, the exchange gain or loss will be treated as U.S. source ordinary income or loss and generally will not be considered additional interest income or expense. However, exchange gain or loss is taken into account only to the extent of total gain or loss recognized on the transaction. Generally, any gain or loss recognized on the transaction in excess of such exchange gain or loss will be U.S. source capital gain or loss and will be long-term capital gain or loss if the applicable Note has been held for more than one year.

Exchange Gain or Loss on Euros

The tax basis of euros received by a U.S. Holder generally will equal the U.S. dollar value of such euros at the spot exchange rate on the date received. Upon a subsequent exchange of euros for U.S. dollars, another currency or property, a U.S. Holder generally will recognize exchange gain or loss equal to the difference between the U.S. Holder's tax basis in such euros and value of the U.S. dollars, other currency or property received. Such gain or loss will be U.S. source ordinary gain or loss.

Additional Tax on Investment Income

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be required to pay an additional 3.8% tax on all or a portion of their ''net investment income,'' which includes, among other things, interest income and capital gains from the sale or other disposition of a Note, subject to certain limitations and exceptions. U.S. Holders are urged to consult their own tax advisors regarding the application of this additional tax to their investment in the Notes.

Information Reporting and Backup Withholding

Payments of interest (including Additional Amounts and OID, if any), principal or the proceeds from the sale, redemption or other disposition of a Note that are made within the United States or through certain U.S. related financial intermediaries may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if a holder of a Note fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on a U.S. federal income tax return. A U.S. Holder can claim a credit against U.S. federal income tax liability for amounts withheld under the backup withholding rules, and any holder can claim a refund of amounts in excess of its liability for U.S. federal income tax by timely providing the required information to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain U.S. Holders are required to report to the IRS information with respect to their investment in the Notes not held through an account with a U.S. financial institution. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult their own tax advisors regarding information reporting requirements with respect to their investment in the Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the ***Purchase Agreement***) entered into on or about the date of this Offering Memorandum, by and among the Issuer, the Guarantors and the representatives of the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes.

The Purchase Agreement provides for the obligations of the Initial Purchasers to pay for and accept delivery of the Notes. The Notes will initially be offered at the price indicated on the cover page of this Offering Memorandum.

The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, to not, without having received the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Notes and the Guarantees.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or applicable state securities laws. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to QIBs in reliance on Rule 144A, and (ii) outside the United States in offshore transactions in reliance on Regulation S. Terms used above have the meanings given to them by Rule 144A and Regulation S. Any offer or sale of the Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act.

The Initial Purchasers have represented, warranted and agreed that they:

- have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and
- have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the UK.

In relation to each Relevant Member State, the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, they have not made and will not make an offer to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum in that Relevant Member State, other than:

(a) to any legal entity which is a ***qualified investor*** as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than ''qualified investors'' as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ''offer of Notes to the public'' in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression

Prospectus Directive means Directive 2003/71/EC (and amendments thereto, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the Guarantees or the possession, circulation or distribution of any material relating to the Issuer or the Guarantors in any jurisdiction where action for such purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes or the Guarantees (including this Offering Memorandum and any amendment or supplement hereto) be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under ''Transfer Restrictions.'' Each purchaser also acknowledges that each 144A Global Note will contain a legend substantially to the following effect:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ***RESALE RESTRICTION TERMINATION DATE***) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (***RULE 144A***), TO A PERSON IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are ***accredited investors***, as defined in Section 1.1 of National Instrument—45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are ***permitted clients***, as defined in Section 1.1 of National Instrument 31-103—*Registration Requirements*, *Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with rights of action or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the rights of action or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105—*Underwriting Conflicts* (***NI 33-105***), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through the Listing Agent, to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer cannot assure you that the Notes will be approved for admission to trading and listing, and will remain admitted to trading and listed on the Euro MTF Market of the Luxembourg Stock Exchange.

The Initial Purchasers have advised the Issuer and the Parent Guarantors that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act of 1933 (as amended) and the U.S. Securities Exchange Act of 1934 (as amended), and we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See ''Risk Factors—Risks Relating to Our Indebtedness, including the Notes and the Guarantees—An active trading market may not develop for the Notes.''

In connection with the Offering, the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 calendar days after the Issue Date and 60 calendar days after the date of the allotment of the Notes.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be six business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) in New York, New York following the date of pricing of the Notes (this settlement cycle being referred to as ''T+6'').

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. From time to time, the Initial Purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial lending, commercial banking, consulting or financial advisory services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Some of the Initial Purchasers and certain affiliates of the Initial Purchasers are lenders under the Arrow Global Revolving Credit Facility. The Initial Purchasers or their affiliates may also be counterparties to the Currency Hedging Arrangements. The Initial Purchasers or their affiliates may also receive allocations of the Notes.

TRANSFER RESTRICTIONS

Neither the Notes nor the Guarantees have been or will be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Accordingly, we are offering and selling the Notes only:

- to U.S. investors that we reasonably believe to be QIBs (as defined in Rule 144A) in compliance with Rule 144A; and
- in offshore transactions complying with Regulation S.

If you purchase Notes in this Offering, you will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S used herein as defined therein):

(1) The Notes (including the Guarantees) are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes (including the Guarantees) have not been and will not be registered under the U.S. Securities Act and that if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes (including the Guarantees), such Notes (including the Guarantees) may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with Regulation S; (iii) to the Issuer or the Guarantors, in each case in accordance with any applicable securities laws; (iv) pursuant to other exemptions from registration under the U.S. Securities Act; and (v) pursuant to an effective registration statement under the U.S. Securities Act.

(2) You will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes (including the Guarantees) from it of the resale restrictions referred to in the legend below.

(3) You are not our ''affiliate'' (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:

    (i) a QIB and are aware that any sale of these Notes (including the Guarantees) to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

    (ii) you are purchasing Notes (including the Guarantees) in an offshore transaction in accordance with Regulation S.

(4) None of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer, the Guarantors or the Initial Purchasers or the offer or sale of any of the Notes (including the Guarantees), other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes (including the Guarantees). You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes (including the Guarantees), including an opportunity to ask questions of and request information from the Issuer, the Guarantors and the Initial Purchasers.

Each purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY

BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE U.S. SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE U.S. SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

1. Each Note will also contain a legend substantially to the following effect:

   BY ACCEPTANCE OF A NOTE, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THE NOTES CONSTITUTES THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (***ERISA***), A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ***CODE***) OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE "**SIMILAR LAWS**"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (B) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

2. The purchaser has received a copy of this Offering Memorandum relating to the Offering and acknowledges that (i) neither we nor the Initial Purchasers or any person representing us or the Initial Purchasers have made any representation to it with respect to us or the Offering and the sale

of the Notes (including the Guarantees) other than the information contained in this Offering Memorandum and (ii) it has had access to such financial and other information and has been offered the opportunity to ask questions of us and received answers thereto, as it deemed necessary in connection with the decision to purchase Notes (including the Guarantees).

3. The Registrar will not be required to accept for registration of transfer any Notes (including the Guarantees) acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

4. The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing. If you are acquiring any Notes (including the Guarantees) as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that you have sole investment discretion and you have full power to make the foregoing acknowledgements, representations and agreements.

5. You will give to each person to whom you transfer these Notes (including the Guarantees) notice of any restrictions on the transfer of the Notes (including the Guarantees).

6. No action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes (including the Guarantees) or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer, the Guarantors or the Notes (including the Guarantees) in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes (including the Guarantees) will be subject to the selling restrictions set forth under ''Plan of Distribution.''

7. The purchaser: (i) is able to fend for itself in the transactions contemplated by this Offering Memorandum; (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Notes; and (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment.

8. Either (i) no portion of the assets used by such holder to acquire or hold the Notes constitutes the assets of any employee benefit plan that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or provisions under any Similar Laws, or entity whose underlying assets are considered to include ''plan assets'' of any such Plan, account or arrangement or (ii) the purchase and holding of the Notes by such holder will not constitute a non-exempt prohibited transaction under section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP as to matters of U.S. Federal and New York State law, by Slaughter and May as to matters of English law, by PLMJ—A.M.Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados—Sociedade de Advogados, R.L. as to matters of Portuguese law, by Baker & McKenzie Amsterdam N.V. as to matters of Dutch law and by Bedell Cristin Guernsey Partnership as to matters of Guernsey law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP as to matters of U.S. Federal, New York State and English law, and by Walkers (Guernsey) LLP as to matters of Guernsey law.

INDEPENDENT AUDITORS

AGG

The consolidated financial statements of AGG as of and for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 included elsewhere herein, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein. KPMG LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Issuer

The financial statements of the Issuer as of and for the year ended December 31, 2016 and included elsewhere herein, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein. KPMG LLP is a current member of the Institute of Chartered Accountants in England and Wales.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from us, and has received, all additional information considered to be necessary to verify the accuracy and completeness of the information herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and (iii) except as provided in clauses (i) and (ii) above, no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act of 1934, as amended (the ***U.S. Exchange Act***). For so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the U.S. Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Pursuant to the Indenture and for so long as the Notes are outstanding, we will furnish certain information to holders of the Notes. See ''Description of the Notes—Certain Covenants—Reports.'' For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market thereof and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer and each Guarantor, the most recent consolidated financial statements of AGGHL or AGG, as applicable, the Indenture (which will include the Guarantees and the form of the applicable Notes), the Intercreditor Agreement and the Security Documents will be available for review during the normal business hours on any business day at the specified office of the Listing Agent. See ''Listing and General Information.''

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited company incorporated under the laws of England and Wales, AGGHL is a non-cellular company limited by shares incorporated under the laws of Guernsey and AGIHL is private limited company incorporated under the laws of England and Wales. Substantially all of the directors and executive officers of the Issuer and the Parent Guarantors live outside the United States. Substantially all of the assets of the directors and executive officers of the Issuer and the Parent Guarantors are located outside the United States. As a result, it may not be possible for you to serve process on such persons, the Issuer or the Parent Guarantors in the United States or to enforce judgments obtained in U.S. courts against them based on civil liability provisions of the securities laws of the United States.

The United States currently does not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters with either England or Guernsey.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England or Guernsey. In order to enforce any such U.S. judgment in England or Guernsey, proceedings must first be initiated before a court of competent jurisdiction in England or Guernsey, respectively. In such an action, the English or Guernsey court, as the case may be, would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English or Guernsey court, as the case may be, in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English or Guernsey conflicts of laws principles, as the case may be;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English or Guernsey public policy, as the case may be;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and the compensation not otherwise exceeding the maximum sum of damages that could have been suffered as a result of the breach of obligations and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980, which is not applicable in Guernsey;
- the U.S. judgment not having been obtained by fraud or in breach of English or Guernsey principles of natural justice, as the case may be;
- there not having been a prior inconsistent decision of an English or Guernsey court, as the case may be, between the same parties; and
- the English or Guernsey enforcement proceedings, as the case may be, being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England or Guernsey judgments, as the case may be, in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognized or enforceable in England or Guernsey. In addition, it is questionable whether an English or Guernsey court, as the case may be, would accept jurisdiction and impose civil liability if the original action was commenced in England or Guernsey, as the case may be, instead of the United States, and predicated solely upon U.S. federal securities laws.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF GUARANTEES AND SECURITY AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which Guarantees or Collateral are being, or are expected to be, provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar nature could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests on the Collateral.

Also set forth below is a brief description of certain aspects of insolvency law in the European Union, England and Wales, Guernsey and Luxembourg. In the event that any one or more of the Issuer or the Guarantors experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer and most of the Guarantors and providers of security in respect of the Notes are organized under the laws of Member States.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the ***EU Insolvency Regulation***), which applies within the European Union (other than Denmark) the courts of the Member State in which a company's ''centre of main interests'' (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the center of main interests of a ''debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties.'' The courts have taken into consideration a number of factors in determining the center of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business and/or has its head office and the location where the majority of the company's creditors are established. A company's center of main interests may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open main insolvency proceedings at the time of the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the center of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an ''establishment'' in the territory of such other Member State. An ''establishment'' is defined as a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to ''winding-up proceedings'' listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either: (i) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (ii) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings that will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The officeholder appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

On June 5, 2015, Regulation (EU) 2015/848 on insolvency proceedings (recast) (the ***Recast Insolvency Regulation***) was published in the Official Journal of the EU. The Recast Insolvency Regulation replaces the existing EU Insolvency Regulation with effect from June 26, 2017; until that time, the EU Insolvency Regulation will continue to apply.

England and Wales

The Issuer and a number of the Guarantors are companies incorporated under the laws of England and Wales. Therefore, any main insolvency proceedings in respect of an English Obligor would likely be commenced in England and conducted in accordance with the requirements of English insolvency laws. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another Member State of the European Union, the jurisdiction of the English courts may be limited if the company's ''centre of main interests'' is found to be in another Member State. See ''—European Union.'' There are a number of factors that are taken into account to ascertain the center of main interests. The center of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the center of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the UK Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the UK, provide that a foreign (*i.e.*, non-European) court may have jurisdiction where any English company has the center of its main interests in such foreign jurisdiction or where it has an ''establishment'' (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

Fixed and Floating Charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (i) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (ii) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (iii) general costs and expenses (including the insolvency officeholder's remuneration) properly incurred in a winding-up or administration are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (iv) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (v) floating charge security is subject to certain challenges under English insolvency law. See ''—Grant of Floating Charge''; and (vi) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to the deduction of the ''prescribed part'' *i.e.* an amount ring-fenced for the benefit of unsecured creditors. See ''—Administration and Floating Charges.''

Under English law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

Administration and Floating Charges

The relevant English insolvency statutes empower English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointer. During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with the leave of the court or the consent of the administrator (the ***Statutory Moratorium***). Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the Statutory Moratorium. This is by virtue of the disapplication of the moratorium in relation to a ''security financial collateral agreement'' (generally, security interests in respect of cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If an English Obligor were to enter into administration, it is possible that the security granted by it or the Guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed administrative receiver must resign if requested to do so by the administrator. Where the company is already in administration a fixed-charge receiver may be appointed, with the permission of the administrator or the consent of the court.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a ***qualifying floating charge*** for the purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the ''qualifying'' floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the UK Insolvency Act 1986, as amended to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (i) states that the relevant statutory provision applies to it, (ii) purports to empower the holder to appoint an administrator of the company or (iii) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the UK Insolvency Act 1986, as amended. The security agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant English Obligor's property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to ''capital market arrangements'' (as defined in the UK Insolvency Act 1986, as amended), which will apply if an English Obligor creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a ''capital markets investment'' (which is defined in the UK Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Obligor's assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, under English insolvency law any debt payable in a currency other than pound sterling must be converted into pound sterling at the ''official exchange rate'' prevailing at the date when the debtor went into liquidation or administration, notwithstanding any agreement to the contrary between the parties. The ''official exchange rate'' for these purposes is the middle market rate at the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English Obligor went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply to guarantees and charges:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if at the time of the transaction or as a result of the transaction, the English company was or becomes ''unable to pay its debts'' (as defined in the UK Insolvency Act 1986, as amended). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a ''connected person'' (as defined in the UK Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time the transaction was entered into, the English company was ''unable to pay its debts'' (as defined in the UK Insolvency Act 1986 (as amended)) or the English company becomes unable to pay its debts (as defined in the UK Insolvency Act 1986 (as amended)) as a consequence of its entry into the transaction. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the Guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company makes the decision to grant the security interest or the guarantee. A transaction will constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could, in this case, include reducing payments under the Notes and the Guarantees (although there is protection for a third-party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was of an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make (with permission of the court), the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by an administrator, a liquidator, the UK Financial Services Authority, the UK Pensions Regulator or (with the leave of the court) a person who is, or who is capable of being, prejudiced by the transaction. There is no time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third-party in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

Grant of Floating Charge

Under English insolvency law, if an English Obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge can be avoided except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge. The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge, whether the relevant English Obligor is solvent or insolvent. The granting of the charge can be challenged only if the relevant English Obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English Obligor grants the floating charge. However, if the floating charge qualifies as a ''security financial collateral agreement'' under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

Liquidation/Winding-Up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the UK Insolvency Act 1986 (as amended). There are two forms of winding up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company.

The primary ground for the compulsory winding up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the UK Insolvency Act 1986 (as amended)). A voluntary liquidation can be either a members' voluntary winding-up or a creditors' voluntary winding-up; the former can only be commenced if the company is solvent, however both a members' and a creditors' voluntary winding-up (other than as an exit from administration) are effected by a resolution of the members, not the creditors. However, once commenced, a creditors' voluntary liquidation operates subject to the control of a creditors' committee.

The effect of a compulsory winding-up differs in a number of respects from that of a creditors' voluntary winding-up. In a compulsory winding-up, under Section 127 of the UK Insolvency Act 1986 (as amended), if a company is in liquidation, any disposition of the company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. When an order is made for the winding up of a company by the court, it is deemed (by Section 129 of the UK Insolvency Act 1986 (as amended) to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court; however creditors holding proprietary security interests in the company's assets are still permitted to enforce their security.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the UK Insolvency Act 1986 (as amended). There is also no automatic stay in the case of a voluntary winding up-it is for the liquidator to apply for a stay.

Dispositions after Winding-up

Under Section 127 of the UK Insolvency Act 1986 (as amended), any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any). However this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements (No. 2) Regulations 2003 and will not prevent a close-out netting provision taking effect in accordance with its terms.

Guernsey

Commercial Benefit

Under Guernsey law, a Guarantee or the provision of security may be liable to be set aside if there is no commercial benefit to the Guarantor in issuing it. The directors of each Guarantor organized in Guernsey (each, a ***Guernsey Guarantor***) believe that the issuance of the Guarantees and the provision of security by a Guernsey Guarantor are of commercial benefit to such Guarantor. However, there can be no assurance that the issuance of the Guarantees or the provision of security will not be challenged by a liquidator, administrator or creditor, or that a court would support the directors' commercial benefit analysis.

Customary Law

Under Guernsey customary law, if it can be shown that the granting of a Guarantee or the provision of security was made at the time the Guarantor was insolvent or that the Guarantor became insolvent as a result of the Guarantee or the provision of security, any person prejudiced by the Guarantee or the provision of security may apply to the Royal Court of Guernsey to set the Guarantee or the security aside as a transaction defrauding creditors. This provision of Guernsey customary law may, in certain circumstances, be used by any person who claims to be the victim of the transaction, not only liquidators. If a court were to find that the granting of the Guarantee or the provision of security constituted a transaction defrauding creditors, the court may make such orders as it thinks fit to protect the interests of those creditors and to restore the Guarantor's position to what it would have been if the transaction had not been entered into, including by voiding the Guarantee and/or the security. There is not yet decisive case law as to what, if any, time limit there is on such a challenge. Furthermore, if the Royal Court of Guernsey was asked to enforce a Guarantee or security against a Guernsey Guarantor, that Guernsey Guarantor might be able to claim certain rights under Guernsey law, known as the ''*droit de division*'' and the ''*droit de discussion*,'' being respectively a right to require that any liability of the Guernsey Guarantor be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor (or any other person) be exhausted before any claim is enforced against the Guernsey Guarantor unless the Guernsey Guarantor has agreed to waive such rights. It is intended that the Guernsey Guarantor will waive its rights under the *droit de division* and the *droit de discussion* under the Indenture.

Fraudulent and Wrongful Trading

Under Guernsey law, if the business of a company is carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose, every person who is knowingly a party to the carrying on of the business in that manner is guilty of an offense. Civil liability can also arise where in the course of the winding up of a company it appears that the business of the company had been carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose. In that instance the Royal Court of Guernsey on application of a creditor, member, liquidator or administrator may declare that any person who was knowingly a party to the carrying on of the business in such manner is liable to make a contribution to the company's assets.

If in the course of an insolvent winding up of a Guernsey company it appears that at some time before the commencement of the winding up a director (including an alternate, de facto or shadow director) knew or ought to have concluded that there was no reasonable prospect of the company avoiding going into insolvent liquidation, the Royal Court of Guernsey on the application of the liquidator or any creditor or member of the company can declare that such director shall be liable to make such contribution to the company's assets as the Royal Court of Guernsey thinks proper, unless upon the insolvent winding up becoming inevitable such director took every step to minimize potential loss to the company's creditors, which that director ought reasonably to have taken, taking into account the skills expected of a person carrying on such functions carried out by that director and the actual knowledge, skill and experience of that director.

Preferences

In Guernsey, if a liquidator can show that a company has given a ''preference'' to any person after the commencement of a period of six months immediately preceding the start of the winding up proceedings (or two years if the preference is to a connected person) and at the time of giving the preference such company was unable to pay its debts or became as a result of giving the preference unable to pay its debts, the Royal Court of Guernsey may make such order as it thinks fit for restoring the position to what it would have been if the company had not given the preference. A company is deemed to have given a preference to a person if that person is either one of the company's creditors or a surety or Guarantor for any of the company's debts or liabilities, and the company does anything or permits anything to be done which improves that person's position in the company's liquidation. The Royal Court of Guernsey may not make an order regarding a preferential transaction unless it is satisfied that the company was influenced in deciding to give the preference by a desire to put that person in a better position in the company's liquidation, save where the person given a preference is connected with the company where such desire is presumed unless the contrary is shown. If the Royal Court of Guernsey finds that the Guarantees are preferences, it has wide powers for restoring the position of the Guarantor to what it would have been if that preference had not been given, which could include reducing payments under the Guarantees or setting aside the Guarantees and any security provided. However, there is protection for a third-party who enters into a preferential transaction in good faith, for value and without notice.

Choice of Law

Under Guernsey law, parties may choose the laws of a foreign jurisdiction as the governing law of a Guarantee so long as that choice is legal and bona fide. Under the Indenture, the Issuer and the Guernsey Guarantors have submitted to the jurisdiction of the courts of New York. A judgment of a New York court should be enforceable in Guernsey in accordance with the common law rules of private international law relating to the enforcement of foreign judgments, subject to certain qualifications more specifically set out in the Section ''Service of Process and Enforcement of Civil Liabilities.''

Insolvency Proceedings

Under Guernsey law there are two substantive types of insolvency proceedings relating to non-cellular companies, namely administration and winding up proceedings although there are also the customary law insolvency procedures of désastre and saisie. Désastre involves execution against a debtor's movable assets in Guernsey and is most often employed against individuals, but could potentially be applied to companies. Saisie involves execution against a debtor's real property situated in Guernsey.

Administration

An administration order may be made in respect of a Guernsey company if the Royal Court of Guernsey is satisfied that a company does not satisfy or is likely to become unable to satisfy the ''solvency test'' prescribed by the Companies (Guernsey) Law, 2008 (as amended) and considers that the making of an administration order may achieve either:

- the survival of the company, and the whole or any part of its undertaking, as a going concern; or
- a more advantageous realization of the company's assets than would be effected on a winding up.

An administration order may be applied for by a company itself, the directors of the company, any member of the company, any creditor of the company (including any prospective or contingent creditor), the GFSC in respect of supervised companies and companies engaged in financial services business or, in the case of a company in respect of which the Royal Court of Guernsey has made an order for winding up or which has passed a resolution for voluntary winding up, a liquidator.

In the period between the presentation of the application for an administration order and ending with the making of an order or the dismissal of the application:

- no resolution may be passed or order made for the company's winding up; and
- no proceedings may be commenced or continued against the company except with the leave of the Royal Court of Guernsey and subject to such terms and conditions as the Royal Court of Guernsey may impose.

However, a creditor's rights of set-off and security interests created pursuant to the Security Interests (Guernsey) Law, 1993 and rights of enforcement thereof are unaffected and may be exercised without the leave of the Royal Court of Guernsey. In addition, the leave of the Royal Court of Guernsey is not required for the presentation of an application for the company's winding up in that period.

Following the making of an administration order and during the period for which the administration order is in force, the affairs, business and property of a company are managed by an administrator appointed by the Royal Court of Guernsey, and no resolution may be passed or order made for the company's winding up and no proceedings may be commenced or continued against the company except with the consent of the administrator or the leave of the Royal Court of Guernsey and subject to such terms and conditions as the Royal Court of Guernsey may impose. However, a creditor's rights of setoff and security interests created pursuant to the Security Interests (Guernsey) Law, 1993, and rights of enforcement thereof are unaffected.

Winding up

A Guernsey company may be wound up voluntarily if:

- the period (if any) fixed by its memorandum or articles of incorporation for the duration of the company expires, *provided* that the company passes an ordinary resolution that it be wound up voluntarily; or
- an event (if any) occurs on the occurrence of which the memorandum or articles of incorporation of the company provide that the company must be dissolved, provided that the company passes an ordinary resolution that it be wound up voluntarily; or
- if the company passes a special resolution that it be wound up voluntarily.

From the commencement of a voluntary winding up (which occurs upon the passing of the resolution for voluntary winding up), the company must cease to carry on business, except insofar as may be expedient for the beneficial winding up of the company. The company, however, continues in existence until dissolution.

Arrangements can be entered into between a Guernsey company which is being voluntarily wound up and its creditors to delegate to its creditors the right to appoint a liquidator. Any arrangement entered into between a company and its creditors, subject to a right of appeal, is binding if sanctioned by a special resolution of the company and by 75% in number and value of its creditors. However, a creditor or shareholder of a company that has entered into such an arrangement may, within 21 days beginning on the date of the completion of the arrangement, apply to the Royal Court of Guernsey for an order that the arrangement be set aside. The Court may make such order as it thinks fit for the setting aside, amendment, variation or confirmation of the arrangement.

A company may be compulsorily wound up by the Royal Court of Guernsey if the company, inter alia: has by special resolution resolved that it be wound up by the Royal Court of Guernsey; has not commenced business within one year beginning on the date of its incorporation; suspends business for a whole year; has no members; or is unable to pay its debts. For this purpose, a company is deemed to be unable to pay its debts if a creditor to whom the company owes a sum exceeding £750, which is due, serves on the company through the office of H.M. Sergeant at the company's registered office a written demand for payment (commonly called a ''statutory demand''), and the company, for a period of 21 days immediately following the date of service of the statutory demand, fails to pay the sum or to secure payment to the reasonable satisfaction of the creditor; or if it is proved to the satisfaction of the Royal Court of Guernsey that the company fails to satisfy the solvency test as prescribed by the Companies (Guernsey) Law, 2008, as amended.

On the making of an application for the compulsory winding up of a company or at any time thereafter, any creditor of the company may apply to the Royal Court of Guernsey for an order restraining, on such terms and conditions as the Royal Court of Guernsey thinks fit, any action or proceeding pending against the company; or appointing a provisional liquidator to ascertain the company's assets and liabilities, manage its affairs and do all acts authorized by the Royal Court of Guernsey.

The Netherlands

With respect to Guarantors incorporated in the Netherlands (jointly referred to as the ***Dutch Guarantors***), the laws of the Netherlands may limit their ability to guarantee debts and/or provide security interests. These limitations arise under various provisions and principles of Dutch law.

General Limitations on Enforcement

If a Dutch Guarantor, being a Dutch private limited liability company or public limited liability company, grants a guarantee or security interest and that guarantee or security interest is not in the company's corporate interest, the guarantee or security interest may be nullified by the relevant Dutch company, its bankruptcy receiver (*curator*) in bankruptcy (*faillissement*) and its administrator (*bewindvoerder*) in moratorium of payment proceedings (*surseance van betaling*) or otherwise and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of a guarantee or security interest is in the interest of a Dutch company, Dutch courts would not only consider the text of the objects clause in the articles of association (*statuten*) of the company but all relevant circumstances, including (i) whether the company irrespective of the wording of the objects clause derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and (ii) the balance between the risk that the company is assuming and the benefit it derives from such transaction. In addition, if it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee, then such company (and any bankruptcy receiver) may challenge the enforcement of the guarantee or security interest, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee or security interest, the continuity of such company would foreseeably be endangered by the granting of such guarantee or security interest. It remains possible that even if such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee or security interest cannot serve the realization of the relevant company's objects or where it is determined that there is a material imbalance to the disadvantage of the company between the commercial benefit on the one hand and the risks on the other hand. The above also applies with respect to any security interest granted or other legal act entered into by a Dutch company.

If Dutch law applies, a guarantee or security governed by Dutch law may be voided by a court, if the document was executed through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwaling*) of a party to the agreement contained in that document. Payment pursuant to a guarantee or following enforcement or foreclosure of security granted may, regardless of an insolvency situation occurring or not, also be withheld due to unforeseen circumstances (*onvoorziene omstandigheden*), force majeure (*niet-toerekenbare tekortkoming*) or reasonableness and fairness (*redelijkheid en billijkheid*). Other impeding factors include dissolution (*ontbinding*) of contract and set off (*verrekening*).

In addition, a guarantee issued by a Dutch company and a security interest provided by a Dutch company may be suspended (*schorsen*) by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company, as well as on the motion of a trade union and of other entities entitled thereto in the articles of association of the relevant Dutch company. Likewise, the guarantee or security itself may be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or avoided.

According to Dutch case law, a director (*bestuurder*) of a company acts wrongfully against a creditor of the company if he has entered into commitments on behalf of that company, while he knew or reasonably ought to understand that the company would not, or not within a reasonable period of time, be able to meet its obligations and would not provide sufficient opportunity for recourse for the detriment that the creditor would suffer on the basis thereof. The foregoing is subject to any circumstances raised by the director on the basis of which the conclusion is justified that he personally cannot be blamed sufficiently (*voldoende ernstig verwijt*) for the detriment suffered.

Fraudulent Transfer

To the extent that Dutch law applies, a guarantee or security interest granted by a legal entity may, under certain circumstances, be nullified by any of its creditors, if (i) the guarantee or security interest was granted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned was/were prejudiced as a consequence of the guarantee or the granting of the security interest, and (iii) at the time the guarantee or security interest was granted both the legal entity and, unless the guarantee or security interest was granted for no consideration (*anders dan om niet*), the beneficiary of the guarantee or security interest knew or should have known that one or more of the entity's creditors (existing or future) would be prejudiced (*actio pauliana*). Also, to the extent that Dutch insolvency law applies, a guarantee or security interest may be nullified by the bankruptcy receiver (*curator*) on behalf of and for the benefit of all creditors of the insolvent debtor, and in such case the beneficiary of the guarantee or security interest is presumed (subject to evidence to the contrary) to have known that creditors of the debtor would be prejudiced if the bankruptcy follows within a year of the granting and for no consideration.

The foregoing requirements for invoking fraudulent transfer outside of a bankruptcy apply mutatis mutandis when invoking fraudulent transfer provisions during a bankruptcy.

In addition, the bankruptcy receiver may challenge the guarantee or security interest if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the guarantee or security interest was granted at a time that the beneficiary of such guarantee or security interest knew that a request for bankruptcy had been filed, or (ii) if such guarantee or security interest was granted as a result of deliberation between the debtor and the beneficiary of such guarantee or security interest with a view to give preference to the beneficiary over the debtor's other creditors. Consequently, the validity of any guarantees or security interests granted by a Dutch legal entity may be challenged and it is possible that such challenge would be successful. It is not certain and has not been determined in published case law whether a right of pledge on shares can be created in advance of the acquisition of the shares by the pledgor.

If a security right is created on collateral to which a Dutch company has not yet obtained a legally valid title, such collateral will not be subject to such a security interest if that company is declared bankrupt or granted a moratorium of payments prior to obtaining title thereto.

It is not possible to conduct searches in respect of any Dutch law governed security (other than, if created, in respect of rights of mortgage), with the exception of any security right created on the shares in a Dutch private limited liability company which should be registered in its shareholders' register. However, this does not constitute conclusive evidence of the absence of any pre-existing security.

Insolvency

As the Dutch Guarantors are incorporated in the Netherlands, any main insolvency proceedings in respect of a Dutch guarantor would likely be commenced in the Netherlands and conducted in accordance with the requirements of Dutch insolvency laws. However, pursuant to the EU Insolvency

Regulation, where a Dutch company conducts business in another Member State of the European Union, the jurisdiction of the Dutch courts may be limited if the Dutch Guarantor's ''centre of main interests'' is found to be in another Member State. See ''—European Union.'' Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law over the assets of companies that are not established under Dutch law.

The following is a brief description of certain aspects of Dutch insolvency law. There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate assets and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). In practice, a suspension of payments often results in bankruptcy. A general description of the principles of both insolvency regimes is set out below.

Suspension of Payments

An application for a moratorium of payments can only be made by the debtor itself, if it foresees that it will be unable to continue to pay its payable debts. Once the request for a moratorium of payments is filed, a court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerpakkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently ratified by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in the amount of claims held by creditors represented at the creditors' meeting or more than one-third in the number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The granting of a definitive moratorium can also be withheld if there is a valid fear that the debtor will try to prejudice the creditors during a moratorium of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future.

The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, at the request of an interested party the court can order a ''cooling down period'' (*afkoelingsperiode*) for a maximum period of two months (which can be extended by the court once for another period of two months) during which enforcement actions by secured or preferential creditors are barred. Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is approved by (i) a simple majority in the number of creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are acknowledged and admitted in the moratorium, and (ii) subsequently ratified (*gehomologeerd*) by the court.

Bankruptcy

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. The bankruptcy can be requested by a creditor of a claim when there is at least one other creditor. At least one of the aforementioned claims (of the bankruptcy requesting creditor or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself. During a Dutch bankruptcy proceeding, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. The general principle of Dutch insolvency law is the *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their respective claims. However, certain creditors (such as secured creditors and tax and social security authorities) will have special rights that take priority over the rights of other creditors. Consequently, Dutch insolvency laws could reduce your potential recovery in a Dutch bankruptcy proceeding.

The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Each claim will have to be submitted to the bankruptcy receiver (*curator*) to be verified. ''Verification'' under Dutch law means that the receiver determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy of the company for the purpose of the distribution of the proceeds. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceeding may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by any of the company's creditors may be challenged in the Dutch bankruptcy proceeding.

Generally, in a creditors' meeting (*verificatievergadering*), the bankruptcy receiver, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooiprocedure*). These procedures could cause creditors to recover less than the principal amount of their claim. Such *renvooi* proceedings could also cause payments to holders of disputed claims to be delayed compared with holders of undisputed claims.

As in moratorium of payments proceedings, in the bankruptcy of a company a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if it is approved by (i) a simple majority in number of the creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are acknowledged and conditionally admitted, and (ii) subsequently confirmed by the court. The Dutch Bankruptcy Act (*Faillissementswet*) does not in itself acknowledge the concept of classes of creditors. Remaining proceeds, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

Secured creditors may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings the supervisory judge (*rechter-commissaris*) can order a ''cooling down period'' for a maximum of two months (which can be extended once for another period of two months) during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Further, a bankruptcy receiver can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the general costs of the bankruptcy, which can be significant. Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. An exception applies in the case of set-off relating to a payment to the pledgor, not made during its bankruptcy and if there are no other pledgees or other holders of limited rights other than the pledgee, although a set-off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third-party or agrees to provide or provides security for any of its or a third-party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its trustee in bankruptcy.

Under Dutch law, as soon as a debtor is declared bankrupt, in principle, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets (other than with respect to secured creditors and certain other creditors, as described above), will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a bankruptcy receiver will be appointed. The proceeds resulting from the liquidation of the bankruptcy estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by an insolvent guarantor after the secured and the preferential creditors have been satisfied. In principle, litigation pending on the date of the bankruptcy order is automatically stayed.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF Market in accordance with the rules and regulations of the Luxembourg Stock Exchange. All notices to Holders with respect to the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, copies of the following documents may be inspected and obtained free of charge at the specified office of the Listing Agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer;
- the organizational documents of each of the Guarantors;
- the Indenture (which will include the Guarantees and the form of the applicable Notes);
- the Security Documents;
- the most recent audited consolidated financial statements, and any interim financial statements published on a quarterly basis, of AGGHL or AGG, as applicable; and
- the most recent audited annual financial statements of the Issuer.

It is expected that the approval (visa) in connection with the admission of the Notes to the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange upon the issuance of the Notes. Transactions will normally be effected for settlements in euros and for delivery on the third business day after the day of the transaction.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as Listing Agent. We reserve the right to change this appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

Application may be made to the Luxembourg Stock Exchange to have any of the Notes removed from listing on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, the Notes will be freely transferable and negotiable.

Clearing Information

The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set out below.

	ISIN	Common Code
Rule 144A Global Notes		
Regulation S Global Notes		

Legal Information

Issuer

Arrow Global Finance plc, a direct subsidiary of AGIHL and an indirect subsidiary of AGGHL, was incorporated on January 15, 2013 as a public limited company under the Companies Act of 2006 under the laws of England and Wales and registered at Companies House under registration number 8361735. Its registered office is at Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the objects for which it is formed are unrestricted, as set out in the Companies Act 2006.

As of the date of this Offering Memorandum, the Issuer's share capital consisted of 50,000 ordinary shares with a nominal value of £1 each, all fully paid up and issued, with a total value of £50,000.

The Issuer is a special purpose subsidiary that has been organized to facilitate the offering of debt securities and has no operations and no assets other than (a) its rights upon the Offering under the on-loan of proceeds from the Offering to one or more restricted subsidiaries and (b) its rights upon the offerings of the Existing Notes under the on-loan of proceeds from such offerings to one or more restricted subsidiaries. The Issuer has not engaged in and will not engage in any activity other than the business and activities described or referred to in this Offering Memorandum. The directors of the Issuer are Lee Rochford, Robert Memmott and Zachary Lewy.

The creation and issuance of the Notes have been authorized by resolutions of the Issuer on March 17, 2017.

Guarantors

AGGHL, a Parent Guarantor, was incorporated on October 8, 2008 as a non-cellular company limited by shares under the laws of Guernsey under registration number 49541. The registered address of AGGHL is First Floor, Albert House, South Esplanade, St. Peter Port, Guernsey, GY1 1AJ and the objects for which AGGHL is formed are unrestricted, as described in Clause 5 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, AGGHL's share capital consisted of 16,679 ordinary shares with nominal value of £1 each, all fully paid up and issued, with a total value of £16,679. AGGHL was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017. For more information on AGGHL's share registry, see ''Principal Shareholders—AGGHL.''

AGIHL, a Parent Guarantor, was incorporated as ''Batchblock Limited'' on April 17, 2008 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 6568603. The registered address of AGIHL is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the objects for which AGGHL is formed are to carry on business as a general commercial company, as described in Clause 3.1 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, AGIHL's share capital consisted of 5,784,001 ordinary shares with nominal value of £1 each, all fully paid up and issued, with a total value of £5,784,001. AGIHL was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global (Holdings) Limited, a Guarantor, was incorporated on October 28, 2005 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 5606576. The registered address of Arrow Global (Holdings) Limited is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the objects for which Arrow Global (Holdings) Limited is formed are to carry on business as a general commercial company, as described in Clause 3.1 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, Arrow Global (Holdings) Limited's share capital consisted of two ordinary shares with nominal value of £1 each, all fully paid up and issued, with a total value of £2. Arrow Global (Holdings) Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Guernsey Limited, a Guarantor, was incorporated on October 8, 2008 as a non-cellular company limited by shares under the laws of Guernsey under registration number 49547. The registered address of Arrow Global Guernsey Limited is First Floor, Albert House, South Esplanade, St. Peter Port, Guernsey, GY1 1AJ and the objects for which Arrow Global Guernsey Limited is formed are unrestricted, as described in Clause 5 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, Arrow Global Guernsey Limited's share capital consisted of 100 ordinary shares with nominal value of £1 each, all fully paid up and issued, with a total value of £100. Arrow Global Guernsey Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Receivables Management Limited, a Guarantor, was incorporated on July 13, 2006 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 5875306. The registered address of Arrow Global Receivables Management Limited is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the object for which Arrow Global Receivables Management Limited is formed is to carry on business as a general commercial company, as described in Clause 3.1 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, Arrow Global Receivables Management Limited's share capital consisted of 3,500 Class A ordinary shares with nominal value of £2 each, all fully paid up and issued, with a total value of £7,000 and 7,000 Class B ordinary shares with nominal value of £1 each, all fully paid up and issued, with total value of £7,000. Arrow Global Receivables Management Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Limited, a Guarantor, was incorporated on October 28, 2005 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 5606545. The registered address of Arrow Global Limited is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the object for which Arrow Global Limited is formed is to carry on business as a general commercial company, as described in Clause 3.1 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, AGGHL's share capital consisted of two ordinary shares with nominal value of £1 each, all fully paid up and issued, with a total value of £2. Arrow Global Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Accounts Management Limited, a Guarantor, was incorporated as ''Wescot SPV Limited'' on June 10, 2005 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 5478076. The registered address of Arrow Global Accounts Management Limited is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and the object for which Arrow Global Accounts Management Limited is formed is to carry on business as a general commercial company, as described in Clause 3.1 of its Memorandum of Incorporation. As of the date of this Offering Memorandum, Arrow Global Accounts Management Limited's share capital consisted of one Ordinary Share with nominal value of £1, all fully paid up and issued, with a total value of £1. Arrow Global Accounts Management Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Capquest Investments Limited, a Guarantor, was incorporated as ''WH 611 Limited'' on September 29, 2004 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 5245825. The registered address of Capquest Investments Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom and the objects for which Capquest Investments Limited is formed are to carry on business as a general commercial company, as described in Clause 4 of its Memorandum of Association. As of the date of this Offering Memorandum, Capquest Investments Limited's share capital consisted of one Ordinary Share with nominal value of £1, all fully paid up and issued, with a total value of £1. Capquest Investments Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Capquest Debt Recovery Limited, a Guarantor, was incorporated as ''Enigma Creative Consultants Limited'' on May 18, 1999 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 3772278. The registered address of Capquest Debt Recovery Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom and the objects for which Capquest Debt Recovery Limited is formed are to carry on business as a general commercial company, as described in Clause 3 of its Memorandum of Association. As of the date of this Offering Memorandum, Capquest Debt Recovery Limited's share capital consisted of 300 Class A ordinary shares and 2,550,000 ordinary shares, each with nominal value of £1, all fully paid up and issued, with a total value of £2,550,300. Capquest Debt Recovery Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Europe Limited, a Guarantor, was incorporated as Arrow Global Europe Limited on November 5, 2014 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 09296946. The registered address of Arrow Global Europe Limited is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom. As of the date of this Offering Memorandum, Arrow Global Europe Limited's share capital consisted of 1 Ordinary Share with nominal value of £1.00, all fully paid up and issued, with a total value of £1.00. Arrow Global Europe Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Quest Topco Limited, a Guarantor, was incorporated on June 1, 2011 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 07653295. The registered address of Quest Topco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom. As of the date of this Offering Memorandum, Quest Topco

Limited's share capital consisted of: (1) 89,770 A ordinary shares with nominal value of £0.01 each; (2) 1,991,767 A preferred ordinary shares with nominal value of £0.001 each; (c) 10,848 B ordinary shares with nominal value of £1.00 each; (d) 4,041,111 B preferred ordinary shares with nominal value of £0.001 each; (e) 10,391 C ordinary shares with nominal value of £1.00 each; (f) 3,026 D ordinary shares with nominal value of £1.00 each; (g) 3 E ordinary shares with nominal value of £1.00 each; and (h) 25,770,434 F ordinary shares with nominal value of £0.001 each, all fully paid up and issued, with a total value of £56,969.012. Quest Topco Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Quest Bidco Limited, a Guarantor, was incorporated on June 1, 2011 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 07653281. The registered address of Quest Bidco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom. As of the date of this Offering Memorandum, Quest Bidco Limited's share capital consisted of: (a) 1,716,285 B preferred ordinary shares with nominal value of £1.00 each; and (b) 21,794,280 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £23,510,565.00. Quest Bidco Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Quest Newco Limited, a Guarantor, was incorporated on July 22, 2011 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 07715012. The registered address of Quest Newco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom. As of the date of this Offering Memorandum, Quest Newco Limited's share capital consisted of: (a) 4,049,019 B preferred ordinary shares with nominal value of £1.00 each; and (b) 2 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £4,049,021.00. Quest Newco Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Capquest Group Limited, a Guarantor, was incorporated as ''WH 311 Limited'' on October 17, 2003 as a private company limited by shares under the laws of England and Wales and registered at Companies House under registration number 04936030. The registered address of Capquest Group Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW, United Kingdom and the objects for which Capquest Group Limited is formed are to carry on business as a general commercial company, as described in Clause 3 of its Memorandum of Association. As of the date of this Offering Memorandum, Capquest Group Limited's share capital consisted of 1,058,632 ordinary shares with nominal value of £1.00, all fully paid up and issued, with a total value of £1,058,632.00. Capquest Group Limited was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Arrow Global Investments Holdings Benelux B.V., a Guarantor, was incorporated on May 1, 2006 as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands and registered with the trade register of the Chamber of Commerce under registration number 32115452. The registered address of Arrow Global Investments Holdings Benelux B.V. is Bonairelaan 4, 1213 VH Hilversum, the Netherlands, and the objects for which Arrow Global Investments Holdings Benelux B.V. is formed are to carry on business as a general commercial company as described in article 3 of its articles of association. As of the date of this Offering Memorandum, Arrow Global Investments Holdings Benelux B.V.'s share capital is fully paid up and issued, with a total value of €116,548.60. Arrow Global Investments Holdings Benelux B.V. was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Fiditon Holding B.V., a Guarantor, was incorporated on November 1, 2007 as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands and registered with the trade register of the Chamber of Commerce under registration number 32127492. The registered address of Fiditon Holding B.V. is Bonairelaan 4, 1213 VH Hilversum, the Netherlands and the objects for which Fiditon Holding B.V. is formed are to carry on business as a general commercial company as described in article 3 of its articles of association. As of the date of this Offering Memorandum, Fiditon Holding B.V.'s share capital is fully paid up and issued, with a total value of €18,000. Fiditon Holding B.V. was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Incassobureau Fiditon B.V., a Guarantor, was incorporated on May 18, 1982 as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands and registered with the trade register of the Chamber of Commerce under registration number 33168903. The registered address of Incassobureau Fiditon B.V. is Naritaweg 199-207, 1043 CB Amsterdam, the Netherlands and the objects for which Incassobureau Fiditon B.V. is formed are to carry on business as a general commercial company as described in article 3 of its articles of association. As of the date of this Offering Memorandum, Incassobureau Fiditon B.V.'s share capital is fully paid up and issued, with a total value of €18,152. Incassobureau Fiditon B.V. was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Vesting Finance Holding B.V., a Guarantor, was incorporated on May 1, 2006 as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands and registered with the trade register of the Chamber of Commerce under registration number 32115453. The registered address of Vesting Finance Holding B.V. is Bonairelaan 4, 1213 VH Hilversum, the Netherlands and the objects for which Vesting Finance Holding B.V. is formed are to carry on business as a general commercial company as described in article 2 of its articles of association. As of the date of this Offering Memorandum, Vesting Finance Holding B.V.'s share capital is fully paid up and issued, with a total value of €18,000. Vesting Finance Holding B.V. was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Vesting Finance Incasso B.V., a Guarantor, was incorporated on October 10, 2000 as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands and registered with the trade register of the Chamber of Commerce under registration number 32082176. The registered address of Vesting Finance Incasso B.V. is Bonairelaan 4, 1213 VH Hilversum, the Netherlands and the objects for which Vesting Finance Incasso B.V. is formed are to carry on business as a general commercial company as described in article 2 of its articles of association. As of the date of this Offering Memorandum, Vesting Finance Incasso B.V.'s share capital is fully paid up and issued, with a total value of €18,151.21. Vesting Finance Incasso B.V. was authorized to act as Guarantor by a written resolution of its sole shareholder on March 17, 2017.

Significant Change

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the prospects of the Issuer since December 31, 2016;
- there has been no significant change in our financial position as set forth in our audited consolidated financial statements as of and for the year ended December 31, 2016; and
- AGGHL and the Issuer accept responsibility for the information contained in this Offering Memorandum.

Litigation

Neither the Issuer nor the Guarantors, nor any of their direct or indirect subsidiaries, has been involved in any governmental, legal or arbitration proceedings relating to claims or amounts which are material in the context of the issuance of the Notes, except as otherwise disclosed in this Offering Memorandum. So far as the Issuer is aware, no such governmental, legal or arbitration proceedings is pending or threatened.

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Independent auditor's report

to the members of Arrow Global Group PLC only

Opinions and conclusions arising from our audit

1. Our opinion on the group financial statements is unmodified

We have audited the financial statements of Arrow Global Group PLC for the year ended 31 December 2016 set out on pages 99 to 146. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Overview	
Materiality: group financial statements as a whole	£1.9m (2015:£1.8m) 3.5% of normalised Group profit before tax (2015: 4.6% of Group profit before tax)
Coverage	100% (2015: 100%) of group profit before tax

Risks of material misstatement		**vs 2015**
Recurring risks	Estimation of future cash collections from debt portfolios	◀▶
Event driven	Fair value of the net assets in acquisition accounting	◀▶

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2015):

	The risk	Our response
Carrying value of purchased loan portfolios and loan notes (£804.1 million; 2015: £610.7 million) *Refer to critical accounting estimates and judgements in note 4 of the financial statements, the audit and risk committee report on pages 86 to 92 and note 16 in the audited part of financial statements.*	**Forecast-based valuation:** The Group's estimate of the future cash collections from the loan portfolios is the key variable in determining the Effective Interest Rate ('EIR') and any subsequent revenue adjustments. Given the nature of the company's debt portfolios, estimation of future cash collections requires significant judgement. The Group uses cash flow forecasting models to calculate an initial estimate of future collections. The assumptions used in the models include the value, probability and timing of expected future cash flows for each type of asset class within a portfolio. These estimates are subject to ongoing review by management to assess reasonableness, comparing actual performance against previous forecasts. Estimates of future cash flows are impacted by management's approach to managing the portfolios (e.g. changes in collection policies or use of specialist collectors). Where management believe changes in the approach to managing portfolios may lead to changes in these estimates these are factored into the Group's future cash collection forecasts. Due to the level of subjectivity inherent in the assumptions used in the cash flow forecasting models this is a key judgement area for our audit.	Our procedures included: — **Controls design:** assessing the design and operating effectiveness of controls over data used in the cash flow forecasting models driving the estimated future cash flows; — **Governance controls:** assessing the design and operating effectiveness of controls that cover the outputs of the models and manual adjustments to ensure that these have been scrutinised by appropriate management personnel; — **Our sector experience:** critically assessing the cash flow forecast and any manual adjustments made by the Group with reference to our understanding of the Group and industry; and — **Historical comparisons:** critically assessing the cash flow forecasts and any manual adjustments made by the Group with reference to our understanding of the current and past performance of the Group's portfolios, including recent cash collections.

KPMG

2. Our assessment of risks of material misstatement (cont.)

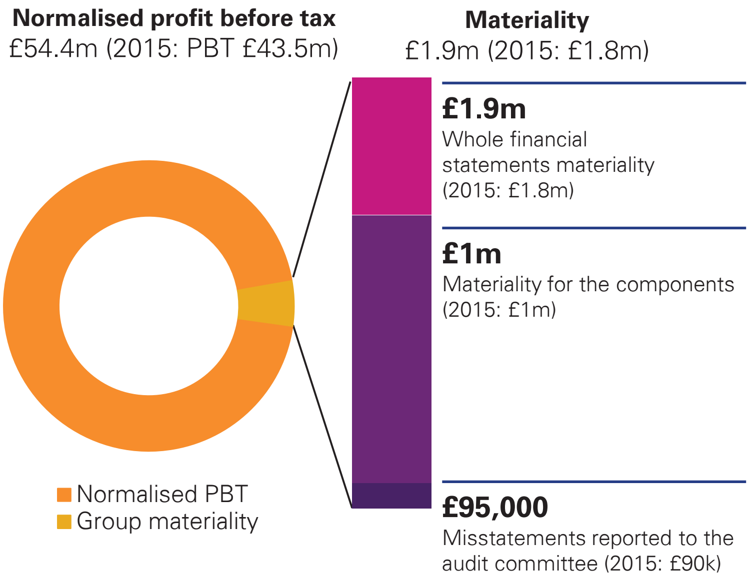
	The risk	Our response
Fair value of portfolios and intangibles acquired as part of business combinations (£49.6 million) *Refer to the critical accounting estimates and judgements in note 4 of the financial statements, the audit and risk committee report on pages 86 to 92 and note 31 in the audited part of financial statements.*	**Forecast-based valuation** During the year ended 31 December 2016, the Group acquired InVesting B.V in The Netherlands and Belgium, and Redrock Capital Partners S.A in Portugal with the assets and liabilities purchased being accounted for at fair values at the date of acquisition. The Group prepared the acquisition balance sheets based on their estimate of the fair value of assets and liabilities acquired. In particular, they prepared discounted cash flow models to arrive at their estimates of fair value for loan asset portfolios and customer relationships .This required them to exercise judgement in relation to determining the expected cash flows from the assets and the discount rates used.	Our procedures included: **Acquired loan portfolios** — **Our sector experience:** challenging the assumptions, including the value, probability and timing of cash flows used in calculating the fair value of the acquired loan asset portfolios as outlined in the "Estimation of future cash collections on debt portfolios" section of this report; and — **Historical comparisons:** assessing the discount rates used in calculating the fair value of the acquired loan asset portfolios with reference to the risks associated with similar loan portfolios previously acquired. **Acquired customer relationships** — **Our sector experience:** challenging the assumptions, including value, probability and timing of cash flows, made in calculating the fair value assigned to the customer relationship intangible with reference to the business plan, existing customer contracts and our knowledge of the industry; and — **Historical comparison:** assessing whether the discount rate used in calculating the fair value of the customer relationships intangible reflected market conditions based on our knowledge of the industry.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.9 million, determined with reference to a benchmark of Group profit before taxation normalised to exclude a current year one-off expenses of £23 million in relation to the Group's acquisitions and debt refinancing set out on page 100. The group team performed procedures on the items excluded from normalised group profit before tax. The materiality represents 3.5% of the Group's reported profit before taxation as normalised.

In 2015, the materiality for the Group financial statements as a whole was set at £1.8 million, determined with reference to a benchmark of Group profit before tax (PBT), of which it represented 4.6%.

We report to the audit committee any corrected or uncorrected identified misstatements exceeding £95,000 (2015: £90,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.



How we scoped our audit:

Audits for group reporting purposes were performed on all four (2015: three) reporting components, which were:

- Group holding company;
- UK operating and non-operating subsidiaries;
- The Portuguese operating and non-operating subsidiaries; and
- The Benelux operating and non-operating subsidiaries which include entities in Netherlands and Belgium.

The components scoped in for Group reporting purposes accounted for 100% of Group revenue, 100% of Group profit before tax and 100% of Group total assets.

The audit of the Portuguese and Benelux components was performed by component audit teams in Portugal, Netherlands and Belgium. The audit of the Group holding company, UK operating and non operating subsidiaries and consolidation was performed by the Group audit team.

The Group audit team instructed the component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality of £1.0 million (2015: £1.0 million), having regard to the size and risk profile of Group across the components.

The Group audit team managed and co-ordinated the component auditors in the following ways:

At the planning stage, the Group audit team visited component audit teams where necessary, participated in site visits, and held telephone calls and face-to-face discussions with the components audit teams to discuss audit risks and strategy.

During the audit, the Group audit team held regular telephone calls with the component audit teams. Through the calls and meetings, the findings and observations reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the components auditors.

In addition, the Group audit team participated in the audit close out meetings of the component teams to all material issues affecting the Group are identified and communicated back to Arrow Global Group Plc.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability on page 51, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 2020; or
- the disclosures in note 3 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the audit committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 51 and 105, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on page 61 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Gabbertas (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One St Peters Square

Manchester

M2 3AE

2 March 2017

Financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	16	188,914	150,238
Profit on portfolio sales		701	503
Total revenue from portfolios		189,615	150,741
Income from asset management		46,315	14,713
Total revenue		**235,930**	**165,454**
Operating expenses			
Collection activity costs		(70,261)	(52,303)
Recurring other operating expenses	10	(65,615)	(34,205)
Non-recurring other operating expenses			
Costs arising from business acquisitions		*(5,022)*	*(1,491)*
Company integration		–	*(1,452)*
IPO related costs		–	*(1,366)*
Total other operating expenses	10	**(70,637)**	**(38,514)**
Total operating expenses		**(140,898)**	**(90,817)**
Operating profit	6	**95,032**	**74,637**
Finance income	7	813	152
Recurring finance costs	8	(48,847)	(36,760)
Non-recurring finance costs			
Bond related and RCF refinancing costs		*(17,994)*	–
Total finance costs	8	**(66,841)**	**(36,760)**
Share of profit in associate net of tax		2,363	1,243
Profit before tax		**31,367**	**39,272**
Recurring taxation charge on ordinary activities		(8,816)	(8,180)
Tax on non-recurring items		*3,755*	*657*
Taxation charge on ordinary activities	11	(5,061)	(7,523)
Profit after tax		**26,306**	**31,749**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
FX translation difference arising on revaluation of foreign operations		5,954	34
Hedging movement		670	(615)
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		(10)	–
Total comprehensive income		**32,920**	**31,168**
Profit after tax attributable to:			
Owners of the Company		26,305	31,749
Non-controlling interest		1	–
		26,306	**31,749**
Underlying profit after tax		***45,567***	***35,401***
Basic EPS (£)	30	**0.15**	**0.18**
Diluted EPS (£)	30	**0.15**	**0.18**

CONSOLIDATED AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

Assets	Note	Group 31 December 2016 £000	Group 31 December 2015 £000	Company 31 December 2016 £000	Company 31 December 2015 £000
Non-current assets					
Goodwill	13	128,081	79,490	–	–
Other intangible assets	14	39,144	20,643	–	–
Property, plant and equipment	15	3,584	3,649	–	–
Investment in subsidiary undertakings	23	–	–	307,500	307,500
Investment in associate	23	10,371	12,158	–	–
Loan notes	16	–	862	–	–
Deferred tax asset	19	3,692	639	–	–
Total non-current assets		**184,872**	**117,441**	**307,500**	**307,500**
Current assets					
Cash and cash equivalents		23,203	10,183	8	16
Other receivables	17	35,484	34,781	80,906	71,825
Purchased loan portfolios	16	782,792	609,793	–	–
Loan notes	16	21,315	–	–	–
Total current assets		**862,794**	**654,757**	**80,914**	**71,841**
Total assets		**1,047,666**	**772,198**	**388,414**	**379,341**
Equity					
Share capital	20	1,744	1,744	1,744	1,744
Share premium	20	347,436	347,436	347,436	347,436
Retained earnings		92,327	76,916	37,509	25,513
Hedging reserve		(632)	(1,302)	–	–
Other reserves		(273,484)	(279,438)	(1,936)	(1,936)
Total equity attributable to shareholders		**167,391**	**145,356**	**384,753**	**372,757**
Liabilities					
Non-current liabilities					
Senior secured notes	29	681,158	447,545	–	–
Trade and other payables	18	–	7,648	–	–
Deferred tax liability	19	14,859	4,396	–	–
Defined benefit liability	24	1,721	–	–	–
Total non-current liabilities		**697,738**	**459,589**	**–**	**–**
Current liabilities					
Trade and other payables	18	76,261	83,906	2,966	6,172
Derivative liability	26	1,433	1,281	–	–
Current tax liability		5,469	3,755	695	412
Revolving credit facility	29	74,169	71,479	–	–
Bank overdrafts	29	7,698	–	–	–
Other borrowings	29	12,077	–	–	–
Senior secured notes	29	5,430	6,832	–	–
Total current liabilities		**182,537**	**167,253**	**3,661**	**6,584**
Total liabilities		**880,275**	**626,842**	**3,661**	**6,584**
Total equity and liabilities		**1,047,666**	**772,198**	**388,414**	**379,341**

Approved by the board of directors on 2 March 2017, signed and authorised for issue on its behalf by:

Rob Memmott
Group chief financial officer
Company number: 08649661

Lee Rochford
Group chief executive officer

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Group	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 after tax	–	–	31,749	–	–	–	–	31,749	–	31,749
Exchange differences	–	–	–	–	–	34	–	34	–	34
Net fair value losses – cash flow	–	–	–	(729)	–	–	–	(729)	–	(729)
Tax on hedged items	–	–	–	114	–	–	–	114	–	114
Total comprehensive income for the year	–	–	31,749	(615)	–	34	–	31,168	–	31,168
Repurchase of own shares	–	–	–	–	(1,374)	–	–	(1,374)	–	(1,374)
Share-based payments	–	–	2,577	–	–	–	–	2,577	–	2,577
Dividend paid	–	–	(8,889)	–	–	–	–	(8,889)	–	(8,889)
Balance at 31 December 2015	**1,744**	**347,436**	**76,916**	**(1,302)**	**(1,936)**	**(541)**	**(276,961)**	**145,356**	**–**	**145,356**
Profit after tax	–	–	26,305	–	–	–	–	26,305	1	26,306
Exchange differences	–	–	–	–	–	5,954	–	5,954	20	5,974
Net fair value losses – cash flow	–	–	–	827	–	–	–	827	–	827
Tax on hedged items	–	–	–	(157)	–	–	–	(157)	–	(157)
Remeasurements of the defined benefit liability	–	–	(10)	–	–	–	–	(10)	–	(10)
Total comprehensive income for the year	–	–	26,295	670	–	5,954	–	32,919	21	32,940
Share-based payments	–	–	3,239	–	–	–	–	3,239	–	3,239
Dividend paid	–	–	(14,123)	–	–	–	–	(14,123)	–	(14,123)
Non-controlling interest on acquisition	–	–	–	–	–	–	–	–	394	394
Settlement of non-controlling interest	–	–	–	–	–	–	–	–	(415)	(415)
Balance at 31 December 2016	**1,744**	**347,436**	**92,327**	**(632)**	**(1,936)**	**5,413**	**(276,961)**	**167,391**	**–**	**167,391**

*Other reserves total £273,484,000 deficit (2015: £279,438,000 deficit).

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Total £000
Balance at 1 January 2015	**1,744**	**347,436**	**10,100**	**(562)**	**358,718**
Profit after tax	–	–	21,725	–	21,725
Total comprehensive income for the year	–	–	21,725	–	21,725
Repurchase of own shares	–	–	–	(1,374)	(1,374)
Share-based payments	–	–	2,577	–	2,577
Dividend paid	–	–	(8,889)	–	(8,889)
Balance at 31 December 2015	**1,744**	**347,436**	**25,513**	**(1,936)**	**372,757**
Profit after tax	–	–	22,880	–	22,880
Total comprehensive income for the year	–	–	22,880	–	22,880
Repurchase of own shares	–	–	–	–	–
Share-based payments	–	–	3,239	–	3,239
Dividend paid	–	–	(14,123)	–	(14,123)
Balance at 31 December 2016	**1,744**	**347,436**	**37,509**	**(1,936)**	**384,753**

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

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

Own share reserve
The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2016, the Company held 66,277 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.04% of the Company share capital at 31 December 2016.

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Group Year ended 31 December 2016 £000	Group Year ended 31 December 2015 £000	Company Year ended 31 December 2016 £000	Company Year ended 31 December 2015 £000
Net cash (used in)/generated by operating activities	32	**(26,217)**	**(56,294)**	**14,115**	**10,264**
Investing activities					
Purchase of property, plant and equipment		(525)	(920)	–	–
Purchase of intangible assets		(7,412)	(8,618)	–	–
Proceeds from disposal of intangible assets and property, plant and equipment		643	–	–	–
Dividends received from associate		6,820	658	–	–
Additional investment in associate		(1,305)	–	–	–
Acquisition of subsidiaries, net of cash acquired		(62,465)	(15,581)	–	–
Acquisition of subsidiary, deferred consideration		(14,998)	–	–	–
Net cash used in investing activities		**(79,242)**	**(24,461)**	**–**	**–**
Financing activities					
Net proceeds from additional loans		12,193	35,835	–	–
Proceeds from senior notes (net of fees)		169,712	81,560	–	–
Early repayment of bond		(8,664)	–	–	–
Repayment of interest on senior notes		(36,915)	(27,365)	–	–
Repurchase of own shares		–	(1,374)	–	(1,374)
Receipt of loan notes		938	579	–	–
Bank fees paid		(4,389)	(4,304)	–	–
Payment of dividends		(14,123)	(8,889)	(14,123)	(8,889)
Payment of deferred interest		(1,071)	–	–	–
Settlement of non-controlling interest		(415)	–	–	–
Net cash flow generated by/(used in) financing activities		**117,266**	**76,042**	**(14,123)**	**(10,263)**
Net increase/(decrease) in cash and cash equivalents		**11,807**	**(4,713)**	**(8)**	**1**
Cash and cash equivalents at beginning of year		10,183	14,542	16	15
Effect of exchange rates on cash and cash equivalents		1,213	354	–	–
Cash and cash equivalents at end of year		**23,203**	**10,183**	**8**	**16**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

The Company's subsidiaries and associate, both direct and indirect, at this date are listed in note 23.

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.

The Group's and the Company's financial statements for the year ended 31 December 2016 have been prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. The accounting policies have been applied consistently in the current and prior periods.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts.

2 Adoption of new and revised standards

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

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

During 2016, these new standards and interpretations had an insignificant effect on the consolidated financial statements of the Group.

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements and have not been early adopted:

IFRS 9 Financial Instruments

New reporting requirements under IFRS 9 introduce forward looking credit loss models which will lead to changes in timing of impairment recognition. We continue to assess the impact of IFRS 9 and have implemented a project plan to ensure compliance with the new standard ahead of its proposed implementation date of 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Management are assessing the impact of IFRS 15 on future periods, in particular by considering the asset management contracts with customers in relation to contingency collection fees, due diligence, real estate management and advisory fees.

Other standards

The following new and revised Standards and Interpretations have been issued but are not yet endorsed or effective for these financial statements and have not been early adopted:

- IAS 7 (amendments) Disclosure initiative
- IAS 12 (amendments) Recognition of deferred tax assets for unrealised losses
- IFRS 16 Leases
- IFRS 2 (amendments) Classification and measurement of share-based payment transactions
- IFRS 10 and IAS 28 (amendments) Sale or contribution of assets between an investor and its associate or joint venture

The Group is assessing the potential impact on its consolidated financial statements resulting from the new and revised Standards and Interpretations. So far, the Group does not expect any significant impact.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

Basis of preparation

The financial statements have also been prepared in accordance with IFRS adopted by the European Union and also, the Group financial statements comply with EU IAS Regulation.

The 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2016 and comparative period. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with its investee entity and has the ability to affect these returns through its power over the investee entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Also see the accounting policy 'shares held in an employee benefit trust' (EBT).

Going concern

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. The directors have given this matter due consideration through a review of forecast cash flow models and scenarios and current cash availability and have concluded that it is appropriate to prepare the Group financial statements on a going concern basis. Refer to the statement of viability on page 51 for further details of the going concern assessment.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were made available to the Group at the acquisition date.

Goodwill

Goodwill arising on a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 per cent of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Revenue recognition and effective interest rate method (EIR) Income from purchased loan portfolios

Income from purchased loan portfolios represents the yield from acquired portfolio investments. Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and recognised at fair value at the purchase date that equals the price paid. They are subsequently measured at amortised cost using the EIR method.

The EIR method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expected life of the portfolio. The EIR is the rate that exactly discounts 84-months of estimated future cash receipts of the purchased portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset).

Upward revaluations ('write-ups') are increases to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments to their estimated future cash flows and are recognised in the income from purchased loan portfolios line within revenue, with any subsequent reversals to write-ups also recorded in this line. If these reversals ('write-downs') exceed any previously recognised cumulative write-ups (i.e. a write-down reduces the portfolio carrying amount below its initial purchase price) then impairment is recognised as a separate line in the statement of profit or loss and other comprehensive income.

Unallocated cash is held as a liability in the statement of financial position until it is reconciled. Unallocated cash is held as liability until all reasonable steps have been taken to show that it has been extinguished, only being released to the consolidated statement of profit or loss and other comprehensive income at this point.

Where the Group acquires purchased loan portfolios via forward flow agreements, being contracted multiple future purchases, there is no difference in accounting treatment than described above.

Impairment of purchased loan portfolios

The portfolios are reviewed for indications of impairment at the statement of financial position date, such as variances to historical cash curves, in accordance with IAS 39. This is considered on a portfolio basis. Where portfolios exhibit objective evidence of impairment, an adjustment, being the difference between the current carrying value and the net present value of future estimated cash flows, is recorded to the carrying value of the portfolio.

Revenue on assets under management

The Group receives asset management revenue on portfolios managed for third parties in the UK, Portugal and the Netherlands. In accordance with IAS 18, the Company recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably. The nature of the revenue is contingency collection fees, which are received either as a fixed fee, or as a percentage of collections or the outstanding portfolio asset value.

Non-recurring items

Non-recurring items are those which are separately identified by virtue of their size and nature (i.e. outside of the normal underlying operating activities of the Group) to allow a full understanding of the underlying performance of the Group. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income. Current year non-recurring items are explained in notes 8, 10 and 11. The identification of these items has significance as the resulting underlying profit is one of the key determinants of dividends payable.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 16). Interest income is recognised throughout the year using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group has, for the period covered by these financial statements, made contributions to defined contribution plans to provide pension benefits for employees upon retirement.

A number of employees of Vesting Finance are entitled to pension benefits that the company has insured through a contract with an insurance company. The arrangement meets the definition of a defined benefit plan and the insurance policy represents qualifying plan assets of the scheme.

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets from the insurance policy.

The calculation of defined benefit obligation is performed at acquisition and then annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of future economic benefits, consideration is given to the applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the ceiling (if any, excluding interest), are recognised immediately through the other-comprehensive income. The Group determines the net interest expense on the net defined liability for the period by applying the discount rate used to measure the defined benefit obligation at acquisition or the beginning of the annual period to the then net-defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit pension plan are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of comprehensive income. The Group recognises gains and losses in the settlement of a defined benefit plan when the settlement occurs.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the other-comprehensive income.

Leases

Assets leased are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownerships to the lessee but not necessarily legal title. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the year and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date. Taxable profit differs from the net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Deferred tax

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred taxation is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

Share based payment transactions

Share based payments transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payments.

The grant date fair value of the share based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payments with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 ‘Share based payments’.

Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

Property, plant and equipment and other intangibles

Property, plant and equipment and other intangibles, as discussed below, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write-off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method on the following basis:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Software licences	shorter of contractual life and useful economic life
IT platform	useful economic life

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment and other intangibles is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income.

Acquired licences, such as software licences, are capitalised at cost and amortised over the shorter of contractual life and useful economic life.

Financial instruments

Financial assets and financial liabilities are recognised on the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Purchased loan portfolios and secured loan notes

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortised cost using the EIR method less any impairment.

Purchased loan portfolios are acquired at a deep discount and as a result the estimated future cash flows reflect the likely credit losses within each portfolio. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the EIR method.

The portfolio asset is analysed as current in the statement of financial position as part of the Group's normal operating cycle.

As part of the Group's litigation strategy to recover customer balances, the Group incurs legal costs. Where these are considered recoverable these are included within the estimated forecasts of future cash flows within the purchased loan portfolios balance.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the OCI is recognised in the statement of profit or loss and other comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value where the effect is material.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities, such as loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS.

Financial liabilities are held at amortised cost using the EIR method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the statement of profit or loss and other comprehensive income. For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income as part of finance costs. Amounts accumulated in equity are recognised in the statement of profit or loss and other comprehensive income when the income or expense on the hedged item is recognised in the statement of profit or loss and other comprehensive income.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or,
- the underlying hedged item matures or is sold or repaired.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Legal transaction fees

Legal transaction fees associated with the purchase of portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 in the manner described in note 26.

Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained on the consolidated statement of changes in equity on page 102.

4 Critical accounting judgments and estimates

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Approach to substance of loan notes as portfolios

The Group has purchased a number of loan notes in entities that in turn have legal ownership of underlying loan portfolios. The Group has assessed the substance of the loan notes under the criteria set out in IAS 39 to determine whether to account for the underlying portfolio loan assets or to recognise an investment in the loan note asset in the entity that has issued the loan notes.

The decision is based on whether the circumstances meet the requirements of IAS 39, paragraph 19, which deems that the Group would recognise its proportionate share of the asset on balance sheet as portfolio loan assets, where the following criteria are met:

- the loan note issuing entity has no obligation to pay amounts to the Group unless it collects equivalent amounts from the original asset;
- the loan note issuing entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the Group for the obligation to pay them cash flows; and
- the loan note issuing entity has an obligation to remit any cash flows it collects on behalf of the Group without material delay.

Essentially where the risks and rewards of the loan portfolio assets sit with the Group rather than the issuer of the loan notes, it is appropriate for the entity issuing the loan notes to derecognise the underlying asset, and the Group to recognise their proportionate share.

If these criteria are met the Group recognises its appropriate share of the underlying loan portfolios and if criteria are not met then the Group recognises an investment in the loan notes.

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting judgments and estimates (continued)

Key sources of assumption and estimation uncertainty in applying accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Fair value of acquisition statement of financial position and carrying value of goodwill

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of its net assets, therefore the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgment, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired loan portfolios and customer intangibles where valuations reflect estimates and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section b) below.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired e.g. financial performance of the respective acquired entity/CGU is significantly below expectations. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. Calculation of the value in use requires an estimate of the amount and timing of future cash flows expected to arise from the CGU, which are discounted by an appropriate discount rate to calculate a present value of the future cash flows. The discount rate applied is the Group's weighted average cost of capital with an adjustment to reflect the specific risk characteristics of the CGU. This calculation inherently involves a number of judgments in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the CGU is an estimate.

Sensitivities have been considered in note 13.

b) Carrying value and EIR of purchased loan portfolios

84-month cash flow forecasts are prepared for each portfolio on an account basis. These forecasts are generated using statistical models incorporating a number of factors, including predictions of probability to pay, which is informed by customer and account level data, credit agency data and our historic experience with accounts which have similar key attributes. A further key model input is previous payments made by a customer. Additionally estimates are made of the movement of accounts from non-paying to paying, and vice-versa, either through breakdown of the account or settlement/pay down of the balances due. In relation to non-paying accounts, assumptions will be made as to which operational strategy is the most appropriate to move the account to paying status, this may include placing these accounts into litigation. Operational factors, that may impact future estimated cash flows, are also considered such as improved collections processes and systems.

Management also review the model on a portfolio basis to take into account external factors, which have impacted historical or will impact future performance and where necessary portfolios are calibrated to take into account these known factors. The assumptions and estimates made are specific to the particular characteristics of each portfolio.

The ERCs created from the ERC forecasting models, are regularly benchmarked at a portfolio level against actuals, this informs the decision as to whether a write-up or write-down may be required.

An impairment is only recognised if the 'write-downs' exceed any previously recognised cumulative write-ups and revenue recognised.

Write-downs to the total loan portfolio balance occurred in the year as a result of changed expectations of credit balances and a historic claim on one of the Portuguese portfolios. These were more than offset by write-ups on a number of other portfolios.

The estimated future cash flows generated by the above process are the key estimate/judgment 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 31 December 2016 by £7,044,000 (2015: £4,123,000). Flexing the expected future gross cash flows by -3/+3% would impact the closing carrying value of the purchased loan portfolios as at 31 December 2016 by £21,131,000 (2015: £12,368,000).

c) Measurement of the defined benefit liability

The carrying value of the liabilities relating to the defined benefit pension scheme is valued using an actuarial valuation. The valuation is based on assumptions. All the assumptions used are estimates of future events. Further details about the key assumptions used are given in note 24.

NOTES TO THE FINANCIAL STATEMENTS

5 Segmental reporting

The Group represents a single reportable segment. The Group head office in the UK, with subsidiaries also based in wider Europe.

Collections information is available for the UK and the wider-European operations. This is the only information analysed between the UK and the wider-European operations received on a regular basis by the chief operating decision maker (CODM), and does not constitute sufficient information upon which to base resource allocation decisions, consequently one segment has been identified. In line with the business strategy we expect this to be developed over the next 12 months. The CODM is considered to be the board of directors collectively.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Total revenue	**235,930**	**165,454**
Collection activity costs	(70,261)	(52,303)
Recurring other operating expenses	(65,615)	(34,205)
Non-recurring items	(5,022)	(4,309)
Operating profit	**95,032**	**74,637**
Finance income	813	152
Total finance costs	(48,847)	(36,760)
Share of profit in associate	2,363	1,243
Non-recurring items	(17,994)	–
Profit before tax	**31,367**	**39,272**
Taxation	(5,061)	(7,523)
Profit after tax	**26,306**	**31,749**

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Purchased loan portfolios	782,792	609,793
Investments in associate	10,371	12,158
Statement of financial position		
Total segment assets	1,043,974	771,559
Total segment liabilities	(865,416)	(622,446)
Segment net assets	**178,558**	**149,113**
Unallocated assets which is represented by deferred tax balances	3,692	639
Unallocated liabilities which is represented by deferred tax balances	(14,859)	(4,396)
Consolidated net assets	**167,391**	**145,356**

Geographical information	UK entities 2016 £000	Foreign entities 2016 £000	Intra group trading 2016 £000	Total 2016 £000
Total revenue	179,703	66,289	(10,062)	**235,930**
Non-current assets	150,599	34,273	–	**184,872**

NOTES TO THE FINANCIAL STATEMENTS

5 Segmental reporting (continued)

Geographical information	UK entities 2015 £000	Foreign entities 2015 £000	Intra group trading 2015 £000	Total 2015 £000
Total revenue	154,553	12,964	(2,063)	**165,454**
Non-current assets	77,962	39,479	–	**117,441**

6 Profit after tax

Profit after tax has been arrived at after (charging)/crediting:	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Net foreign exchange gains		1,510	592
Operating leases – properties		(2,102)	(744)
Depreciation and amortisation	14, 15	(8,658)	(4,176)
Staff costs	10.b	(30,649)	(19,217)

7 Finance income

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Finance income		
Bank interest	7	7
Loan note interest	806	145
	813	**152**

8 Finance costs

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Finance costs		
Interest and similar charges on bank loans	5,370	8,991
Interest on senior secured notes	42,746	27,032
Other interest	731	737
Non-recurring interest and costs	17,994	–
Total finance costs (including non-recurring items)	**66,841**	**36,760**
Non-recurring finance costs	(17,994)	–
Recurring finance costs	**48,847**	**36,760**

Finance costs include a non-recurring cost of £17,994,000 relating to refinancing activity during the period. This comprised £15,026,000 incurred upon the early redemption of the £220 million notes due 2020, of which £8,664,000 was a cash cost related to the call premium and £6,362,000 a non-cash cost related to the write-off of previous transaction fees. In addition, upon the cancellation of the previous revolving credit facility £2,968,000 non-cash costs were incurred relating to the write-off of previous transaction fees.

NOTES TO THE FINANCIAL STATEMENTS

9 Auditor's remuneration

The analysis of auditor remuneration is as follows:	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Fees payable for audit services – Company	65	62
Fees payable for audit services – subsidiaries	663	288
Total fees payable for audit services	**728**	**350**
Fees payable for audit-related assurance services – Company	59	25
Total fees payable for audit-related assurance services	**59**	**25**
Fees payable for other assurance services	310	158
Total fees payable for non-audit services	**310**	**158**
Total fees payable	**1,097**	**533**

10 Staff costs and other operating expenses

a) Other operating expenses

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Staff costs	10.b	30,649	19,217
Other staff related costs		4,071	4,428
Premises		4,678	2,326
IT		7,033	2,594
Depreciation and amortisation		8,658	4,176
Net foreign exchange gains		(1,510)	(592)
Acquisition of subsidiaries		5,022	1,491
Other operating expenses		12,036	4,874
Total other operating expenses (including non-recurring items)		**70,637**	**38,514**
Non-recurring items:			
Costs arising from the acquisition of subsidiary		(5,022)	(1,491)
IPO related costs		–	(1,366)
Company integration		–	(1,452)
Total non-recurring items		**(5,022)**	**(4,309)**
Recurring other operating expenses		**65,615**	**34,205**

In 2016, £3,700,000 of the other staff related costs relates to temporary labour, recruitment and training (2015: £3,700,000).

In the year to 31 December 2016, £5,022,000 of costs were incurred relating to the completion of two acquisitions, Vesting Finance in the Netherlands and Redrock in Portugal and the agreed acquisition of Zenith Services S.p.A. in Italy.

In the year to 31 December 2015, £1.5 million of costs were incurred relating to the completion of two acquisitions, Gesphone and Whitestar. £1.4 million of staff costs were incurred as a result of the share option charges in relation to the share options issued as part of the IPO in 2013. £1.5 million of costs have been incurred due to Capquest integration.

NOTES TO THE FINANCIAL STATEMENTS

10 Staff costs and other operating expenses (continued)

b) Staff costs

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Wages, bonuses and salaries	23,778	13,830
Pension costs	809	367
Social security costs	3,001	1,607
Share based payments	3,061	2,577
Staff restructuring	–	836
	30,649	**19,217**

The total directors' personnel remuneration (including non-executive directors) during the year was £2,790,000 (2015: £1,806,000), and including £104,000 in relation to pension costs (2015: £110,000). See the remuneration report for more disclosure of directors' remuneration.

The average monthly number of employees (including executive directors) are analysed below:

	Year ended 31 December 2016	Year ended 31 December 2015
Collections	672	347
Data and analytics	49	60
Finance, pricing and legal	145	83
IT and change	111	75
Management	18	24
Risk	39	24
Support services	101	136
	1,135	**749**

NOTES TO THE FINANCIAL STATEMENTS

11 Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2016 is lower than the standard rate of corporation tax in the UK at 20.0% (2015: 20.25%). The differences are as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit before tax	**31,367**	**39,272**
Tax charge at standard UK corporation tax rate	6,273	7,952
Utilisation of tax losses previously unrecognised	(2,754)	–
Adjustment in respect of prior years	(46)	(862)
Expenses not deductible for tax purposes	1,391	473
Share in profit in associate reported net of tax	(472)	(252)
Differences in corporate tax rates	(329)	23
Differences on hedging arrangements	–	18
Differing overseas tax rates	1,259	171
Movements in unrecognised deferred tax	(469)	–
Chargeable gains	208	–
Tax charge	**5,061**	**7,523**
Effective tax rate relating to continuing operations	**16.1%**	**19.2%**
Standard UK corporation rate for the year	**20.0%**	**20.25%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Lower**	**Lower**

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Tax charge for the year consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit after tax	7,055	8,691
Adjustment in respect of prior years	(2,871)	(642)
Total current tax charge	**4,184**	**8,049**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	1,234	(329)
Adjustment in respect of prior years	441	(220)
Movement in deferred tax previously not recognised	(469)	–
Differences in tax rates	(329)	23
Total tax charge	**5,061**	**7,523**

In the current year, we have recognised through current tax, a previously unrecognised deferred tax asset in relation to prior year losses been recognised, which with profits in associate accounted for net of tax, deflates the current year tax charge. This is offset by an increase in expenses not deductible for tax purposes largely due to current year subsidiary acquisition costs, a higher level of taxable income coming from overseas countries with higher tax rates and a chargeable gain.

Deferred tax

The Group has not recognised a deferred tax asset in respect of £14,335,000 (2015: £28,168,000) of tax losses carried forward, due to uncertainties over the future utilisation of the losses including the future profitability of the relevant subsidiaries. These losses may be available for offset against future profits and have no expiry date.

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. Accordingly, deferred tax balances have generally been calculated using a rate of 17% in these accounts, apart from balances on overseas companies that are recognised at the relevant rate applicable in the appropriate jurisdictions.

Non-recurring tax

We have identified non-recurring items in the year amounting to £23,016,000 (2015: £4,309,000), with a £3,755,000 (2015: £657,000) associated tax impact.

NOTES TO THE FINANCIAL STATEMENTS

12 Dividend

Dividends of £14,123,000 have been included in these financial statements, being the 2015 final dividend of 5.4p per share and the 2016 interim dividend of 2.7p per share. A final dividend for 2016 has been proposed of 6.4p per share taking the total declared and proposed dividends for the year ended 31 December 2016 to 9.1p, being 35% of underlying profit after tax. The proposed final dividend is subject to approval at the annual general meeting and has, therefore, not been included as a liability in these financial statements.

The 2016 interim dividend was declared at 50% of the 2015 final dividend with the subsequent final dividend being proposed based on the underlying profit after tax for the year.

The ex-dividend date for the final dividend is 8 June 2017 with a record date of 9 June 2017 and a payment date of 6 July 2017. Shareholders will have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a dividend reinvestment plan.

13 Goodwill

Cost	**£000**
At 1 January 2015	49,932
Goodwill on acquisition of subsidiary	30,920
Exchange rate differences	947
At 31 December 2015	81,799
Goodwill on acquisition of subsidiary	40,371
Exchange rate differences	8,220
At 31 December 2016	**130,390**
Amortisation and impairment	
At 31 December 2015 and 31 December 2016	**2,309**
Net book value	
At 31 December 2016	**128,081**
At 31 December 2015	79,490

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

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

	Year ended 31 December 2016 £000	**Year ended 31 December 2015 £000**
Benelux	40,921	–
Capquest	45,608	45,608
Portugal	39,584	31,914
AGRML	1,968	1,968
	128,081	**79,490**

An impairment review was carried out at 31 December 2016 that resulted in no impairment to goodwill. The goodwill was assessed to be appropriately stated. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

NOTES TO THE FINANCIAL STATEMENTS

13 Goodwill (continued)

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital ('WACC'), and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs, such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered. As a result of applying the various risk factors noted above to the Group's WACC, a market participant rate of 6.09% was determined for the AGRML and Capquest CGUs, a rate of 6.84% was determined for the Portuguese CGU, and a rate of 6.34% was determined for the Benelux CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive the forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU.

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

Impairment in each CGU, would happen with –	– a cashflow reduction of –	– a discount rate increase of –
Capquest	16%	3%
Portugal	14%	3%
AGRML	7%	2%
Benelux	54%	8%

14 Intangible assets

	Customer intangibles £000	Contractual rights £000	IT platform £000	Software licences £000	Total £000
Cost					
At 1 January 2015	–	–	9,612	3,360	12,972
Assets acquired on acquisition of a subsidiary	3,721	–	–	340	4,061
Exchange differences	–	–	9	37	46
Additions	–	2,579	5,367	672	8,618
At 31 December 2015	3,721	2,579	14,988	4,409	25,697
Assets acquired on acquisition of a subsidiary	14,257	–	1,297	1,241	16,795
Exchange differences	1,795	405	157	420	2,777
Additions	–	–	5,365	2,047	7,412
Disposals	–	(639)	–	–	(639)
At 31 December 2016	**19,773**	**2,345**	**21,807**	**8,117**	**52,042**
Accumulated depreciation					
At 1 January 2015	–	–	–	1,929	1,929
Amortisation charge for the year	371	258	1,781	675	3,085
Exchange differences	–	–	9	31	40
At 31 December 2015	371	258	1,790	2,635	5,054
Exchange differences	67	39	65	275	446
Amortisation charge for the year	2,836	172	2,048	2,342	7,398
At 31 December 2016	**3,274**	**469**	**3,903**	**5,252**	**12,898**
Carrying amount					
At 31 December 2016	**16,499**	**1,876**	**17,904**	**2,865**	**39,144**
At 31 December 2015	3,350	2,321	13,198	1,774	20,643

NOTES TO THE FINANCIAL STATEMENTS

15 Property, plant and equipment

Cost	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Total property, plant and equipment £000
At 1 January 2015	1,825	1,302	605	–	3,732
Assets acquired on acquisition of a subsidiary	376	247	260	42	925
Exchange differences	19	38	9	3	69
Additions	549	162	209	–	920
Disposals	–	(6)	(1)	(1)	(8)
At 31 December 2015	2,769	1,743	1,082	44	5,638
Assets acquired on acquisition of a subsidiary	–	388	195	–	583
Exchange differences	187	248	67	15	517
Additions	123	249	153	–	525
Disposals	(72)	(247)	(18)	(18)	(355)
At 31 December 2016	**3,007**	**2,381**	**1,479**	**41**	**6,908**
Accumulated depreciation					
At 1 January 2015	429	249	173	–	851
Exchange differences	8	32	3	8	51
Disposal	–	(4)	–	–	(4)
Charge for the year	242	686	152	11	1,091
At 31 December 2015	679	963	328	19	1,989
Exchange differences	90	213	68	14	385
Disposal	(72)	(202)	(18)	(18)	(310)
Charge for the year	383	571	294	12	1,260
At 31 December 2016	**1,080**	**1,545**	**672**	**27**	**3,324**
Carrying amount					
At 31 December 2016	**1,927**	**836**	**807**	**14**	**3,584**
At 31 December 2015	2,090	780	754	25	3,649

16 Financial assets

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Expected falling due after 1 year:		
Purchased loan portfolios	595,352	464,996
Loan notes	17,763	862
	613,115	**465,858**
Expected falling due within 1 year:		
Purchased loan portfolios	187,440	121,278
Loan notes	3,552	–
Purchased loan portfolios due to be resold	–	23,519
Total	**804,107**	**610,655**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2016, the carrying amount of the purchased loan portfolio asset was £782,792,000 (2015: £609,793,000).

NOTES TO THE FINANCIAL STATEMENTS

16 Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
As at the year brought forward	609,793	477,513
Portfolios acquired during the year*	224,640	177,716
Purchased loan portfolios to be resold	(23,519)	23,519
Portfolios acquired through acquisition of a subsidiary	35,343	3,970
Collections in the year	(285,960)	(218,515)
Income from purchased loan portfolios	188,914	150,238
Exchange gain/(loss) on purchased loan portfolios	32,880	(5,151)
Disposal of purchased loan portfolios	701	503
As at the year end	**782,792**	**609,793**

*Inclusive of portfolio expenditure and recoverable litigation expenditure of £22,940,000 (2015: £1,406,000)

17 Other receivables and prepayments

	Note	Group Year ended 31 December 2016 £000	Group Year ended 31 December 2015 £000	Company Year ended 31 December 2016 £000	Company Year ended 31 December 2015 £000
Prepayments		3,723	5,344	112	80
Due from subsidiary undertakings	22	–	–	80,794	71,742
Other receivables		23,590	29,370	–	3
Deposits		8,171	67	–	–
		35,484	**34,781**	**80,906**	**71,825**

18 Trade and other payables

Current	Note	Group Year ended 31 December 2016 £000	Group Year ended 31 December 2015 £000	Company Year ended 31 December 2016 £000	Company Year ended 31 December 2015 £000
Trade payables		13,536	9,408	14	9
Deferred consideration on acquisition of subsidiary		9,230	14,278	–	–
Deferred consideration on purchased loan portfolios		26,171	28,223	–	–
Deferred consideration on portfolio to be resold		–	23,519	–	–
Taxation and social security		121	121	–	–
Due to subsidiary undertakings	22	–	–	2,952	6,163
Other liabilities and accruals		27,203	8,357	–	–
		76,261	**83,906**	**2,966**	**6,172**

NOTES TO THE FINANCIAL STATEMENTS

18 Trade and other payables (continued)

Non-current	Group Year ended 31 December 2016 £000	Group Year ended 31 December 2015 £000	Company Year ended 31 December 2016 £000	Company Year ended 31 December 2015 £000
Deferred consideration on acquisition of subsidiary	–	7,648	–	–
	–	**7,648**	**–**	**–**

19 Deferred tax

	2016 Assets £000	2016 Liabilities £000	2016 Total £000	2015 Assets £000	2015 Liabilities £000	2015 Total £000
Fixed assets	404	–	404	–	(7)	(7)
IFRS transitional adjustments	–	(2,052)	(2,052)	30	(2,643)	(2,613)
Share schemes	1,129	–	1,129	324	–	324
Hedging reserve	129	–	129	285	–	285
Chargeable gains	–	(425)	(425)	–	–	–
Losses	1,561	–	1,561	–	–	–
Fair value adjustment on acquisition of subsidiaries	469	(12,382)	(11,913)	–	(1,746)	(1,746)
	3,692	**(14,859)**	**(11,167)**	**639**	**(4,396)**	**(3,757)**

The following table reconciles from the 2015 to the 2016 net deferred tax position:

	Year ended 31 December 2015	Transferred in on acquisition	Movements to goodwill	Recognised in statement of profit or loss and other comprehensive income	Recognised in statement of changes in equity	Foreign exchange	Year ended 31 December 2016
Fixed assets	7	–	–	(411)	–	–	(404)
IFRS transitional adjustments	2,662	–	–	(610)	–	–	2,052
Share schemes	(324)	–	–	(645)	(160)	–	(1,129)
Hedging reserve	(285)	–	–	–	156	–	(129)
Chargeable gains	–	–	–	425	–	–	425
Losses	–	(3,481)	450	1,470	–	–	(1,561)
Other temporary differences	(49)	(94)	–	28	–	–	(115)
Fair value adjustment on acquisition of subsidiaries	1,746	6,077	3,227	622	–	356	12,028
	3,757	**2,502**	**3,677**	**879**	**(4)**	**356**	**11,167**

NOTES TO THE FINANCIAL STATEMENTS

20 Share capital

Issued, fully paid and authorised	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
174,439,026 ordinary shares of 1p each	1,744	1,744
	1,744	**1,744**
Offset by own shares	(1)	(4)
	1,743	1,740

Total consideration for the shares was £349,180,000, giving rise to a share premium of £347,436,000. £41,680,000 was raised as part of the IPO, net of £8,420,000 of IPO costs, which were netted against the share premium account in accordance with the Companies Act 2006, section 610. The Company's ordinary shares carry the right to receive dividends and distributions paid by the Company.

The shareholders have the right to receive notice of and to attend and vote at all general meetings of the Company.

21 Lease commitments

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Less than 1 year	2,469	866
1-5 years	5,620	3,444
5+ years	561	1,976
	8,650	**6,286**

22 Related party transactions

Group

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

	Key management personnel £000	Total £000
As at 31 December 2016 and 2015:		
Trade	–	–
	–	**–**

Remuneration for directors has been disclosed in note 10 along with the statement of profit or loss and other comprehensive income charges in the year and in the remuneration report. The statement of profit or loss and other comprehensive income charges for other balances are disclosed in note 6.

NOTES TO THE FINANCIAL STATEMENTS

22 Related party transactions (continued)

Summary of transactions

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

Remuneration	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Salaries and performance-related bonus	4,080	2,487
Pension-related benefits	184	160
	4,264	**2,647**

Non-executive director, Iain Cornish, was appointed Chairman of Shawbrook Group Plc during 2015. Shawbrook was part of the consortium of our revolving credit facility lenders up until July 2016. There have been no related party transactions with Shawbrook during this period.

Company

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

	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Arrow Global Finance Plc £000s	Arrow Global One Limited £000s	Capquest Debt Recovery Limited £000s	Vesting Finance Detachering B.V. £000s	Total £000s
As at 31 December 2016							
Due from subsidiary undertakings	–	–	–	80,587	167	40	80,794
Due to subsidiary undertakings	(1,367)	(1,585)	–	–	–	–	(2,952)
	(1,367)	**(1,585)**	**–**	**80,587**	**167**	**40**	**77,842**

	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Arrow Global Finance Plc £000s	Arrow Global One Limited £000s	Total £000s
As at 31 December 2015					
Due from subsidiary undertakings	–	–	1,021	70,721	71,742
Due to subsidiary undertakings	(1,367)	(4,796)	–	–	(6,163)
	(1,367)	**(4,796)**	**1,021**	**70,721**	**65,579**

Balances relate to intercompany loans that are repayable on demand and are therefore held as current liabilities or assets. No other transactions occurred between the related parties, excluding those disclosed above.

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

NOTES TO THE FINANCIAL STATEMENTS

23 Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global (Holdings) Limited (AG(H)L)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGIHL
Arrow Global Accounts Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGL
Arrow Global Europe Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGIHL
Arrow Global Finance Plc	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGIHL
Arrow Global Guernsey Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGGHL
Arrow Global Legh Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	AG(H)L
Arrow Global Limited (AGL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AG(H)L
Arrow Global Luna Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AG(H)L
Arrow Global Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	AG(H)L
Arrow Global Massey Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGGP
Arrow Global Portugal Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AG(H)L
Arrow Global Portugal Investments Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGL
Arrow Global Receivables Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AG(H)L
Capquest Asset Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Capquest Debt Recovery Limited (CDRL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	CGL
Capquest Debt Recovery Services Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Capquest Group Limited (CGL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	QNL
Capquest Investments Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	CGL
Capquest Investments 2 Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Capquest Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Capquest Mortgage Servicing Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	CGL
Capquest UK Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Care Debt Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Data Verification Services Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	CGL
Erudio Customer Management Limited (formerly Arrow Global Egerton Limited)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Dormant	AG(H)L

NOTES TO THE FINANCIAL STATEMENTS

23 Investments in subsidiaries and associate (continued)

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Quest Bidco Limited (QBL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	QTL
Quest Newco Limited (QNL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	QBL
Quest TopCo Limited (QTL)	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGIHL
Arrow Global Debt Limited (AGDL)	Guernsey	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey	100	Dormant	AGGHL
Arrow Global Guernsey Limited	Guernsey	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey	100	Dormant	AGIHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey	100	Trading	AGOL
Arrow Global Guernsey Management Limited	Guernsey	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey	100	Dormant	AGDL
Arrow Global Investments Holdings Italia S.R.L.	Italy	Via Tortona n.25 20144 Milan, Italy	100	Trading	AGIHL
Strzala Sp. z o.o.	Poland	Al. Jerozolimskie nr 148, 02-326, Warszawa	100	Dormant	AG(H)L/ AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Office Suite 15, Canal Edge, 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa	100	Trading	CDRL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Av. da República, nº 25, 1º andar, Lisbon, Portugal	100	Trading	AGIHL
Gesphone – Serviços de Tratamento e Acquisição de Dívidas, S.A.	Portugal	Avenida 5 de Outubro, nº 35, 1º andar, Lisbon, Portugal	100	Trading	AGIHL
Redrock Capital Partners, S.A.	Portugal	Edifício Q54 D. José, Rua Quinta do Quintã, nº1, Piso 0, Fracção B, Quinta da Fonte, Oeiras, Portugal	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Edifício Dom Sebastião, Quinta do Quintã, nº 6, Quinta da Fonte, Oeiras, Portugal	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, Oeiras, Portugal	75	Trading	AGHLPIH
Amstelveste Vastgoed B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	AGIHB/ VFS
Arrow Global Investments Holdings Benelux B.V (AGIHB)	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	AGIHL
Fiditon Holding B.V. (FH)	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	FG
Focum Finance B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	FG
Focum Groep B.V. (FG)	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	AGIHB

NOTES TO THE FINANCIAL STATEMENTS

23 Investments in subsidiaries and associate (continued)

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Focum Solutions B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	FG
Incassobureau Fiditon B.V	the Netherlands	Naritaweg 199-207 (1043 CB) Amsterdam, the Netherlands	100	Trading	FH
Universum Inkasso B.V. (UI)	the Netherlands	Louis Armstrongweg 54 (1311RK) Almere, the Netherlands	100	Non-Trading	AGIHB
Vesting Finance Detachering B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Bonairelaan 4 (1213 VH) Hilversum, the Netherlands	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Naritaweg 199-207 (1043 CB) Amsterdam, the Netherlands	100	Trading	AGIHB
Focum Belgium (BVBA)	Belgium	Bellevue 1-3 9050 Gent, Belgium	100	Trading	AGIHB/ VFN
Vesting Finance N.V. (VFN)	Belgium	Bellevue 1-3 9050 Gent, Belgium	100	Trading	AGIHB/UI

Gesphone Securities, Sociedade de Titularização de Créditos S.A. (previously referred to in the Company's 2015 annual report as Gesphone STC) was dissolved on 22 August 2016.

All subsidiaries are included in the Group consolidation. On 22 December 2015 the subsidiary Silver Parallel S.A. was merged into Whitestar Asset Solutions S.A.

Subsidiaries	Arrow Global One Limited £000	Total £000
At 31 December 2015 and 31 December 2016	307,500	307,500

The investments in subsidiaries are all stated at cost less accumulated impairment.

Details of the Company's associate at 31 December 2016 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Economic interest (%)	Current status	Parent company
Promontoria MCS Holding SAS	France	256 B Rue des Pyrenees, 75020, Paris	15%	Trading	AGL

The Group acquired an indirect 15% economic interest in Promontoria MCS Holding SAS ('MCS') through a participation agreement on 15 December 2014. The terms of the participation agreement meant that the Group demonstrated significant influence over the MCS group.

MCS is a holding company of the MCS group, a specialist acquirer and manager of retail banking assets, which is seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The associate is accounted for using the equity method.

Summarised below is a reconciliation of the movements in the carrying value of the Group's interest in MCS during the year:

	£000
Interest in the net assets of the associate as at 1 January 2016	**12,158**
Additional interest in the net assets of the associate	1,305
Adjustment of foreign exchange differences	1,365
Share of profit in associate during the year	2,363
Dividends received from associate	(6,820)
Interest in the net assets of the associate as at 31 December 2016	**10,371**

NOTES TO THE FINANCIAL STATEMENTS

24 Defined benefit liability

	Year ended 31 December 2016 £000
Net defined benefit liability	1,721

A number of employees of Vesting Finance are entitled to pension benefits that the company has insured through a contract with an insurance company. The arrangement meets the definition of a defined benefit plan and the insurance policy represents qualifying plan assets of the scheme. The scheme has been recognised since the acquisition of Vesting in May 2016, therefore December 2015 comparatives are not shown.

The plan is governed by the 'Pensioenwet' (the Dutch pension act) and the minimum of vested benefits at the date of departure of an employee in a defined benefit pension plan is equal to the difference between the total benefit which would be accrued if the participant would remain a participant until the pensionable age and the benefits which can be accrued between the date of departure and the date in which the participant would reach their pensionable age. The scheme is funded by a contract with an insurance company to cover the committed pension benefits.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

a) Movement in the net defined benefit obligation and plan assets

	Defined benefit obligation 2016 £000	Fair value of plan assets 2016 £000	Net defined benefit liability 2016 £000
Balance at acquisition	**4,223**	**2,753**	**1,470**
Included in profit or loss			
Net service cost	289	–	289
Interest (expense)	58	–	58
Interest cost (income)	–	41	(41)
Administration costs	–	(22)	22
	347	**19**	**328**
Included in OCI			
Actuarial loss (gain) arising from:			
Demographic assumptions	29	–	29
Financial assumptions	128	–	128
Experience adjustment	–	–	–
Return on plan assets excluding interest income	–	92	(92)
Asset management costs	–	(9)	9
Premium correction	–	65	(65)
Exchange differences	355	232	123
	512	**380**	**132**
Other			
Contributions paid by the employee	13	13	–
Contributions paid by the employer	–	209	(209)
Benefits paid	(1)	(1)	–
	12	**221**	**(209)**
Balance at 31 December 2016	**5,094**	**3,373**	**1,721**
Represented by:			
Net defined benefit liability	**5,094**	**3,373**	**1,721**

The plan assets are comprised of an insurance contract, which has been defined as a qualifying insurance policy issued by an insurer that is not a related party of the Group. The proceeds of the policy can be used only to pay or fund employee benefits under the defined benefit plan and are not available to the Group's own creditors and cannot be paid to the Group, unless the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations, or the proceeds are returned to the Group to reimburse it for the employee benefits already paid.

NOTES TO THE FINANCIAL STATEMENTS

24 Defined benefit liability (continued)

b) Defined benefit obligation

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Year ended 31 December 2016
Discount rate	1.95%
Price inflation	1.80%
Wage inflation	1.80%
Indexation to deferred and pensioners	1.26%

	Year ended 31 December 2016
Longevity at age 67 for current pensioners	
Male	19.6
Female	21.8
Longevity at age 67 for current members aged 47	
Male	21.9
Female	24.2

At the 31 December 2016, the weighted average duration of the defined benefit obligation was 26.09 years.

Sensitivity analysis

	2016	
	Increase	Decrease
Discount rate (0.25% movement)	(318)	346
Price inflation (0.25% movement)	(36)	35
Wage inflation (0.25% movement)	138	(133)
Indexation to deferred and pensioners (0.25% movement)	257	(240)
Future mortality (1 year)	(177)	177

For 2017 the expected contributions to the pension plan are £345,000.

25 Risks arising from financial instruments

Risk management

Treasury related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury and tax committee. The treasury and tax committee, which is chaired by the chief financial officer, is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risk is managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options. No written options were entered into during 2016 (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS

25 Risks arising from financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates, diversification of debt funding sources and no over-reliance on a single or small group of lenders. At 31 December 2016, the Group's senior secured notes and revolving credit facility had an average period to maturity of 5.8 years (2015: 5.0 years). Total undrawn facilities as at 31 December 2016 were £103,721,000 (2015: £90,000,000).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group has a low fixed cost base, is highly cash generative with weekly cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group **As at 31 December 2016**	**Within 1 year** **£000**	**1-2 years** **£000**	**2-5 years** **£000**	**5 years and over** **£000**	**Total** **£000**
Amounts due to:					
Non interest bearing					
Trade and other payables	76,261	–	–	–	76,261
Interest bearing					
€335 million secured senior note (5.25% plus 3m EURIBOR)	14,280	14,280	326,113	–	354,673
€230 million secured senior note (4.75% plus 3m EURIBOR)	9,444	9,444	28,358	208,647	255,893
£220 million secured senior note (5.125%)	11,275	11,275	33,825	250,536	306,911
Non-recourse facility	6,268	2,769	3,691	–	12,728
Bank overdrafts	7,698	–	–	–	7,698
Revolving credit facility	78,231	1,733	4,476	–	84,440
Total	**203,457**	**39,501**	**396,463**	**459,183**	**1,098,604**

Group **As at 31 December 2015**	**Within 1 year** **£000**	**1-2 years** **£000**	**2-5 years** **£000**	**5 years and over** **£000**	**Total** **£000**
Amounts due to:					
Non interest bearing					
Trade and other payables	91,554	–	–	–	91,554
Interest bearing					
£220 million secured senior note (7.875%)	17,325	17,325	51,975	209,798	296,423
€225 million secured senior note (5.25% plus 3m EURIBOR)	12,680	12,680	38,040	257,398	320,798
Revolving credit facility	79,575	4,575	4,575	–	88,725
Total	**201,134**	**34,580**	**94,590**	**467,196**	**797,500**

NOTES TO THE FINANCIAL STATEMENTS

25 Risks arising from financial instruments (continued)

Company As at 31 December 2016	Within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non-Interest bearing					
Trade and other payables	**2,528**	–	–	–	**2,528**

Company As at 31 December 2015	Within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non-Interest bearing					
Trade and other payables	**6,172**	–	–	–	**6,172**

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

In addition to the above the Group has entered in to certain forward flow agreements to which it has committed to pay £12,309,000 (2015: £24,600,000) over the next five years.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities which are all designated as cash flow hedges:

	2016 Outflow £000	2016 Inflow £000	2015 Outflow £000	2015 Inflow £000
Not later than one month	39,518	39,660	32,400	32,680
Later than one month and not later than six months	126,594	124,755	35,508	34,900
Later than six months and not later than one year	26,583	25,567	925	7
Later than one year and not later than two years	482	737	1,936	15
Later than two years and not later than five years	–	–	–	–
	193,177	**190,719**	**70,769**	**67,602**

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the statement of financial position date.

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December 2016 is presented below:

As at 31 December 2016	Purchased loan portfolio £000s	% of total £000s	Borrowing £000s	% of total £000s
Less than one year	187,440	23.9	102,130	12.8
Later than one year	595,352	76.1	696,290	87.2
	782,792	**100.0**	**798,420**	**100.0**

As at 31 December 2015	Purchased loan portfolio £000s	% of total £000s	Borrowing £000s	% of total £000s
Less than one year	144,797	23.7	81,832	15.1
Later than one year	464,996	76.3	460,000	84.9
	609,793	**100.0**	**541,832**	**100.0**

This demonstrates the headroom on the Group's borrowings at 31 December 2016 in comparison to the current purchased loan portfolio's estimated collections over an 84-month period. The value of purchased loan portfolio shown above is discounted to net present value. The equivalent undiscounted ERC at 31 December 2016 is £1,339 million (2015: £1,029 million).

NOTES TO THE FINANCIAL STATEMENTS

25 Risks arising from financial instruments (continued)

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk considered further below.

Interest rate risk

The Group does have an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed rate funding (predominantly longer-term bond funding), forward currency contracts used for non-functional currency funding, bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Increase in fair value of derivatives taken to equity	2,570	2,428
Reduction in profit before taxation	(656)	(304)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk; cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The statement of financial position is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro, but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period.

NOTES TO THE FINANCIAL STATEMENTS

25 Risks arising from financial instruments (continued)

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

Equity and net assets	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Currency		
Euro (EUR)	3,506	2,074
	3,506	**2,074**

Net profit	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Currency		
Euro (EUR)	2,328	352
	2,328	**352**

If foreign exchange rates had been 10% stronger than sterling at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

Equity and net assets	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Currency		
Euro (EUR)	(2,869)	(2,534)
	(2,869)	**(2,534)**

Net profit	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Currency		
Euro (EUR)	(1,904)	(430)
	(1,904)	**(430)**

There has been significant movement in the foreign exchange rates during the year due to one-off events such as the UK Referendum results. As such 10% is considered to be reasonable in relation to general market volatility. The above also assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

NOTES TO THE FINANCIAL STATEMENTS

25 Risks arising from financial instruments (continued)

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors cash collections that in turn inform the ERC's on which the portfolio statement of financial position value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types, also factoring in recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in Note 4 b. A pricing gateway process is in place which includes at least two members of the executive board as well as other key members from appropriate areas of the business. The Group also monitors its exposure to geographic concentration of assets.

This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

All purchased loan portfolios are measured at amortised cost using the EIR method. As part of the regular monitoring process, the future cash flows in the ERCs are updated, with 'write-ups' or 'write-downs' as a result of changes to the estimated cash flows discounted at the EIR rate. An impairment is only recognised if the 'write-downs' exceed any previously recognised cumulative write-ups and revenue recognised.

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with strict limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum exposure to counterparty risk is as follows:

	31 December 2016 £000	31 December 2015 £000
Cash and cash equivalents	23,203	10,183
	23,203	**10,183**

The table represents a worst case scenario of the counterparty risk that the Group is exposed to.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents.

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2016 was:

	31 December 2016 £000	31 December 2015 £000
Ordinary share capital and premium	349,180	349,180
Total reserves	(181,789)	(203,824)
	167,391	**145,356**

NOTES TO THE FINANCIAL STATEMENTS

26 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.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, using prices from observable current market transactions and dealer quotes for similar instruments and unobservable inputs such as historic performance data and the Proprietary Collections Bureau output. The purchased loan portfolios fair value is calculated using our 84-month ERC through our own in-house models. Derivative financial instruments are initially recognised, and subsequently measured, at fair value. The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings are initially measured at fair value and are subsequently held at amortised cost. Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

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 statement of financial position.

Level 2	31 December 2016 £000	31 December 2015 £000
Assets		
Foreign currency contracts	187	(71)
Interest rate swaps	1,246	1,352
Total assets	**1,433**	**1,281**

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

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2016.

The Company did not hold any financial instruments at fair value (2015: none).

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

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 statement of financial position.

Level 3	31 December 2016 £000	31 December 2015 £000
Assets		
Purchased loan portfolios	782,792	609,793
Loan notes	21,315	862
Total assets	**804,107**	**610,655**

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

The statement of financial position value of the Group's purchased loan portfolios is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

Estimates of cash flows that determine the EIR are based on the Group's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge off.

Management believes the purchase price is the best indicator of fair value at acquisition. Following acquisition it is considered that given the nature of the loan portfolios, largely comprising non-performing loans, the information available and our forecasting models, the best estimate of the fair value of the purchased loan portfolios is their carrying value.

The Group has an established control framework with respect to the measurement of purchased loan portfolio values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, signs off the latest ERC forecast and assesses the carrying value of the portfolio assets and reviews revenue recognition.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios can be seen in note 16.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2015: none).

Cash flow hedges

The Group uses foreign currency contracts ('cash flow hedges') to hedge foreign currency cash flows that are highly probable to occur within 12 months of the statement of financial position date and interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur during the period to November 2017. The effect on the statement of profit or loss and other comprehensive income will also be within these periods. An amount of £827,000 has been charged to equity for the Group in the period in respect of cash flow hedges (2015: £729,000). All hedge relationships have been effective in the year and are expected to maintain effectiveness. No charge has been made to the Company's equity.

The Group has interest rate swaps in place for a notional amount of £571,243,000 (2015: £246,832,000). In 2016, these interest rate swaps covered current borrowings relating to the floating rate Euro notes.

Interest rate swaps in place at the statement of financial position date are designated, and are effective under IAS39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A credit of £297,000 (2015: nil credit) has been made to the statement of profit or loss and other comprehensive income in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps.

The weighted average interest rate and period to maturity of the Group interest rate swaps were as follows:

Interest rate swaps at December	Weighted average interest rate 2016	Maturity date	Fair value 2016 £000	Weighted average interest rate 2015	Maturity date	Fair value 2015 £000
Euro	(0.04%)	Jun 2018	(1,246)	0.14%	Nov 2017	(1,352)

The Company did not hold any interest rate swaps at 31 December 2016 (31 December 2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts and exposure to currency rate fluctuations.

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2016 is £186,600,000 (2015: £67,400,000). These comprise:

- foreign currency contracts to sell sterling for a total notional of £186,600,000 (2015: £67,400,000). These contracts have maturity dates to August 2017. These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity and fair value will be recycled to the statement of profit or loss and other comprehensive income in August 2017.

As at 31 December 2016 the aggregate amount of net gain/loss under forward foreign exchange contracts that have been recognised in the consolidated statement of profit or loss and other comprehensive income relating to the exposure on these anticipated future transactions is £nil (2015: £nil gain).

During the year, £1,680,000 (2015: £1,257,000) was recycled from equity to the statement of profit or loss and other comprehensive income as a result of maturity of the short dated foreign exchange swaps during the year.

The Company did not hold any foreign exchanges swaps at 31 December 2016 (31 December 2015: £nil).

27 Financial assets and financial liabilities

Financial assets	Year ended 31 December 2016 £000s	Year ended 31 December 2015 £000s
Purchased loan portfolios	782,792	609,793
Loan notes	21,315	862
Cash and cash equivalents	23,203	10,183
Other receivables	35,484	34,781
	862,794	**655,619**

Financial liabilities	Year ended 31 December 2016 £000s	Year ended 31 December 2015 £000s
Senior secured notes (excluding fees)	701,720	466,832
Revolving credit facility (excluding fees)	76,925	75,000
Bank overdrafts (excluding fees)	7,698	–
Other borrowings	12,077	–
Derivative liabilities	1,433	1,281
Trade and other payables	76,261	91,554
Current tax liabilities	5,469	3,755
	881,583	**638,422**

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

	Fair value Year ended 31 December 2016 £000s	Book value Year ended 31 December 2016 £000s	Fair value Year ended 31 December 2015 £000s	Book value Year ended 31 December 2015 £000s
Purchased loan portfolios	782,792	782,792	609,793	609,793
Loan notes	21,315	21,315	862	862
Cash and cash equivalents	23,203	23,203	10,183	10,183
Other receivables	35,484	35,484	34,781	34,781
	862,794	**862,794**	**655,619**	**655,619**

NOTES TO THE FINANCIAL STATEMENTS

27 Financial assets and financial liabilities (continued)

	Fair value Year ended 31 December 2016 £000s	Book value Year ended 31 December 2016 £000s	Fair value Year ended 31 December 2015 £000s	Book value Year ended 31 December 2015 £000s
Senior secured notes (excluding fees)	724,065	701,720	481,565	466,832
Revolving credit facility (excluding fees)	76,925	76,925	75,000	75,000
Bank overdrafts (excluding fees)	7,698	7,698	–	–
Other borrowings	12,077	12,077	–	–
Derivative liabilities	1,433	1,433	1,281	1,281
Trade and other payables	76,261	76,261	91,554	91,554
Current tax liabilities	5,469	5,469	3,755	3,755
	903,928	**881,583**	**653,155**	**638,422**

The carrying value of the bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting is therefore negligible.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as 'level 2' in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

For the Company, there is no difference between the carrying value and fair value of financial assets and financial liabilities.

28 Share-based payments – Group and Company

Share incentive plan scheme (SIP)

In April 2016 (and previously April 2015 and 2014), the Group offered to all UK employees the opportunity to participate in a 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 for the vesting period to receive the shares.

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vest at the end of three years, with employees required to stay in employment to receive the shares.

Upon listing in October 2013, the Group provided eligible employees with a one-off award of free shares worth up to £3,000, with a grant price per share of £2.425, as part of the Arrow Global Group SIP. The value of SIP shares awarded was dependent on a linear scale of length of service. The free shares vested during the year, with restrictions attached to these shares ceasing to have effect from vesting date.

Long-term incentive plan (LTIP)

On 8 April 2016 and 19 May 2016, nil-cost share options were granted to eligible employees based on a maximum of 150% of base salary. Conditional awards were granted to eligible Dutch employees on 19 May 2016. The LTIP awards vest at the end of three years, being 8 April 2019, subject to the achievement of performance conditions. On the same dates, tax-qualifying options were granted as part of the LTIP awards ('CSOP options') to eligible UK employees.

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.

NOTES TO THE FINANCIAL STATEMENTS

28 Share-based payments – Group and Company (continued)

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

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

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

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

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

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

On 30 June 2015 and 15 June 2015, further awards of nil-cost share options were granted to eligible employees, which vest on 15 June 2018, subject to the achievement of the same performance conditions as for the 2016 LTIP awards.

On 11 March 2014, nil-cost share options 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.

For each eligible employee, 75% of the LTIP awards are subject to underlying basic EPS growth criteria and vests as follows:

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

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

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

Further nil-cost share option LTIP awards were made on 30 May 2014 and 8 December 2014, both of which vest at the same time as the 11 March 2014 LTIP awards and have the same criteria for vesting. An LTIP conditional award was made on 30 May 2014. This award vested during the year with restrictions attached to these shares ceasing to have effect from vesting date.

NOTES TO THE FINANCIAL STATEMENTS

28 Share-based payments – Group and Company (continued)

Restricted share awards

Restricted share awards were made on 19 May 2016 and 15 June 2015. These awards vest on 1 May 2018 and 1 May 2017 respectively, subject to continuity of employment.

Deferred share bonus plan (DSBP)

Up to 50% of the bonus earned by the executive directors is deferred into shares for up to three years via the DSBP, subject to continued employment during the vesting period. DSBP awards were made on 8 April 2016. See page 73 for details of the bonus delivered in the form of deferred shares for the financial year 2016.

Grant information

The terms and conditions of the grant are as follows:

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – LTIP	Equity	1,478,751	2.3-3 years	11 March 2017
Equity settled award – LTIP	Equity	88,202	2 years	30 May 2016
Equity settled award – SIP	Equity	16,676	3 years (rolling)	30 May 2017
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – restricted	Equity	266,008	2 years	1 May 2017
Equity settled award – SIP	Equity	55,003	3 years (rolling)	May – June 2018
Equity settled award – LTIP	Equity	1,563,299	3 years	8 April 2019
Equity settled award – LTIP	Equity	176,053	2.9 years	8 April 2019
Equity settled award – restricted	Equity	272,638	2 years	1 May 2018
Equity settled award – SIP	Equity	73,261	3 years (rolling)	April 2019
Equity settled award – DSBP	Equity	44,183	3 years	9 April 2018
Equity settled award – DSBP	Equity	77,739	3 years	8 April 2019

The following table shows the weighted average exercise prices (WAEP) and number of options movements during the year.

	2016 WAEP	2016 Number of options	2015 WAEP	2015 Number of options
Outstanding at the beginning of the year	£2.52	2,801,622	£2.22	3,115,122
Granted during the year	£2.64	2,207,173	£2.58	1,837,282
Forfeited during the year	£2.60	(663,702)	£2.46	(518,554)
Exercised during the year	£2.33	(48,739)	£2.05	(1,632,228)
Expired during the year	–	–	–	–
Outstanding at 31 December	**£2.57**	**4,296,354**	**£2.52**	**2,801,622**
Exercisable at 31 December	**£2.05**	**29,731**	**–**	**–**

The weighted average share price at the date of exercise of share options exercised during the year was £2.92 (2015: £nil). The share options outstanding at 31 December 2016 have a weighted average contractual life of 1.3 years (2015: 1.8 years).

The weighted average fair value of options granted during the year was £2.28 (2015: £2.58). The majority of options granted to date are nil cost options (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

28 Share-based payments – Group and Company (continued)

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

	2016	2015
SIP		
Expected life of options (years)	3	3
Share prices at date of grant	£2.57	£2.58
LTIP and restricted awards		
Expected life of options (years)	2-3	2-3
Share prices at date of grant	£2.57-£2.67	£2.58
Expected share price volatility (%)	31.85%	22.90%
Risk free interest rate (%)	0.19%	0.87%

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

	2016 £000	2015 £000
Equity settled share based payment expense spread across vesting period	3,061	2,577
Total equity settled share based payment expense recognised in the statement of comprehensive income	**3,061**	**2,577**

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

29 Borrowings and facilities

Secured borrowing at amortised cost	**Year ended 31 December 2016 £000**	**Year ended 31 December 2015 £000**
Senior secured notes (net of transaction fees of £20,562,000, 2015: £19,286,000)	681,158	447,545
Revolving credit facility (net of transaction fees of £2,756,000, 2015: £3,521,000)	74,169	71,479
Senior secured notes interest	5,430	6,832
Bank overdrafts	7,698	–
Other borrowings – non-recourse debt	12,077	–
	780,532	**525,856**
Total borrowings:		
Amount due for settlement within 12 months	**87,297**	**78,311**
Amount due for settlement after 12 months	**693,235**	**447,545**

Senior secured notes

On 1 September 2016, the Group issued £220 million senior secured notes at a fixed rate of 5.125% due 2024 (the '2024 Sterling Senior Notes'). Interest is paid bi-annually. The 2024 Sterling Senior Notes can be redeemed in full or in part on or after 15 September 2019 at the Group's option. Prior to 15 September 2019, the Group may redeem, at its option, some or all of the 2024 Sterling Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

On 1 September 2016, upon issuance of the 2024 Sterling Senior Notes, the Group redeemed the £220 million senior secured notes due 2020 (the '2020 Sterling Senior Notes') which were issued in January 2013. Upon redemption of the 2020 Sterling Senior Notes, the Group incurred non-recurring costs of £15.0 million details of which are included within finance costs (see note 8).

On 14 April 2016, the Group issued €230 million senior secured notes due 2023, at a floating rate of 4.75% over three-month EURIBOR (the '2023 Euro Senior Notes'). Interest is paid quarterly in arrears. The 2023 Euro Senior Notes can be redeemed in full or in part on or after 1 May 2019 at the Group's option. Prior to 1 May 2019, the Group may redeem, at its option, some or all of the 2023 Euro Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

NOTES TO THE FINANCIAL STATEMENTS

29 Borrowings and facilities (continued)

On 28 September 2015, the Group increased the outstanding amount of its 5.25% over three-month EURIBOR floating rate senior secured notes ('the 2021 Euro Senior Notes') by €110 million, bringing the total amount outstanding to €335 million. The Group issued the original €225 million tranche of its 2021 Euro Senior Notes on 4 November 2014. Interest is paid quarterly in arrears. Derivative contracts have been used to fix the floating rate margin of the Euro senior notes for the period through to December 2018. The 2021 Euro Senior Notes can be redeemed in full or in part on or after 1 November 2017 at the Group's option. Prior to 1 November 2017, the Group may redeem, at its option, some or all of the Euro senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

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

Revolving credit facility

On 21 July 2016, the Group entered into a new £180 million revolving credit facility (the 'Revolving Credit Facility') with The Royal Bank of Scotland Plc acting as security agent for a syndicate of participating financial institutions. The Revolving Credit Facility has a margin of 2.75% and a committed term to 31 July 2021. The Group is required to pay a commitment fee at a rate of 35% of the margin per annum on the undrawn portion of each Lender's commitment. The Revolving Credit Facility is secured by the same assets as the 2021 Euro Senior Notes, 2023 Euro Senior Notes and 2024 Sterling Senior Notes and ranks super senior to these. The assets that are secured are those of the Arrow Global Guernsey Holdings Limited group. On 24 February 2017 the commitments under the Revolving Credit Facility were increased from £180 million to £215 million.

On 21 July 2016, the Group cancelled its existing revolving credit facility (the 'Original Revolving Credit Facility'). Upon cancellation the Group incurred non-recurring costs of £3.0 million, these costs are included within finance costs (see note 8).

On 31 March 2015, the Group amended the Original Revolving Credit Facility to increase the commitments available under the facility from £100 million to £140 million. On 22 June 2015, the commitments were further increased to £165 million. The RCF was drawn by £75 million as at 31 December 2015. On the 9 February 2016, the commitments were further increased from £165 million to £180 million.

Under the Original Revolving Credit Facility, the Group was required to pay a commitment fee at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment.

30 Earnings per share (EPS)

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Basic/diluted EPS		
Underlying profit after tax	45,567	35,401
Profit after tax attributable to shareholders including non-recurring items	26,305	31,749
Weighted average ordinary shares	174,373	174,046
Potential exercise of share options	4,041	3,794
Weighted average ordinary shares (diluted)	**178,414**	**177,840**
Underlying basic earnings per share (£)	**0.26**	**0.20**
Basic earnings per share including non-recurring items (£)	**0.15**	**0.18**
Underlying diluted earnings per share (£)	**0.26**	**0.20**
Diluted earnings per share including non-recurring items (£)	**0.15**	**0.18**

NOTES TO THE FINANCIAL STATEMENTS

31 Acquisition of subsidiary undertaking

InVesting

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

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

Goodwill of €47,995,000 (£37,821,000) was created as a result of this acquisition. The primary reasons for the acquisition were to create scale and servicing capability across multiple asset classes and to create a market leader within the Benelux market.

In the period from acquisition to 31 December 2016, InVesting contributed revenue of £40,580,000 and profit of £7,729,000 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2016, Group total revenue would have been an estimated £250,538,000 and profit after tax would have been an estimated £27,531,000.

Effect of the acquisition

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

	Total £000
Purchased loan portfolios	35,343
Other intangible assets	16,388
Property, plant and equipment	582
Deferred tax asset	3,210
Other receivables	10,775
Cash and cash equivalents	696
Trade and other payables	(23,924)
Defined benefit liability	(1,470)
Bank overdraft	(8,735)
Deferred tax liability	(9,276)
Current tax liability	(154)
	23,435
Minority interest	(394)
	23,041
Goodwill on acquisition	37,821
	60,862
Consideration:	
Cash	60,649
Contingent consideration	213
	60,862

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

Purchased loan portfolios had a fair value at acquisition of £35,343,000. The fair value has been assessed using a methodology consistent with the Group's other purchased loan portfolios as described in Note 4 b. An intangible asset of £13,850,000 was recognised at acquisition being the fair value of expected cash flows over a 7-year period arising from contractual and non-contractual customer relationships discounted appropriately. A deferred tax liability has been recognised, with respect to the customer intangible asset and the difference between the fair value of the purchased loan portfolios and the seller's balance sheet carrying value.

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

NOTES TO THE FINANCIAL STATEMENTS

31 Acquisition of subsidiary undertaking (continued)

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

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

Redrock

On 29 February 2016, the Group acquired 100% of the ordinary share capital of Redrock Capital Partners, S.A. satisfied with cash of €3,200,000 (£2,515,000), together with deferred consideration of €454,000 (£357,000) being a total consideration of €3,654,000 (£2,872,000). The deferred consideration is payable on the one year anniversary of the transaction and has been included at its fair value. Redrock has a similar principal activity as the Group being the management and servicing of non-performing debt portfolios on behalf of third party clients and the Group in Portugal.

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

In the period from acquisition to 31 December 2016, Redrock contributed revenue of £268,000 and loss of £386,000 to the consolidated results for the period. If the acquisition had occurred on the first day of 1 January 2016, Group total revenue would have been £235,959,000 and profit after tax would have been £26,325,000.

Effect of the acquisition

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

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

An intangible asset of £407,000 was recognised at acquisition being the fair value of expected cash flows over a seven-year period arising from contractual and non-contractual customer relationships discounted appropriately. A deferred tax liability has been recognised, with respect to the customer intangible asset. The fair value of plant, property and equipment within Redrock was assessed to be nil following the relocation of the Redrock office.

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

NOTES TO THE FINANCIAL STATEMENTS

31 Acquisition of subsidiary undertaking (continued)

Prior year acquisitions

Gesphone

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

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

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

Effect of the acquisition

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 Acquisition of subsidiary undertaking (continued)

Whitestar

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

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

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

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

Effect of the acquisition

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

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

The fair value adjustment on the intangible assets arises from the fair value of existing customer relationships. An associated deferred tax liability is created being 29.5% of the fair value adjustment, the rate of Portuguese corporation tax.

Acquisition expenses

The Group incurred acquisition expenses of £5,022,000 in relation to the acquisitions of InVesting and Redrock and the agreed acquisition of Zenith, which has been charged to the statement of profit or loss and other comprehensive income and included within other operating expenses and has been disclosed as a non-recurring cost.

Measurement period

Whilst the Group believes the acquisition accounting fair value adjustments to be complete, IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were made available to the Group at the acquisition date. If any additional material changes are required within this measurement period, these will be reflected in the 2017 half year results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

32 Notes to the cash flow statement

Cash flows from operating activities	Group Year ended 31 December 2016 £000	Group Year ended 31 December 2015 £000	Company Year ended 31 December 2016 £000	Company Year ended 31 December 2015 £000
Profit before tax	31,367	39,272	23,601	22,164
Adjusted for:				
Collections in the year*	285,960	218,515	–	–
Income from purchased loan portfolios*	(188,914)	(150,238)	–	–
Profit on disposal of purchased loan portfolios	(701)	(503)	–	–
Share in profit in associate	(2,363)	(1,243)	–	–
Depreciation and amortisation	8,658	4,176	–	–
Net interest payable	66,028	36,485	–	–
Foreign exchange gains	(1,510)	(946)	–	–
Loss on fair values on derivatives	–	123	–	–
Equity settled share-based payment expenses	3,061	2,577	–	–
Operating cash flows before movement in working capital	**201,586**	**148,218**	**23,601**	**22,164**
(Increase) in other receivables	(9,243)	(16,285)	(29)	(104)
Increase in amounts due from subsidiary undertakings	–	–	(9,024)	(10,874)
Increase/(decrease) in trade and other payables	7,305	18,226	5	(896)
Cash generated by operations	**199,648**	**150,159**	**14,553**	**10,290**
Income taxes and overseas taxation paid	(2,850)	(6,624)	(438)	(26)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**196,798**	**143,535**	**14,115**	**10,264**
Purchase of loans purchased for resale	–	(23,519)	–	–
Purchase of purchased loan portfolios	(201,700)	(176,310)	–	–
Purchase of purchase of loan notes	(21,315)	–	–	–
Net cash (used in)/generated by operating activities	**(26,217)**	**(56,294)**	**14,115**	**10,264**

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

GLOSSARY

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

Reconciliation of net cash flow to EBITDA	31 December 2016 £000	31 December 2015 £000
Net cash flow used in operating activities	(26,217)	(56,294)
Purchases of loan portfolios	201,700	176,310
Purchase of loan notes	21,315	–
Purchases of loan portfolios to be resold	–	23,519
Income taxes paid	2,850	6,624
Working capital adjustments	1,938	(1,942)
Amortisation of acquisition and bank facility fee	276	303
Effect of exchange rates on cash and cash equivalents	–	354
Share of profit from associate	2,363	1,243
Non-recurring items	5,022	2,943
Adjusted EBITDA	**209,247**	**153,060**

Reconciliation of core collections to EBITDA	£000	£000
Income from loan portfolios	188,914	150,238
Portfolio amortisation	97,046	68,277
Core collections (includes proceeds from disposal of purchased loan portfolios)	**285,960**	**218,515**
Other income	46,315	14,713
Operating expenses	(140,898)	(90,817)
Depreciation and amortisation	8,658	4,176
Foreign exchange (gains)/losses	(1,510)	(592)
Amortisation of acquisition and bank facility fees	276	303
Share of profit on associate	2,363	1,243
Share based payments	3,061	1,210
Non-recurring items	5,022	4,309
Adjusted EBITDA	**209,247**	**153,060**

Reconciliation of operating profit to EBITDA	£000	£000
Profit for the year	26,306	31,749
Underlying finance income and costs	48,034	36,608
Taxation charge on ordinary activities	5,061	7,523
Share of profit on associate	(2,363)	(1,243)
Non-recurring items	17,994	–
Operating profit	**95,032**	**74,637**
Portfolio amortisation	97,046	68,277
Depreciation and amortisation	8,658	4,176
Foreign exchange (gains)/losses	(1,510)	(592)
Profit on disposal of purchased loan portfolios	(701)	(503)
Amortisation of acquisition and bank facility fees	276	303
Share based payments	3,061	1,210
Share of profit on associate	2,363	1,243
Non-recurring items	5,022	4,309
Adjusted EBITDA	**209,247**	**153,060**

GLOSSARY

'Adjusted EBITDA ratio' represents the ratio of Adjusted EBITDA to core collections. See page 39 for a reconciliation of the movement in purchased loan portfolios and loan notes under IFRS reconciled to cash ERC.

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

'CGU' means cash generating unit.

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

'Core collections' or **'core cash collections'** mean collections on the Group's existing portfolios incorporating purchase price adjustments.

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

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

'CSA' means Credit Services Association.

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

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

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

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

'EBT' means employee benefit trust.

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

'EPS' means earnings per share.

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

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

'Existing portfolios' or **'purchased loan portfolios'** are on the Group's statement of financial position and represent all debt portfolios that the Group owns at the relevant point in time.

'FCA' means the Financial Conduct Authority.

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

'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.

GLOSSARY

'IFRS' means international financial reporting standards.

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

'IPO' means initial public offering.

'ISOP' means the initial share option plan.

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

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

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

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

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of loan portfolios, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after taking out of the Group's assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt for the year ended 31 December 2016 is as follows:

	Year ended 31 December 2016 £000	**Year ended 31 December 2015 £000**
Cash and cash equivalents	(23,203)	(10,183)
Senior secured notes (pre transaction fees net off)	701,720	466,832
Senior secured notes interest	5,430	6,832
Revolving credit facility (pre transaction fees net off)	76,925	75,000
Deferred consideration	35,401	50,149
Bank overdrafts	7,698	–
Other borrowings	12,077	–
Net debt	**816,048**	**588,630**

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

'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.

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

'Payout ratio' represents the total amount of dividends paid out divided by the underlying profit after tax.

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

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

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

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

'PwC' means PricewaterhouseCoopers.

'RCF' means revolving credit facility.

GLOSSARY

'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.

'Secured loan to value ratio' represents the drawn RCF, senior secured notes and bank overdrafts (all pre transactions fees net off), less cash to 84-month ERC.

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

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

'SME' means small and medium sized enterprises.

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

'TCF' means the treating customers fairly FCA initiative.

'TSR' means total shareholder return.

'Underlying 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 non-recurring items. The Group presents underlying profit after tax because it excludes the effect of non-recurring items (and the related tax on such items) on the Group's profit or loss for a period and forms the basis of its dividend policy.

'Underlying return on equity' represents the ratio of underlying profit after tax to average shareholder equity.

Independent auditor's report to the members of Arrow Global Group Plc

Opinions and conclusions arising from our audit.

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Arrow Global Group PLC for the year ended 31 December 2015 set out on pages 75 to 118.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

2 Our assessment of risks of material misstatement

We summarise below those risks of material misstatement that had the greatest effect on our audit and our key audit procedures to address those risks in order that the company's members as a body may better understand the process by which we arrived at our audit opinion. As described on pages 66 to 70 these are also areas that have been focused on by the Group's audit and risk committee.

Estimation of future cash collections from debt portfolios

Refer to critical accounting estimates and judgments in note 4 on the financial statements, the audit and risk committee report on page 69.

Income from purchased loan portfolios is recognised using the Effective Interest Rate ('EIR') method. The key variable in determining the EIR and any subsequent revenue adjustments is the Group's estimate of the future cash collections from the debt portfolios. Given the nature of the company's debt portfolios, estimation of future cash collections requires significant judgment. The Group uses cash flow forecasting models to calculate an initial estimate of future collections. The assumptions used in the models include the value, probability and timing of expected future cash flows for each type of asset class within a portfolio. Estimates of future cash flows can also depend on management's approach to managing the portfolios (e.g. changes in collection policies, litigation strategies, anticipated portfolio sales). Therefore, where management believe changes in the approach to managing portfolios may lead to changes in these estimates these are factored into the Group's future cash collection forecasts.

Due to the level of subjectivity inherent in the assumptions used in the cash flow forecast model and the manual adjustments applied, these are key judgment areas for our audit.

Our response:

Our audit procedures included:

- assessing the design and operating effectiveness of controls over key assumptions and customer data used in the cash flow forecasting models driving the estimated future cash flows;
- assessing the design and operating effectiveness of controls that cover the outputs of the models and manual adjustments to ensure that these have been scrutinised by appropriate management personnel;
- critically assessing the cash flow forecast and any manual adjustments made by the Group with reference to our understanding of the Group, and the current and past performance of the Group's portfolios, including recent cash collections

KPMG

Fair value of the net assets in acquisition accounting

Refer to the critical accounting estimates and judgments in note 4 of the financial statements, the audit and risk committee report on page 69.

During the year ended 31 December 2015, the Group acquired Silver Parallel S.A and Gesphone S.A and their subsidiaries (Whitestar Asset Solutions S.A and Gesphone STC) with the assets and liabilities purchased being accounted for at fair values at the date of acquisition.

The Group prepared the acquisition balance sheets based on their estimate of the fair value of assets and liabilities acquired. In particular they prepared discounted cash flow models to arrive at their estimates of fair value for loan asset portfolios and customer relationships. This required them to exercise judgment in relation to determining the expected cash flows from the assets and the discount rates used.

Our response:

Our audit procedures included:

- assessing the completeness of assets and liabilities acquired with reference to the sale and purchase agreement and our knowledge of the industry
- challenging the assumptions, including the value, probability and timing of cash flows, used in calculating the fair value of the acquired loan asset portfolios as outlined in the 'Estimation of future cash collections on debt portfolios' section of this report
- assessing the discount rates used in calculating the fair value of the acquired loan asset portfolios with reference to the risks associated with similar loan portfolios previously acquired
- challenging the assumptions, including value, probability and timing of cash flows, made in calculating the fair value assigned to the customer relationship intangible with reference to the business plan, existing customer contracts and our knowledge of the industry
- assessing whether the discount rate used in calculating the fair value of the customer intangible reflected market conditions based on our knowledge of the industry

In our prior year report, we had assessed that the mathematical integrity and input of data to the EIR and net present value models represented a risk of material misstatement that had the greatest effect on our audit. We continue to perform procedures over this area, however due to the enhancements in the controls over these areas, we have not assessed this as a risk having the greatest effect on our audit this year and, therefore, it has not been separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1.8 million, determined with reference to a benchmark of Group profit before tax of which it represents 4.6%.

In 2014, the materiality for the Group financial statements as a whole was set at £1.7 million, determined with reference to a benchmark of Group adjusted profit before tax, of which it represented 5%. The statutory profit before tax balance was adjusted to add back one off, non-recurring items.

We report to the audit and risk committee any corrected or uncorrected identified misstatements exceeding £90,000 (2014: £85,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

How we scoped our audit:

Audits for Group reporting purposes were performed on all three reporting components, which were:

- Group holding company;
- UK operating and non-operating subsidiaries;
- The Portuguese operating and non-operating subsidiaries

Of the Group's three reporting components, we subjected all three to audits for Group reporting purposes. These audits covered 100% of Group revenue, 100% of Group profit before tax and 100% of Group total assets.

The audit of the Portuguese entities component was performed by a component audit team and the audit of the Group holding company, UK operating and non-operating subsidiaries and consolidation was performed by the Group audit team.

The Group audit team instructed the component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality of £1.0 million, having regard to the risk profile of the component.

The Group audit team managed and co-ordinated the component auditors in the following ways:

At the planning stage, the Group audit team visited the component audit team, participated in site visits, and held telephone calls and face-to-face discussions with the component audit team to discuss audit risks and strategy.

During the audit, the Group audit team held weekly telephone calls with the component audit team. At the calls and meetings, the findings and observations reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditor.

In addition, the Group audit team participated in the component audit close out meeting to ensure that they were involved in all of the material issues affecting the Group.

KPMG

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability on page 32, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of continuing in operation over the three years to 2018; or
- the disclosures in note 3 of the financial statements concerning the use of the going concern basis of accounting

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the audit and risk committee report does not appropriately address matters communicated by us to the audit and risk committee

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 32 and 81, in relation to going concern and longer-term viability; and
- the part of the corporate governance statement on page 43 relating to the company's compliance with the eleven provisions of the UK Corporate Governance Code 2014 specified for our review

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2014a** which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Gabbertas
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

3 March 2016

Notes to the financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 underlying £000	Non-recurring items 2015 £000	Year ended 31 December 2015 including non-recurring £000	Year ended 31 December 2014 underlying £000	Non-recurring items 2014 £000	Year ended 31 December 2014 including non-recurring £000
Continuing operations							
Revenue							
Income from purchased loan portfolios	16	150,238	–	150,238	107,984	–	107,984
Profit on portfolio sales		503	–	503	825	–	825
Total revenue from portfolios		150,741	–	150,741	108,809	–	108,809
Income from asset management		14,713	–	14,713	1,933	–	1,933
Total revenue		**165,454**	**–**	**165,454**	**110,742**	**–**	**110,742**
Operating expenses							
Collection activity costs		(52,303)	–	(52,303)	(34,150)	–	(34,150)
Professional fees and services		(2,397)	–	(2,397)	(1,737)	–	(1,737)
Recurring other operating expenses		(31,808)	–	(31,808)	(16,484)	–	(16,484)
Non-recurring other operating expenses							
Costs arising from business acquisition		–	*(1,491)*	*(1,491)*	–	*(6,026)*	*(6,026)*
Company integration		–	*(1,452)*	*(1,452)*	–	–	–
IPO related costs		–	*(1,366)*	*(1,366)*	–	*(1,760)*	*(1,760)*
Settlement provisions		–	–	–	–	*(4,205)*	*(4,205)*
Total other operating expenses	10	**(31,808)**	**(4,309)**	**(36,117)**	**(16,484)**	**(11,991)**	**(28,475)**
Total operating expenses		**(86,508)**	**(4,309)**	**(90,817)**	**(52,371)**	**(11,991)**	**(64,362)**
Operating profit	6	**78,946**	**(4,309)**	**74,637**	**58,371**	**(11,991)**	**46,380**
Finance Income	7	152	–	152	344	–	344
Recurring finance costs		(36,760)	–	(36,760)	(21,753)	–	(21,753)
Non-recurring finance costs							
Bond related costs		–	–	–	–	*(705)*	*(705)*
Settlement provisions		–	–	–	–	*(143)*	*(143)*
Total finance costs	8	**(36,760)**	**–**	**(36,760)**	**(21,753)**	**(848)**	**(22,601)**
Share of profit in associates net of tax		1,243	–	1,243	–	–	–
Profit before tax		**43,518**	**(4,309)**	**39,272**	**36,962**	**(12,839)**	**24,123**
Taxation charge on ordinary activities	11	(8,180)	657	(7,523)	(7,355)	1,503	(5,852)
Profit for the year attributable to equity shareholders		**35,401**	**(3,652)**	**31,749**	**29,607**	**(11,336)**	**18,271**
Other comprehensive income: Items that may be reclassified in to profit or loss:							
Foreign exchange translation difference arising on revaluation of foreign operations		34	–	34	(250)	–	(250)
Hedging movement		(615)	–	(615)	(687)	–	(687)
Total comprehensive income for the year attributable to equity shareholders		**34,820**	**(3,652)**	**31,168**	**28,670**	**(11,336)**	**17,334**
Basic and diluted EPS (£)	29	**0.20**	**–**	**0.18**	**0.17**	**–**	**0.10**

Consolidated and parent Company balance sheet

As at 31 December 2015

Assets	Note	Group 31 December 2015 £000	Group 31 December 2014 £000	Company 31 December 2015 £000	Company 31 December 2014 £000
Non-current assets					
Goodwill	13	79,490	47,623	–	–
Other intangible assets	14	20,643	11,043	–	–
Property, plant and equipment	15	3,649	2,881	–	–
Investment in subsidiary undertakings	23	–	–	307,500	307,500
Investment in associates	23	12,158	11,419	–	–
Loan notes	16	862	1,378	–	–
Deferred tax asset	19	639	300	–	–
Total non-current assets		**117,441**	**74,644**	**307,500**	**307,500**
Current assets					
Cash and cash equivalents		10,183	14,542	16	15
Other receivables	17	34,781	16,569	71,825	53,528
Purchased loan portfolios	16	609,793	477,513	–	–
Total current assets		**654,757**	**508,624**	**71,841**	**53,543**
Total assets		**772,198**	**583,268**	**379,341**	**361,043**
Equity					
Share capital	20	1,744	1,744	1,744	1,744
Share premium	20	347,436	347,436	347,436	347,436
Retained earnings		76,916	51,479	25,513	10,100
Hedging reserve		(1,302)	(687)	–	–
Other reserves		(279,438)	(278,098)	(1,936)	(562)
Total equity attributable to shareholders		**145,356**	**121,874**	**372,757**	**358,718**
Liabilities					
Non-current liabilities					
Senior secured notes	28	447,545	378,564	–	–
Trade and other payables	18	7,648	–	–	–
Deferred tax liability	19	4,396	2,852	–	–
Total non-current liabilities		**459,589**	**381,416**	**–**	**–**
Current liabilities					
Trade and other payables	18	83,906	33,058	6,172	2,257
Derivative liability	25	1,281	1,872	–	–
Current tax liability		3,755	2,355	412	68
Revolving credit facility	28	71,479	35,404	–	–
Senior secured notes	28	6,832	7,289	–	–
Total current liabilities		**167,253**	**79,978**	**6,584**	**2,325**
Total liabilities		**626,842**	**461,394**	**6,584**	**2,325**
Total equity and liabilities		**772,198**	**583,268**	**379,341**	**361,043**

Approved by the board of directors on 3 March 2016, signed and authorised for issue on its behalf by:

Rob Memmott
Chief financial officer
Company Number: 08649661

Tom Drury
Chief executive officer

Consolidated and parent Company statement of changes in equity

For the year ended 31 December 2015

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

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

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Total £000
Balance at 1 January 2014	**1,744**	**347,436**	**6,373**	**(562)**	**354,991**
Profit for the year	–	–	4,360	–	4,360
Total comprehensive income for the year	–	–	4,360	–	4,360
Share-based payments	–	–	2,328	–	2,328
Dividend paid	–	–	(2,961)	–	(2,961)
Balance at 31 December 2014	**1,744**	**347,436**	**10,100**	**(562)**	**358,718**
Profit for the year	–	–	21,725	–	21,725
Total comprehensive income for the year	–	–	21,725	–	21,725
Repurchase of own shares		–	–	(1,374)	(1,374)
Share-based payments	–	–	2,577	–	2,577
Dividend paid	–	–	(8,889)	–	(8,889)
Balance at 31 December 2015	**1,744**	**347,436**	**25,513**	**(1,936)**	**372,757**

Translation reserve

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

Merger reserve

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

Own share reserve

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

Consolidated and parent Company statement of cash flows

For the year ended 31 December 2015

	Note	Group Year ended 31 December 2015 £000	Group Year ended 31 December 2014 £000	Company Year ended 31 December 2015 £000	Company Year ended 31 December 2014 £000
Net cash used in operating activities	31	**(56,294)**	**(52,431)**	**10,264**	**(2,899)**
Investing activities					
Purchase of property, plant and equipment		(920)	(279)	–	–
Purchase of intangible assets		(8,618)	(851)	–	–
Dividends received from associates		658	–	–	–
Acquisition of associate		–	(11,419)	–	–
Acquisition of subsidiary, net of cash acquired		(15,581)	(97,121)	–	–
Net cash used in investing activities		**(24,461)**	**(109,670)**	**–**	**–**
Financing activities					
Net proceeds from additional loans		35,835	27,097	–	–
Proceeds from senior notes (net of fees)		81,560	168,333	–	–
Repayment of interest on senior notes		(27,365)	(17,325)	–	–
Repurchase of own shares		(1,374)	–	(1,374)	–
Repayment of other interest		–	(718)	–	–
Repayment of bank loan		–	(42,579)	–	–
Receipt of loan notes		579	–	–	–
Bank fees paid		(4,304)	(2,790)	–	–
Payment of dividends		(8,889)	(2,961)	(8,889)	(2,961)
Net cash flow generated by/(used in) financing activities		**76,042**	**129,057**	**(10,263)**	**(2,961)**
Net (decrease)/increase in cash and cash equivalents		**(4,713)**	**(33,044)**	**1**	**(62)**
Cash and cash equivalents at beginning of year		14,542	47,520	15	77
Effect of exchange rates on cash and cash equivalents		354	66	–	–
Cash and cash equivalents at end of year		**10,183**	**14,542**	**16**	**15**

Notes to the financial statements

1 General information

Arrow Global Group Plc is a company incorporated in England and Wales and is the ultimate parent company of the Group. The address of the registered office is presented on page 119. The financial statements are presented in pounds sterling and rounded to the nearest thousand.

The Company's subsidiaries and associates, both direct and indirect, at this date are listed in note 23.

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

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

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts.

2 Adoption of new and revised standards

There were no new standards, amendments to standards and interpretations mandatory for the first time for the year beginning 1 January 2015.

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements:

- IAS 19 (amended) Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

No new or revised standards and interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed, however, may have a material impact and affect disclosure requirements in future periods:

- IFRS 9 Financial Instruments

IFRS 9 will impact the measurement and disclosures for financial instruments, as this new standard will focus further on classification, measurement and impairment considerations, such as expected credit losses. Whilst management are still assessing the impact of IFRS 9 on future periods, they believe that the impact of on the Group's results will not be significant, as the Group buys portfolio assets, which are at a deep discount. Also, the Group's adoption of an effective interest rate is thought to be in line with current IFRS 9 guidance. The Group will be required to produce additional disclosure requirements, over and above those from IFRS 7, in particular, more specific disclosures around compliance with applicable regulation and the management of risk.

3 Significant accounting policies

Basis of preparation

The financial statements have also been prepared in accordance with IFRS adopted by the European Union and also, the Group financial statements comply with EU IAS Regulation.

The 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2015 and comparative period. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with its investee entity and has the ability to affect these returns through its power over the investee entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Also see the accounting policy 'shares held in an employee benefit trust' (EBT).

Notes to the financial statements

3 Significant accounting policies (continued)

Going concern

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. The directors have given this matter due consideration through a review of forecast cash flow models and scenarios and current cash availability and have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

Goodwill

Goodwill arising on a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 per cent of the voting power of another entity or evidence through a number of aspects such as representation on the board of directors, participation in policy making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Notes to the financial statements

3 Significant accounting policies (continued)

Revenue recognition and effective interest rate method (EIR) Income from purchased loan portfolios

Income from purchased loan portfolios represents the yield from acquired portfolio investments. Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and recognised at fair value at the purchase date that equals the price paid. They are subsequently measured at amortised cost using the EIR method.

The EIR method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expected life of the portfolio. The EIR is the rate that exactly discounts 84-months of estimated future cash receipts of the purchased portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset). On acquisition, there is a short period that is required to determine the EIR, due to the complexity of the portfolios acquired.

Upward revaluations ('write ups') are increases to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments to their estimated cash flows and are recognised in the income from purchased loan portfolios line within revenue, with any subsequent reversals to write ups also recorded in this line. If these reversals exceed any previously recognised cumulative write-ups then an impairment is recognised as a separate line in the statement of comprehensive income.

Unallocated cash is held as a liability in the balance sheet until it is reconciled. Unallocated cash is held for a period of six years, only being released to the consolidated statement of comprehensive income at this point as this cash is not held in statutory trust.

Where the Group acquires purchased loan portfolios via forward flow agreements, being contracted multiple future purchases, there is no difference in accounting treatment than described above.

Impairment of purchased loan portfolios

The portfolios are reviewed for indications of impairment at the balance sheet date, such as variances to historical cash curves, in accordance with IAS 39. This is considered on a portfolio basis. Where portfolios exhibit objective evidence of impairment, an adjustment, being the difference between the current carrying value and the net present value of future estimated cash flows, is recorded to the carrying value of the portfolio.

Revenue on assets under management

The Group receives asset management revenue on portfolios managed for third parties in the UK and Portugal. In accordance with IAS 18, the Company recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably. The nature of the revenue is contingency collection fees, which are received either as a fixed fee, or as a percentage of collections or the outstanding portfolio asset value.

Non-recurring items

Non-recurring items are those which are separately identified by virtue of their size and nature (i.e. outside of the normal underlying operating activities of the Group) to allow a full understanding of the underlying performance of the Group. These are disclosed separately on the face of the statement of comprehensive income. Current year non-recurring items are explained in notes 8 and 10.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 16). Interest income is recognised throughout the year using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Notes to the financial statements

3 Significant accounting policies (continued)

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the other-comprehensive income.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the year and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

Deferred tax

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

Notes to the financial statements

3 Significant accounting policies (continued)

Share based payment transactions

Share based payments transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payments.

The grant date fair value of the share based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model were required, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payments with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share based payments'.

Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

Property, plant and equipment and other intangibles

Property, plant and equipment and other intangibles, as discussed below, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method on the following basis:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Software licences	shorter of contractual life and useful economic life
IT platform	ten years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment and other intangibles is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income. Acquired licences, such as software licences, are capitalised at cost and amortised over the shorter of contractual life and useful economic life.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Purchased loan portfolios and secured loan notes

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortised cost using the EIR method less any impairment.

Purchased loan portfolios are acquired at a deep discount and as a result the estimated future cash flows reflect the likely credit losses within each portfolio. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the EIR method.

The portfolio asset is analysed between current and non-current. The current asset is determined using the expected cash flows arising in the next 12 months after the balance sheet date. The residual amount is classified as non-current.

Notes to the financial statements

3 Significant accounting policies (continued)

Litigation costs

As part of the Group's litigation strategy to recover customer balances, the Group incurs recoverable upfront legal costs, which are deferred as other receivables and amortised over the period that cash is collected.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the OCI is recognised in the statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value where the effect is material.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities, such as loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS.

Financial liabilities are held at amortised cost using the EIR method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the statement of comprehensive income. For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income as part of finance costs. Amounts accumulated in equity are recognised in the statement of comprehensive income when the income or expense on the hedged item is recognised in the statement of comprehensive income.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or,
- the underlying hedged item matures or is sold or repaired

Notes to the financial statements

3 Significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capitalisation of legal transaction fees

Legal transaction fees associated with the purchase of portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 in the manner described in note 25.

Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained on the consolidated statement of changes in equity on page 78.

4 Critical accounting judgments and estimates

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, 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.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Approach to substance of loan notes as portfolios

During the year, the Group purchased a number of loan portfolios in the form of securitisation loan notes. Management have assessed the substance of the loan notes under the criteria set out in IAS 39. Management have concluded that the portfolios purchased in the form of loan notes are presented as loan portfolios in the Group's balance sheet and the Group's revenue accounting policy for loan portfolios is also applied. This treatment has been concluded on the basis that the assets relating to the loan notes are segregated as separate silos within the securitisation vehicle, in such a way that the assets and loan notes are bankruptcy remote. This results in the securitisation vehicle having no rights to the risks and rewards of the underlying assets. The assets and liabilities within the silos meet the derecognition criteria under IAS 39.

Notes to the financial statements

4 Critical accounting judgments and estimates (continued)

b) Control of a subsidiary

On 22 April 2015, the Group acquired 33% of the share capital of Silver Parallel S.A ('Silver Parallel') (the holding company of Whitestar Asset Management S.A. ('Whitestar')). The Group will increase its holding to 100% in two stages over two years. Voting control and economic interest passed to the Group on payment of the initial consideration on 22 April 2015. Silver Parallel is an acquisition vehicle, therefore management consider it is appropriate to assess control of Whitestar rather than for Silver Parallel for the purposes of IFRS 10. IFRS 10 defines control as having power over the relevant activities of the entity, exposure to variability of the returns and a linkage between this power and the returns. Management have considered the criteria required by IFRS10 and conclude these criteria were met from the initial purchase date, when voting control and economic interest passed to the Group, resulting in the consolidation of Silver Parallel and Whitestar from 22 April 2015. In addition, management have concluded that no non controlling interest should be recognised on the basis of the binding agreement which is in place to purchase the remaining holding in Silver Parallel.

Key sources of assumption and estimation uncertainty in applying accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Fair value of acquisition balance sheet and carrying value of goodwill

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

The fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. Calculation of the value in use requires an estimate and timing of future cash flows expected to arise from the reduced CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgments in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

b) Carrying value and EIR of purchased loan portfolios

For UK portfolios, a 12-month cash flow forecast is prepared for each account, based on predictions of probability to pay and value of total payments within the 12-month period. These predictions are generated using a bespoke statistical model (the PV model), which utilises customer and account level data, credit agency data and our historic experience with accounts which have similar key attributes. Management also review the model on a portfolio basis to take into account unforeseen external factors, which have impacted historical performance. Where necessary portfolios are calibrated to take into account these known factors. For European portfolios, 12-month cash flow forecasts are based on information from servicers, which management validate against recent performance.

A separate model, using an ERC forecasting methodology, then takes the 12-month estimate and uses this to form an 84-month forecast of ERCs at a portfolio level, by extrapolating the data over a decaying rate. Key factors in this model are the assumptions made on the conversion of accounts from non-paying to paying, and vice-versa either through breakdown of the account or settlement/pay down of the balances due, and the impact of placing accounts into litigation. Campaign overlays are also built into the model which allows the effect of performance improvements resulting from new initiatives to be factored into future cash flows. The ERCs created from the ERC forecasting model, are regularly benchmarked at a portfolio level against actuals, which forms the impairment review.

The key assumption is the Group's determination of the future cash flows. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the purchased loan portfolios as at 31 December 2015 by £10,286,000 (2014: £8,973,000).

Notes to the financial statements

5 Segmental reporting

The Group represents a single reportable segment. The Group head office in the UK, with subsidiaries also based in wider Europe.

Collections information is available for the UK and the wider European operations. This is the only information analysed between the UK and Portugal received on a regular basis by the chief operating decision maker (CODM), and does not constitute sufficient information upon which to base resource allocation decisions, consequently one segment has been identified. In line with the business strategy we expect this to be developing in the next 12 months. The CODM is considered to be the board of directors collectively.

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Total revenue	**165,454**	**110,742**
Collection activity costs	(52,303)	(34,150)
Professional fees and services	(2,397)	(1,737)
Recurring other operating expenses	(31,808)	(16,484)
Non-recurring items	(4,309)	(11,991)
Operating profit	**74,637**	**46,380**
Finance interest income	152	344
Finance interest costs	(36,760)	(22,601)
Share of profit in associates	1,243	–
Profit before tax	**39,272**	**24,123**
Taxation	(7,523)	(5,852)
Profit for the year attributable to equity shareholders	**31,749**	**18,271**

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Purchased loan portfolios	609,793	477,513
Balance sheet		
Total segment assets	771,559	582,968
Total segment liabilities	(622,446)	(458,542)
Segment net assets	**149,113**	**124,426**
Unallocated assets which is represented by deferred tax balances	(639)	300
Unallocated liabilities which is represented by deferred tax balances	(4,396)	(2,852)
Consolidated net assets	**145,356**	**121,874**

See the glossary for the breakdown of adjusted EBITDA.

Geographical information	UK entities 2015 £000	Foreign entities 2015 £000	Intra group trading 2015 £000	Total 2015 £000
Total revenue	154,553	12,964	(2,063)	**165,454**
Non-current assets	77,962	39,479	–	**117,441**

In 2014, there was one geography of entity ownership, and therefore there is geographic split in the prior year.

6 Profit for the year

Profit for the year has been arrived at after (charging)/crediting:	Note	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Net foreign exchange (losses)/gains		592	(975)
Operating leases – properties		(744)	(413)
Depreciation and amortisation	14, 15	(4,176)	(1,090)
Profit on disposal of plant, property and equipment		–	143
Staff costs	10.b	(19,217)	(11,117)

7 Finance income

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Finance income		
Bank interest	7	55
Loan note interest	145	289
	152	**344**

8 Finance costs

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

Non-recurring items 2014 related to interest incurred on a historic HMRC VAT settlement and the interest payable on issuance of the €225 million floating rate notes between the date of issuance and the purchase of the Capquest Group. See note 28 for further information.

Notes to the financial statements

9 Auditor's remuneration

The analysis of auditor remuneration is as follows:	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Fees payable for audit services – Company	62	35
Fees payable for audit services – subsidiaries	288	280
Total fees payable for audit services	**350**	**315**
Fees payable for audit-related assurance services – Company	25	45
Total fees payable for audit-related assurance services	**25**	**45**
Fees payable for other assurance services	158	267
Total fees payable for non-audit services	**158**	**267**
Total fees payable	**533**	**627**

10 Staff costs and other operating expenses

a) Other operating expenses

	Note	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Staff costs	10.b	19,217	11,117
Other staff related costs*		4,428	1,745
Premises		2,326	889
IT		2,594	1,095
Depreciation and amortisation		4,176	1,090
Net foreign exchange losses/(gains)		(592)	975
Acquisition of subsidiary		1,491	6,026
Other operating expenses		2,477	5,538
Total operating expenses including non-recurring items		**36,117**	**28,475**
Non-recurring items:			
Costs arising from the acquisition of business operations		(1,491)	(6,026)
IPO related costs		(1,366)	(1,760)
Company integration		(1,452)	(4,205)
Total non-recurring items		**(4,309)**	**(11,991)**
Total operating expenses excluding non-recurring items		**31,808**	**16,484**

*£3.7 million of the other staff related costs relates to temporary labour, recruitment and training.

Notes to the financial statements

10 Staff costs and other operating expenses (continued)

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. Due to transformation changes to the Group brought about by the IPO and strategic acquisitions, such as the sterling senior secured notes leading onto the IPO in 2013 and the euro senior secured notes to acquire the Capquest Group in 2014, significant costs have been incurred in the current and comparative period, which the Group believe are not reflective of expected principal Group activity. The Capquest acquisition took place on 28 November 2014 and therefore there is still an element of acquisition costs being incurred in 2015.

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

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

b) Staff costs

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Wages, bonuses and salaries	13,830	7,552
Pension costs	367	291
Social security costs	1,607	946
Share based payments	2,577	2,328
Staff restructuring	836	–
	19,217	**11,117**

The total directors' personnel remuneration (including non-executive directors) during the year was £1,806,000 (2014: £2,016,000), including £nil of non-recurring costs (2014: £nil) and included £136,000 in relation to pension costs (2014: £119,000). See the remuneration report for more disclosure of directors' remuneration.

The average monthly number of employees (including executive directors) are analysed below:

	Year ended 31 December 2015	Year ended 31 December 2014
Collections	347	45
Data and analytics	60	41
Finance, pricing and legal	83	19
IT and change	75	23
Management	24	17
Risk	24	7
Support services	136	5
	749	**157**

Notes to the financial statements

11 Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2015 is lower than the standard rate of corporation tax in the UK at 20.25% (2014: 21.49%). The differences are as follows:

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

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

Deferred tax

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

The Finance (No. 2) Act 2015, which was substantively enacted in October 2015, included provisions to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, deferred tax balances have generally been calculated using a rate of 18% in these accounts.

Non-recurring tax

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

Notes to the financial statements

12 Dividend

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

The 2015 interim dividend was declared at 50% of the prior year's final dividend with the subsequent final dividend being proposed based on the underlying net income for the year.

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

13 Goodwill

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

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

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

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

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

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

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

Notes to the financial statements

13 Goodwill (continued)

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

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

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

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

14 Intangible assets

	Customer intangibles £000	Contractual rights £000	IT platform £000	Software licences £000	Total £000
Cost					
At 1 January 2014	–	–	–	2,793	2,793
Assets acquired on acquisition of a subsidiary	–	–	9,395	553	9,948
Additions	–	–	273	202	475
Disposals	–	–	(56)	(188)	(244)
At 31 December 2014	–	–	9,612	3,360	12,972
Assets acquired on acquisition of a subsidiary	3,721	–	–	340	4,061
Exchange differences	–	–	9	37	46
Additions	–	2,579	5,367	672	8,618
At 31 December 2015	**3,721**	**2,579**	**14,988**	**4,409**	**25,697**
Accumulated depreciation					
At 1 January 2014	–	–	–	1,317	1,317
Amortisation charge for the year	–	–	–	806	806
Disposals	–	–	–	(194)	(194)
At 31 December 2014	–	–	–	1,929	1,929
Exchange differences	–	–	9	31	40
Amortisation charge for the year	371	258	1,781	675	3,085
At 31 December 2015	**371**	**258**	**1,790**	**2,635**	**5,054**
Carrying amount					
At 31 December 2015	**3,350**	**2,321**	**13,198**	**1,774**	**20,643**
At 31 December 2014	–	–	9,612	1,431	11,043

Notes to the financial statements

15 Property, plant and equipment

Cost	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Total property, plant and equipment £000
At 1 January 2014	346	342	287	–	975
Assets acquired on acquisition of a subsidiary	1,373	1,047	324	–	2,744
Additions	153	73	53	–	279
Disposals	(47)	(160)	(59)	–	(266)
At 31 December 2014	1,825	1,302	605	–	3,732
Assets acquired on acquisition of a subsidiary	376	247	260	42	925
Exchange differences	19	38	9	3	69
Additions	549	162	209	–	920
Disposals	–	(6)	(1)	(1)	(8)
At 31 December 2015	**2,769**	**1,743**	**1,082**	**44**	**5,638**
Accumulated depreciation					
At 1 January 2014	292	296	128	–	716
Disposal	(25)	(100)	(24)	–	(149)
Charge for the year	162	53	69	–	284
At 31 December 2014	429	249	173	–	851
Exchange differences	8	32	3	8	51
Disposal	–	(4)	–	–	(4)
Charge for the year	242	686	152	11	1,091
At 31 December 2015	**679**	**963**	**328**	**19**	**1,989**
Carrying amount					
At 31 December 2015	**2,090**	**780**	**754**	**25**	**3,649**
At 31 December 2014	1,396	1,053	432	–	2,881

16 Financial assets

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

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

Purchased loan portfolios

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

Notes to the financial statements

16 Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

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

*Inclusive of capitalised portfolio expenditure of £1,406,000 (2013: £4,882,000).

17 Other receivables and prepayments

	Note	Group Year ended 31 December 2015 £000	Group Year ended 31 December 2014 £000	Company Year ended 31 December 2015 £000	Company Year ended 31 December 2014 £000
Prepayments		5,344	4,071	80	30
Due from subsidiary undertakings	22	–	–	71,742	53,495
Other receivables		29,370	12,493	3	3
Deposits		67	5	–	–
		34,781	**16,569**	**71,825**	**53,528**

The Group incurs recoverable upfront litigation costs, which are deferred as other receivables and amortised over the period that cash is collected. During the year the amortisation profile was reassessed from four to seven years, in line with cash collection profile, increasing the year end capitalised costs by £3.4 million.

18 Trade and other payables

Current	Note	Group Year ended 31 December 2015 £000	Group Year ended 31 December 2014 £000	Company Year ended 31 December 2015 £000	Company Year ended 31 December 2014 £000
Trade payables		9,408	6,873	9	890
Deferred consideration		42,501	11,928	–	–
Deferred consideration on portfolio to be resold*		23,519	–	–	–
Taxation and social security		121	324	–	–
Due to subsidiary undertakings	22	–	–	6,163	1,367
Other liabilities and accruals		8,357	13,933	–	–
		83,906	**33,058**	**6,172**	**2,257**

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

Notes to the financial statements

18 Trade and other payables (continued)

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

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

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

19 Deferred tax

	2015 Assets	2015 Liabilities	2015 Total	2014 Assets	2014 Liabilities	2014 Total
Fixed assets	–	(7)	(7)	–	(18)	(18)
IFRS transitional adjustments and other temporary differences	30	(2,643)	(2,613)	129	(2,572)	(2,443)
Share schemes	324	–	324	–	(262)	(262)
Hedging reserve	285	–	285	171	–	171
Fair value adjustment on acquisition of subsidiaries	–	(1,746)	(1,746)	–	–	–
	639	**(4,396)**	**(3,757)**	**300**	**(2,852)**	**(2,552)**

The following table reconciles from the 2014 to the 2015 net deferred tax position:

	Year ended 31 December 2014	Transferred in on acquisition	Movements to goodwill	Recognised in statement of comprehensive income	Recognised in statement of changes in equity	Year ended 31 December 2015
Fixed assets	18	–	–	(11)	–	7
IFRS transitional adjustments and other temporary differences	2,582	–	–	80	–	2,662
Share schemes	262	–	–	(586)	–	(324)
Hedging reserve	(171)	–	–	–	(114)	(285)
Other temporary differences	(139)	(11)	–	101	–	(49)
Fair value adjustment on acquisition of subsidiaries	–	–	1,856	(110)	–	1,746
	2,552	**(11)**	**1,856**	**(526)**	**(114)**	**3,757**

Notes to the financial statements

20 Share capital

Issued and fully paid – 31 December 2015 and 2014	£000
174,439,026 ordinary shares of 1p each	1,744
	1,744
Offset by own shares	(4)
	1,740

Total consideration for the shares was £349,180,000, giving rise to a share premium of £347,436,000. £41,680,000 was raised as part of the IPO, net of £8,420,000 of IPO costs, which were netted against the share premium account in accordance with the Companies Act 2006, section 610. The Company's ordinary shares carry the right to receive dividends and distributions paid by the Company.

The shareholders have the right to receive notice of and to attend and vote at all general meetings of the Company.

21 Lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group Year ended 31 December 2015 £000	Group Year ended 31 December 2014 £000
Less than 1 year	866	1,063
1-5 years	3,444	2,098
5+ years	1,976	–
	6,286	**3,161**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Lease commitments have increased with the acquisition of the Capquest Group.

22 Related party transactions

Group

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

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

Remuneration for directors has been disclosed in note 10 along with the statement of comprehensive income charges in the year and in the remuneration report. The statement of comprehensive income charges for other balances are disclosed in note 6.

Notes to the financial statements

22 Related party transactions (continued)

Summary of transactions

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

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

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

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

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

Company

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

	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Arrow Global Finance PLC £000s	Arrow Global One Limited £000s	Total £000s
As at 31 December 2015					
Due from subsidiary undertakings	–	–	1,021	70,721	71,742
Due to subsidiary undertakings	(1,367)	(4,796)	–	–	(6,163)
	(1,367)	**(4,796)**	**1,021**	**70,721**	**65,579**

	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Arrow Global Finance PLC £000s	Arrow Global One Limited £000s	Total £000s
As at 31 December 2014					
Due from subsidiary undertakings	–	4,990	655	47,850	53,495
Due to subsidiary undertakings	(1,367)	–	–	–	(1,367)
	(1,367)	**4,990**	**655**	**47,850**	**52,128**

On 27 August 2014 the Company converted £41,680,000 held as intercompany with Arrow Global One Limited to subordinated shareholder funding. Apart from the loan with Arrow Global One Limited, the remaining balances relate to intercompany loans that are repayable on demand and are therefore held as current liabilities or assets. No other transactions occurred between the related parties, excluding those disclosed above.

Notes to the financial statements

23 Investments in subsidiaries and associates

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global One Limited (AGOL)	UK – England and Wales	100	Trading	AGGP
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	100	Trading	AGOL
Arrow Global Investments Holdings Limited (AGIHL)	UK – England and Wales	100	Trading	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	UK – England and Wales	100	Trading	AGIHL
Arrow Global Finance PLC	UK – England and Wales	100	Trading	AGIHL
Arrow Global Europe Limited	UK – England and Wales	100	Trading	AGIHL
Arrow Global Limited (AGL)	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Receivables Management Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Management Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Portugal Limited (AGPL)	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Luna Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Portugal Investments Limited	UK – England and Wales	100	Trading	AGL
Arrow Global Accounts Management Limited	UK – England and Wales	100	Trading	AGL
Arrow Global Guernsey Limited	Guernsey	100	Non-Trading	AGIHL
Arrow Global Debt Limited (AGDL)	Guernsey	100	Dormant	AGGHL
Arrow Global Massey Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Legh Limited	UK – England and Wales	100	Dormant	AG(H)L
Erudio Customer Management Limited (formerly Arrow Global Egerton Limited)	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Guernsey Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Guernsey Management Limited	Guernsey	100	Dormant	AGDL
Strzala Sp. z o.o.	Poland	100	Dormant	AG(H)L/AGL
Quest TopCo Limited (QTL)	UK – England and Wales	100	Trading	AGIHL
Quest Bidco Limited (QBL)	UK – England and Wales	100	Trading	QTL
Quest Newco Limited (QNL)	UK – England and Wales	100	Trading	QBL
Capquest Group Limited (CGL)	UK – England and Wales	100	Trading	QNL
Capquest Investments Limited	UK – England and Wales	100	Trading	CGL
Capquest Debt Recovery Limited (CDRL)	UK – England and Wales	100	Trading	CGL
Capquest Mortgage Servicing Limited	UK – England and Wales	100	Trading	CGL
Capquest Asset Management Limited	UK – England and Wales	100	Trading	CGL
Capquest Debt Recovery Services Limited	UK – England and Wales	100	Dormant	CGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	100	Trading	CDRL
Capquest Investments 2 Limited	UK – England and Wales	100	Dormant	CGL
Capquest Limited	UK – England and Wales	100	Dormant	CGL
Capquest UK Limited	UK – England and Wales	100	Dormant	CGL
Care Debt Management Limited	UK – England and Wales	100	Dormant	CGL
Data Verification Services Limited	UK – England and Wales	100	Dormant	CGL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	100	Trading	AGIHL
Sandalgreen Assets, S.A.	Portugal	100	Trading	AGHLPIH
Whitestar Asset Solutions S.A.	Portugal	33	Trading	AGHLPIH
Gesphone – Servicos de Tratamento e Acquisicao de Dividas, S.A. (GSTAD)	Portugal	100	Trading	AGIHL
Gesphone STC	Portugal	100	Trading	GSTAD

All subsidiaries are included in the Group consolidation. On 22 December 2015 the subsidiary Silver Parallel S.A. was merged into Whitestar Asset Solutions S.A.

Subsidiaries	Arrow Global One Limited £000	Total £000
At 31 December 2014 and 31 December 2015	**307,500**	**307,500**

The investments in subsidiaries are all stated at cost less accumulated impairment.

Notes to the financial statements

23 Investments in subsidiary and associates (continued)

Details of the Company's associates at 31 December 2015 are as follows:

Name	Place of incorporation (or registration) and operation	Economic interest (%)	Current status	Parent company
Promontoria MCS Holding SAS	France	15%	Trading	AGL

The Group acquired an indirect 15% economic interest in Promontoria MCS Holding SAS ('MCS') through a participation agreement on 15 December 2014. The terms of the participation agreement meant that the Group demonstrated significant influence over the MCS group.

MCS is a holding company of the MCS group, a specialist acquirer and manager of retail banking assets, which is seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The associate is accounted for using the equity method.

Summarised below is a reconciliation of the movements in the carrying value of the Group's interest in MCS during the year:

	£000
Interest in the net assets of the associate as at 1 January 2015	11,419
Adjustment of foreign exchange differences	154
Share of profit in associate during the year	1,243
Dividends received from associates	(658)
Interest in the net assets of the associate as at 1 January 2016	**12,158**

24 Risks arising from financial instruments

Risk management

Treasury related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury and tax committee. The treasury and tax committee, which is chaired by the chief financial officer, is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risk is managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swap, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options. No written options were entered into during 2015 (2014: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates, diversification of debt funding sources and no over- reliance on a single or small group of lenders. At 31 December 2015, the Group's senior secured notes and revolving credit facility had an average period to maturity of 5.0 years (2014: 5.3 years). Total undrawn facilities as at 31 December 2015 were £90,000,000 (2014: £61,001,000).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group has a low fixed cost base, is highly cash generative with weekly cash receipts and portfolio purchases are discretionary, which helps to mitigate liquidity risk.

Notes to the financial statements

24 Risks arising from financial instruments (continued)

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group As at 31 December 2015	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	91,554	–	–	–	91,554
Interest bearing					
£220 million secured senior note (7.875%)	17,325	17,325	51,975	209,798	296,423
€335 million secured senior note (5.25% plus EURIBOR)	12,680	12,680	38,040	257,398	320,798
Revolving credit facility	4,575	4,575	4,575	–	13,725
Total	**126,134**	**34,580**	**94,590**	**467,196**	**722,500**

Group As at 31 December 2014	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	33,058	–	–	–	33,058
Interest bearing					
£220 million secured senior note (7.875%)	17,325	17,325	51,975	227,123	313,748
€225 million secured senior note (5.25% plus EURIBOR)	9,395	9,395	28,185	194,860	241,835
Revolving credit facility	2,414	2,414	4,828	–	9,656
Total	**62,192**	**29,134**	**84,988**	**421,983**	**598,297**

Company As at 31 December 2015	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	**6,172**	**–**	**–**	**–**	**6,172**

Company As at 31 December 2014	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	**2,257**	**–**	**–**	**–**	**2,257**

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the balance sheet date.

Notes to the financial statements

24 Risks arising from financial instruments (continued)

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities which are all designated as cash flow hedges:

	2015		2014	
	Outflow £000	Inflow £000	Outflow £000	Inflow £000
Not later than one month	32,400	32,680	62,780	62,315
Later than one month and not later than six months	35,508	34,900	78,897	78,185
Later than six months and not later than one year	925	7	193	133
Later than one year and not later than two years	1,936	15	387	281
Later than two years and not later than five years	–	–	361	340
	70,769	**67,602**	**142,618**	**141,254**

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the balance sheet date.

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December 2015 is presented below:

As at 31 December 2015	Purchased loan portfolio £000s	% of total £000s	Borrowing facilities £000s	% of total £000s
Less than one year	144,797	23.7%	–	–
Later than one year	464,996	76.3%	447,545	100.0%
	609,793	**100.0%**	**447,545**	**100.0%**

As at 31 December 2014	Purchased loan portfolio £000s	% of total £000s	Borrowing facilities £000s	% of total £000s
Less than one year	99,613	20.9%	–	–
Later than one year	377,900	79.1%	378,564	100.0%
	477,513	**100.0%**	**378,564**	**100.0%**

This demonstrates the headroom on the Group's committed funding facility repayments in comparison to the current purchased loan portfolio's estimated collections over an 84-month period.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk considered further below.

Interest rate risk

The Group does not charge interest on the purchased loan portfolios or on any other asset, and therefore is not exposed to interest rate risk on its assets. The Group does have an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed rate funding (predominantly longer-term bond funding), forward currency contracts used for non-functional currency funding, bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Increase in fair value of derivatives taken to equity	2,428	2,939
Reduction in profit before taxation	(304)	(195)
	2,124	**2,744**

Notes to the financial statements

24 Risks arising from financial instruments (continued)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments

Currency risk

The Group is subject to three types of currency risk; cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in euro by funding portfolio assets with euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in euro but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the euro will have an impact on the consolidated result for the period.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than sterling than those at the balance sheet date and all other variables were held constant, the Group's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Currency		
Euro (EUR)	2,074	2,229
US Dollar (USD)	6	(1)
Polish Zloty (PLN)	(5)	(9)
	2,075	**2,219**

Net profit	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Currency		
Euro (EUR)	352	613
US Dollar (USD)	(37)	2
Polish Zloty (PLN)	–	–
	315	**615**

Notes to the financial statements

24 Risks arising from financial instruments (continued)

If foreign exchange rates had been 10% stronger than sterling than those at the balance sheet date and all other variables were held constant, the Group's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Currency		
Euro (EUR)	(2,534)	(2,725)
US Dollar (USD)	(8)	1
Polish Zloty (PLN)	6	–
	(2,536)	**(2,724)**

Net profit	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Currency		
Euro (EUR)	(430)	(750)
US Dollar (USD)	45	(2)
Polish Zloty (PLN)	–	–
	(385)	**(752)**

10% is considered to be a reasonable expectation of possible fluctuations in rates. The above also assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. Most portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections that in turn inform the ERC's on which the portfolio balance sheet value is calculated. The on going risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types, considering forecasts from debt servicers and also factoring in recoveries from collateral held on the secured portfolios. A pricing gateway process is in place which includes at least two members of the executive board as well as other key members from all areas of the business. The Group also monitors its exposure to geographic concentration of assets.

This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

All purchased loan portfolios are measured at amortised cost using the EIR method. As part of the regular monitoring process, the future cash flows in the ERCs are updated, with 'write ups' or 'write downs posted as a result changes to the estimated cash flows discounted at the EIR rate. An impairment is only recognised if the 'write downs' exceed any previously recognised cumulative write-ups.

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through warranties.

The Group only deposits cash and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of amounts of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

Notes to the financial statements

24 Risks arising from financial instruments (continued)

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum exposure to counterparty risk is as follows:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Cash and cash equivalents	10,183	14,542
	10,183	**14,542**

The table represents a worst case scenario of the counterparty risk that the Group is exposed to.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

Management reviews the capital structure on an on going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2015 was:

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Ordinary share capital and premium	349,180	349,180
Total reserves	(203,824)	(227,306)
	145,356	**121,874**

Notes to the financial statements

25 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.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted market prices within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, using prices from observable current market transactions and dealer quotes for similar instruments and unobservable inputs such as historic performance data and the Proprietary Collections Bureau output. The purchased loan portfolios fair value is calculated using our 84-month ERC through our own in-house models. Derivative financial instruments are initially recognised, and subsequently measured, at fair value. The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings are initially measured at fair value and are subsequently held at amortised cost. Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

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	31 December 2015 £000	31 December 2014 £000
Assets		
Foreign currency contracts	(71)	1,301
Interest rate swaps	1,352	571
Total liabilities	**1,281**	**1,872**

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

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

The company did not hold any financial instruments at fair value (2014: none).

Notes to the financial statements

25 Financial instruments (continued)

Financial instruments not measured at fair value – fair value hierarchy

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

Level 3	31 December 2015 £000	31 December 2014 £000
Assets		
Purchased loan portfolios	609,793	477,513
Loan notes	862	1,378
Total assets	**610,655**	**478,891**

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

The balance sheet value of the Group's purchased loan portfolios is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

Estimates of cash flows that determine the EIR are based on the Group's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge off.

Management considers that the valuing of the purchased loan portfolios at amortised cost is comparable to the fair value. The models that are used to determine the balance sheet valuation of the Group's purchased loan portfolios, are the same as those used in pricing portfolio purchases. Management believes the purchase price is the best indicator of fair value at a point in time, and therefore considers the model driven value on the balance sheet to be fair value.

The Group has an established control framework with respect to the measurement of purchased loan portfolio values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a quarterly basis, reviews actual against forecast gross cash on cash money multiples, signs off the latest ERC forecast and assesses the carrying value of the portfolio assets and reviews revenue recognition.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios can be seen in note 16.

The company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2014: none).

Cash flow hedges

The Group uses foreign currency contracts ('cash flow hedges') to hedge foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date and interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur during the period to November 2017. The effect on the statement of comprehensive income will also be within these periods. An amount of £729,000 has been charges to equity for the Group in the period in respect of cash flow hedges (2014: £859,000). All hedges are effectively hedged. No charge has been made to the Company's equity.

Interest rate swaps

The Group has interest rate swaps in place for a notional amount of £246,832,000 (2014: £176,070,000). In 2015, these interest rate swaps cover current borrowings relating to the floating rate euro notes.

Interest rate swaps in place at the balance sheet date are designated, and are effective under IAS39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A credit of £nil (2014: £443,000 credit) has been made to the statement of comprehensive income in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps.

The weighted average interest rate and period to maturity of the Group interest rate swaps were as follows:

Interest rate hedges at December	Weighted average interest rate 2015	Maturity date	Fair value 2015 £000	Weighted average interest rate 2014	Maturity date	Fair value 2014 £000
Euro	0.14%	Nov 2017	(1,352)	0.22%	Nov 2017	(571)

The Company did not hold any interest rate swaps at 31 December 2015 (31 December 2014: £nil).

Notes to the financial statements

25 Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts and exposure to currency rate fluctuations.

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2015 is £67,400,000 (2014: £143,145,000). These comprise:

- foreign currency contracts to sell sterling for a total notional of £67,400,000 (2014: £141,580,000). These contracts have maturity dates to April 2016. These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity and fair value will be recycled to the statement of comprehensive income in April 2016; and
- foreign currency contracts to sell euro for a total notional of £nil (2014: £1,565,000). These contracts are not designated as effective cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been taken to the statement of comprehensive income

As at 31 December 2015 the aggregate amount of net gain/loss under forward foreign exchange contracts that have been recognised in the consolidated statement of comprehensive income relating to the exposure on these anticipated future transactions is £nil (2014: £64,000 gain).

During the year, £1,257,000 (2014: (£539,000)) was recycled from equity to the statement of comprehensive income as a result of maturity of the short dated foreign exchange swaps during the year.

The Company did not hold any foreign exchanges swaps at 31 December 2015 (31 December 2014: £nil).

26 Financial assets and financial liabilities

Financial assets	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Purchased loan portfolios	609,793	477,513
Loan notes	862	1,378
Cash and cash equivalents	10,183	14,542
Other receivables	34,781	16,569
	655,619	**510,002**

Financial liabilities	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Senior secured notes (excluding fees)	466,832	396,070
Revolving credit facility (excluding fees)	75,000	38,999
Derivative liabilities	1,281	1,872
Trade and other payables	91,554	33,058
Current tax liabilities	3,755	2,355
	638,422	**472,354**

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

	Fair value Year ended 31 December 2015 £000	Book value Year ended 31 December 2015 £000	Fair value Year ended 31 December 2014 £000	Book value Year ended 31 December 2014 £000
Purchased loan portfolios	609,793	609,793	477,513	477,513
Loan notes	862	862	1,378	1,378
Cash and cash equivalents	10,183	10,183	14,542	14,542
Other receivables	34,781	34,781	16,569	16,569
	655,619	**655,619**	**510,002**	**510,002**

Notes to the financial statements

26 Financial assets and financial liabilities (continued)

	Fair value Year ended 31 December 2015 £000	Book value Year ended 31 December 2015 £000	Fair value Year ended 31 December 2014 £000	Book value Year ended 31 December 2014 £000
Senior secured notes (excluding fees)	481,565	466,832	400,200	396,070
Revolving credit facility (excluding fees)	75,000	75,000	38,999	38,999
Derivative liabilities	1,281	1,281	1,872	1,872
Trade and other payables	91,554	91,554	33,058	33,058
Current tax liabilities	3,755	3,755	2,355	2,355
	653,155	**638,422**	**476,484**	**472,354**

The carrying value of the bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting is therefore negligible.

The fair value of the senior secured notes has been calculated by reference to broker quotes, that are based on observable market inputs and therefore would be included as 'Level 2' in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

For the company, there is no difference between the carrying value and fair value of financial assets and financial liabilities.

27 Share based payments – group and company

Share incentive plan scheme (SIP)

In April 2015 (and previously in April 2014), the Group offered to all UK employees the opportunity to participate in the above 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.

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vest at the end of three years, with employees required to stay in employment to receive the shares.

Upon listing in October 2013, the Group provided eligible employees with a one off award of free shares worth up to £3,000, with a grant price per share of £2.425, as part of the Arrow Global Group SIP. The value of SIP shares awarded was dependent on a linear scale of length of service. The free shares vest at the end of three years, with employees required to stay in employment to receive the shares.

Initial share option plan (ISOP)

On 7 October 2013, and 21 October 2013, 3,566,000 ISOP options were granted to employees of the Group. These ISOP options were exercisable conditional upon, and with effect from IPO for those granted on 7 October 2013 and from the grant date for those granted on 21 October 2013. 1,934,000 vested immediately with the remaining to vest in two years from the date they take effect, with employees required to stay in employment to receive the shares. The remaining ISOP options of 1,632,288 shares, vested on 11 October 2015, with restrictions attached to these shares ceasing to have effect from this date.

Long-term incentive plan (LTIP)

On 15 June 2015, nil cost share options 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, 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.

Notes to the financial statements

27 Share based payments – group and company (continued)

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

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

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

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

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

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

On 30 June 2015, further awards of nil cost share options were granted to eligible employees, which vest on 15 June 2018, subject to the achievement of the same performance conditions as for the 15 June 2015 awards.

On 11 March 2014, nil cost share options 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.

For each eligible employee, 75% of the LTIP awards are subject to EPS growth criteria and vests as follows:

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

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

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

Further nil cost share option LTIP awards were made on 30 May 2014 and 8 December 2014, both of which vest at the same time as the 11 March 2014 LTIP awards and have the same criteria for vesting. An LTIP conditional award was made on 30 May 2014. This award vests at the end of two years subject to continuity of employment.

Notes to the financial statements

27 Share based payments – group and company (continued)

Restricted share award

A restricted share award was made on 15 June 2015. This award vests on 1 May 2017 subject to continuity of employment.

Grant information

The terms and conditions of the grant are as follows:

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – ISOP	Equity	3,391,228	2 years	1,851,335 vested immediately* 1,539,893 – 7 October 2015
Equity settled award – ISOP	Equity	175,000	2 years	82,665 vested immediately* 92,335 – 20 October 2015
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – LTIP	Equity	1,478,751	2.3 – 3 years	11 March 2017
Equity settled award – LTIP	Equity	88,202	2 years	30 May 2016
Equity settled award – SIP	Equity	16,676	3 years (rolling)	30 May 2017
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – restricted	Equity	266,008	2 years	1 May 2017
Equity settled award – SIP	Equity	55,003	3 years (rolling)	May – June 2018

*The options which vested immediately on IPO in 2013 were used to cover taxation and other withholdings, deducted at source.

The following table shows the weighted average exercise prices (WAEP) and number of options movements during the year.

	2015 WAEP	2015 Number of options	2014 WAEP	2014 Number of options
Outstanding at the beginning of the year	£nil	3,049,694	£nil	1,713,526
Granted during the year	£nil	1,853,958	£nil	1,657,205
Forfeited during the year	£nil	(518,554)	£nil	(272,285)
Exercised during the year	£nil	(120,774)	£nil	(48,752)
Expired during the year	–	–	–	–
Outstanding at 31 December	**£nil**	**4,264,324**	**£nil**	**3,049,694**
Exercisable at 31 December	**–**	**–**	**–**	**–**

The weighted average share price at the date of exercise of share options exercised during the year was £nil (2014: £ nil). The share options outstanding at 31 December 2015 have a weighted average contractual life of 1.2 years (2014: 2.2 years).

The weighted average fair value of options granted during the year was £2.58 (2014: £2.21). The majority of options granted to date are nil cost options (2014: 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.

Notes to the financial statements

27 Share based payments – group and company (continued)

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

	2015	2014
SIP		
Expected life of options (years)	3	3
Share prices at date of grant	£2.58	£2.29
LTIP and restricted awards		
Expected life of options (years)	2-3	3
Share prices at date of grant	£2.58	£2.36 - £2.46
Expected share price volatility (%)	22.90%	27.10%
Risk free interest rate (%)	0.87%	0.47%

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

	2015 £000	2014 £000
Equity settled share based payment expense recognised immediately	–	–
Equity settled share based payment expense spread across vesting period	2,577	2,328
Total equity settled share based payment expense recognised in the statement of comprehensive income	**2,577**	**2,328**

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

28 Borrowings and facilities

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

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

Senior secured notes

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

Notes to the financial statements

28 Borrowings and facilities (continued)

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

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

Revolving credit facility

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

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

29 Earnings per share (EPS)

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

30 Acquisition of subsidiary undertaking

Gesphone

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

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

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

Notes to the financial statements

30 Acquisition of subsidiary undertaking (continued)

Effect of the acquisition

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

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

Whitestar

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

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

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

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

Notes to the financial statements

30 Acquisition of subsidiary undertaking (continued)

Effect of the acquisition

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

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

The fair value adjustment on the intangible assets arises from the fair value of existing customer relationships. An associated deferred tax liability is created being 29.5% of the fair value adjustment, the rate of Portuguese tax.

Acquisition expenses

The Group incurred acquisition expenses of £1,491,000 in relation to the acquisitions of Gesphone and Whitestar, which has been charged to the statement of comprehensive income and included within other operating expenses and has been disclosed as a non-recurring cost.

Measurement period

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

Prior year acquisition

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

Goodwill of £45,608,000 was created as part of this acquisition. The primary reasons for the acquisition, which make up the goodwill, were to strengthen market position, reinforce the business model, diversify origination sources, enhance data capabilities, achieve strong synergies and the deal was considered financially attractive for shareholders. Synergies arise from overhead cost savings through removal of overlapping and duplicated activities, operating cost savings through better management of collection resources and greater customer insight from collections operations expected.

In the one month from acquisition to 31 December 2014, the Capquest Group contributed revenue of £2,514,000 and operating profit of £738,000 to the consolidated results for the year. If the acquisition had occurred on the first day of 1 January 2014, Group total revenue would have been an estimated £137,122,000 and operating profit would have been an estimated £41,900,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2014.

Notes to the financial statements

30 Acquisition of subsidiary undertaking (continued)

Effect of the acquisition

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

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

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

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

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

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

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

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

Acquisition expenses

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

Notes to the financial statements

31 Notes to the cash flow statement

Cash flows from operating activities	Group Year ended 31 December 2015 £000	Group Year ended 31 December 2014 £000	Company Year ended 31 December 2015 £000	Company Year ended 31 December 2014 £000
Profit before tax	39,272	24,123	22,164	4,596
Adjusted for:				
Collections in the year*	218,515	148,547	–	–
Income from purchased loan portfolios*	(150,238)	(107,984)	–	–
Profit on disposal of purchased loan portfolios	(503)	(825)	–	–
Loss on disposal of property, plant, equipment and intangibles	–	143	–	–
Amortisation of legal acquisition fees	4,395	1,501	–	–
Share in profit in associate	(1,243)	–	–	–
Depreciation and amortisation	4,176	1,090	–	–
Interest payable	32,090	20,313	–	–
Foreign exchange (gains)/losses	(946)	894	–	–
Loss on fair values on derivatives	123	457	–	–
Equity settled share-based payment expenses	2,577	2,328	2,577	2,328
Operating cash flows before movement in working capital	**148,218**	**90,587**	**24,741**	**6,924**
(Increase)/decrease in other receivables	(16,285)	5,006	(104)	(34)
Increase in amounts due from subsidiary undertakings	–	–	(13,451)	(4,001)
Increase/(decrease) in trade and other payables	18,226	1,646	(896)	371
Cash generated by operations	**150,159**	**97,239**	**10,290**	**3,260**
Income taxes and overseas taxation paid	(6,624)	(7,039)	(26)	(361)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**143,535**	**90,200**	**10,264**	**2,899**
Purchase of loans purchased for resale	(23,519)			
Purchase of purchased loan portfolios	(176,310)	(142,631)	–	–
Net cash (used in)/generated by operating activities	**(56,294)**	**(52,431)**	**10,264**	**2,899**

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

Post balance sheet events note

On the 9 February 2016, the revolving credit facility was increased from £165 million to £180 million. See note 28 for more details.

On 24 February 2016, the Group resold a portfolio of assets, held for £23.5 million, to an investment partner. No gain or loss arose on the transaction. The portfolio has been separately disclosed within the accounts. See note 16 for more details.

Independent auditor's report to the members of Arrow Global Group PLC only.

Opinions and conclusions arising from our audit.

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Arrow Global Group PLC for the year ended 31 December 2014 set out on pages 73 to 116. In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Estimation of future cash collections from debt portfolios

Refer to page 73 (Audit and Risk Committee Report), page 86 (accounting policy) and page 90 (financial disclosures).

The risk: In line with accounting standards, income from purchased loan portfolios is recognised using the Effective Interest Rate (EIR) method. The carrying value of assets is reassessed based on the Estimated Remaining Collections ('ERCs') discounted at the EIR rate which can result in a 'write up' (increase in portfolio carrying value) or a 'write down' (decrease in the carrying value). ERCs are used to calculate both the initial effective interest rate ('EIR'), on which revenue is recognised, and the initial and ongoing asset carrying values for acquired credit impaired debt portfolios. The Group uses cash flow forecasting models to calculate the ERCs which are an estimate of future cash flows recoverable from debt portfolios. It is the key judgment area for our audit due to the level of subjectivity inherent in certain assumptions used in its estimation, such as the probability, value and timing of expected future cash flows. There is a risk that these judgments may not appropriately reflect all the facts which would skew the recognition of debt portfolio income and the carrying amount of the assets.

KPMG

Our response: Our audit procedures included:

- We tested the controls designed and applied by the Group to provide assurance that the assumptions described above had been regularly reviewed and updated. Also, we tested that changes in debt portfolio performance was monitored and scrutinised by appropriate personnel and that the updated ERCs used had been appropriately approved.
- We critically assessed the estimates of future cash flows and any manual adjustments made to the estimates against our understanding of the Group, the historical accuracy of its estimates and the current and past performance of the Group's portfolios including recent cash collections. We challenged the appropriateness of timing and forecast period of cash flows, by comparing these to historical trends within the Group, our own expectations based on our knowledge of the Group and experience of the industry in which the Group operates.

Mathematical integrity and inputs of the EIR and NPV models

Refer to page 73 (Audit and Risk Committee Report), page 90 (accounting policy).

The risk: The Group uses models to calculate the EIR and carrying value of debt portfolios. Manual inputs to the models lead to added risk in the calculation of both income and asset carrying value. An incorrect import of data or an error in the application of the EIR and estimated cash flows can result in the income and the related balance sheet carrying amounts being over or understated.

Our response: Our audit procedures included:

- We involved our modelling specialists to satisfy ourselves as to the integrity of the models used by the Group which utilise the estimated cash flow forecasts and EIRs to determine the revenue and asset carrying amounts.
- We evaluated the application of EIR methodology in the models used by the Group. This included re-performing a sample of calculations for EIR and asset carrying values and testing the consistent application of formula.
- We tested the controls designed and applied by the Group to provide assurance on accuracy and completeness of data inputs to these models, and agreed a sample of inputs and ERCs, to administration systems.

Accounting for the acquisition of Capquest Group

Refer to page 73 (Audit and Risk Committee Report).

The risk: During the year ended 31 December 2014, the Group acquired Quest Topco Limited and its subsidiaries (the Capquest Group). The key judgment required in respect of the acquisition is the appropriateness of the fair value of the acquisition balance sheet, specifically the fair value of acquired debt portfolios and recognition and valuation of any identifiable intangibles.

Our response: Our audit procedures included:

- We inspected the underlying sale and purchase agreement and other information produced by the Group and its advisers to verify the purchase price and the existing identifiable assets acquired.
- We evaluated the fair values allocated to the acquired assets and liabilities, which included testing the cash flow models used to fair value the acquired loan portfolios and reconciling underlying model data back to administration systems. We assessed whether the discount rate used in the calculation of fair values aligned to market expectations based on our knowledge of the industry. We also challenged the assumptions, such as the benefits expected by the group, used to support the fair value of the acquired IT platform.
- We analysed the Group's rationale for not recognising certain other acquisition intangibles by assessing whether items were both separable and identifiable under the relevant accounting standards and by inspecting the terms of the underlying legal and contractual documentation where appropriate.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1.7million, determined with reference to a benchmark of Group adjusted profit before tax, of which it represents 5%. The statutory profit before tax balance has been adjusted to add back one off, non-recurring items. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £85,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's three reporting components, we subjected all three to audits for Group reporting purposes. These audits covered 100% of Group revenue, 100% of Group profit before tax and 100% of Group total assets.

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The Group audit team performed the audits of the key reporting components in accordance with the materiality levels used for local audits, which ranged from £0.2 million to £1.7 million. The work on all components was performed by the Group audit team.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 85, in relation to going concern; and
- the part of the Corporate Governance Statement on page 49 relating to the company's compliance with the ten provisions of the UK Corporate Governance Code 2012 specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate** This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2014a** which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Gabbertas
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
Manchester
5 March 2015

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Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 underlying £000	Non-recurring items 2014 £000	Year ended 31 December 2014 including non-recurring £000	Year ended 31 December 2013 underlying £000	Non-recurring items 2013 £000	Year ended 31 December 2013 including non-recurring £000
Continuing operations	**Note**						
Revenue							
Income from purchased loan portfolios	16	107,348	–	107,348	87,330	–	87,330
Portfolio write up	6, 16	636	–	636	4,843	–	4,843
Profit on portfolio sales		825	–	825	1,132	–	1,132
Total revenue from portfolios		108,809	–	108,809	93,305	–	93,305
Income from asset management		1,933	–	1,933	1,392	–	1,392
Total revenue		**110,742**	**–**	**110,742**	**94,697**	**–**	**94,697**
Operating expenses							
Collection activity costs		(34,150)	–	(34,150)	(27,994)	–	(27,994)
Professional fees and services	11	(1,737)	–	(1,737)	(1,733)	–	(1,733)
Recurring other operating expenses		(16,484)	–	(16,484)	(12,159)	–	(12,159)
Non-recurring other operating expenses							
Costs arising from acquisition		–	*(6,026)*	*(6,026)*	–	–	–
Bond related costs		–	–	–	–	*(1,005)*	*(1,005)*
Goodwill impairment		–	–	–	–	*(2,309)*	*(2,309)*
IPO related costs		–	*(1,760)*	*(1,760)*	–	*(5,286)*	*(5,286)*
Settlement provisions		–	*(4,205)*	*(4,205)*	–	–	–
Total other operating expenses	10	**(16,484)**	**(11,991)**	**(28,475)**	**(12,159)**	**(8,600)**	**(20,759)**
Total operating expenses		**(52,371)**	**(11,991)**	**(64,362)**	**(41,886)**	**(8,600)**	**(50,486)**
Operating profit		**58,371**	**(11,991)**	**46,380**	**52,811**	**(8,600)**	**44,211**
Finance Income	7	344	–	344	57	–	57
Recurring finance costs		(21,753)	–	(21,753)	(19,359)	–	(19,359)
Non-recurring finance costs							
Bond related costs		–	*(705)*	*(705)*	–	*(3,916)*	*(3,916)*
Settlement provisions		–	*(143)*	*(143)*	–	–	–
Total finance costs	8	**(21,753)**	**(848)**	**(22,601)**	**(19,359)**	**(3,916)**	**(23,275)**
Profit before tax		**36,962**	**(12,839)**	**24,123**	**33,509**	**(12,516)**	**20,993**
Taxation charge on ordinary activities	12	(7,355)	1,503	(5,852)	(8,350)	2,468	(5,882)
Profit for the year attributable to equity shareholders		**29,607**	**(11,336)**	**18,271**	**25,159**	**(10,048)**	**15,111**
Other comprehensive income: Reclassified in the statement of comprehensive income:							
Foreign exchange translation difference arising on revaluation of foreign operations		(250)	–	(250)	1	–	1
Hedging movement		(687)	–	(687)	–	–	–
Total comprehensive income for the year attributable to equity shareholders		**28,670**	**(11,336)**	**17,334**	**25,160**	**(10,048)**	**15,112**
Basic and diluted EPS (£)	29	**0.17**	**–**	**0.10**	**0.16**	**–**	**0.10**
Adjusted EPS (£)	29	**0.17**	**–**	**0.10**	**0.17**	**–**	**0.11**

Consolidated and parent Company balance sheet
As at 31 December 2014

Assets	Note	Group 31 December 2014 £000	Group 31 December 2013 £000	Company 31 December 2014 £000	Company 31 December 2013 £000
Non-current assets					
Intangible assets	14	58,666	3,444	–	–
Property, plant and equipment	15	2,881	259	–	–
Purchased loan portfolios	16	377,900	211,787	–	–
Investment in subsidiary undertakings	23	–	–	307,500	307,500
Investment in associates	23	11,419	–	–	–
Loan notes	16	1,378	1,668	–	–
Deferred tax asset		300	12	–	–
Total non-current assets		**452,544**	**217,170**	**307,500**	**307,500**
Current assets					
Cash and cash equivalents		14,542	47,520	15	77
Other receivables	17	16,569	11,194	53,528	49,456
Purchased loan portfolios	16	99,613	62,145	–	–
Derivative asset	25	–	507	–	–
Total current assets		**130,724**	**121,366**	**53,543**	**49,533**
Total purchased loan portfolios		477,513	273,932	–	–
Total assets		**583,268**	**338,536**	**361,043**	**357,033**
Equity					
Share capital	20	1,744	1,744	1,744	1,744
Share premium	20	347,436	347,436	347,436	347,436
Retained earnings		51,479	33,841	10,100	6,373
Hedging reserve		(687)	–	–	–
Other reserves		(278,098)	(277,848)	(562)	(562)
Total equity attributable to shareholders		**121,874**	**105,173**	**358,718**	**354,991**
Liabilities					
Non-current liabilities					
Senior secured notes	28	378,564	211,920	–	–
Deferred tax liability	19	2,852	2,646	–	–
Total non-current liabilities		**381,416**	**214,566**	**–**	**–**
Current liabilities					
Trade and other payables	18	33,058	10,128	2,257	1,849
Derivative liability	25	1,872	–	–	–
Current tax liability		2,355	2,894	68	193
Revolving credit facility	28	35,404	–	–	–
Senior secured notes	28	7,289	5,775	–	–
Total current liabilities		**79,978**	**18,797**	**2,325**	**2,042**
Total liabilities		**461,394**	**233,363**	**2,325**	**2,042**
Total equity and liabilities		**583,268**	**338,536**	**361,043**	**357,033**

Approved by the board of directors on 5 March 2015, signed and authorised for issue on its behalf by:

Rob Memmott

Chief financial officer

Company Number: 08649661

Consolidated and parent Company statement of changes in equity

For the year ended 31 December 2014

Group	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve* £000	Translation reserve* £000	Merger reserve* £000	Total £000
Balance at 1 January 2013	**1,351**	**275,623**	**12,868**	**–**	**–**	**(326)**	**(276,961)**	**12,555**
Profit for the year	–	–	15,111	–	–	–	–	15,111
Exchange differences	–	–	–	–	–	1	–	1
Total comprehensive income for the year	–	–	15,111	–	–	1	–	15,112
Issue of shares on debt conversion	149	30,377	–	–	–	–	–	30,526
Issue of shares at IPO (net of costs)	244	41,436	–	–	–	–	–	41,680
Repurchase of own shares	–	–	–	–	(1,430)	–	–	(1,430)
Sale of own shares	–	–	1,501	–	868	–	–	2,369
Share-based payments	–	–	4,361	–	–	–	–	4,361
Balance at 31 December 2013	**1,744**	**347,436**	**33,841**	**–**	**(562)**	**(325)**	**(276,961)**	**105,173**
Profit for the year	–	–	18,271	–	–	–	–	18,271
Exchange differences	–	–	–	–	–	(250)	–	(250)
Net fair value losses – cash flow hedges	–	–	–	(859)	–	–	–	(859)
Tax on hedged items	–	–	–	172	–	–	–	172
Total comprehensive income for the year	–	–	18,271	(687)	–	(250)	–	17,334
Share-based payments	–	–	2,328	–	–	–	–	2,328
Dividend paid	–	–	(2,961)	–	–	–	–	(2,961)
Balance at 31 December 2014	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**

*Other reserves total £278,098 deficit (2013: £277,848 deficit)

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Total £000
Balance at 1 January 2013	**–**	**–**	**–**	**–**	**–**
Profit for the year	–	–	511	–	511
Total comprehensive income for the year	–	–	511	–	511
Issue of shares	1,744	347,436	–	–	349,180
Repurchase of own shares	–	–	–	(1,430)	(1,430)
Sale of own shares	–	–	1,501	868	2,369
Share-based payments	–	–	4,361	–	4,361
Balance at 31 December 2013	**1,744**	**347,436**	**6,373**	**(562)**	**354,991**
Profit for the year	–	–	4,360	–	4,360
Exchange differences	–	–	–	–	–
Total comprehensive income for the year	–	–	4,360	–	4,360
Share-based payments	–	–	2,328	–	2,328
Dividend paid	–	–	(2,961)	–	(2,961)
Balance at 31 December 2014	**1,744**	**347,436**	**10,100**	**(562)**	**358,718**

Translation reserve

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

Merger reserve

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

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2014, the Company held 154,562 ordinary shares of 1p each, held in an employee benefit trust. This represents 0.1% of the Company share capital at 31 December 2014.

Consolidated and parent Company statement of cash flows
For the year ended 31 December 2014

	Note	Group year ended 31 December 2014 £000	Group year ended 31 December 2013 £000	Company year ended 31 December 2014 £000	Company year ended 31 December 2013 £000
Net cash used in operating activities	31	**(52,431)**	**(6,717)**	**2,899**	**(42,542)**
Investing activities					
Purchase of property, plant and equipment		(279)	(143)	–	–
Purchase of intangible assets		(851)	(341)	–	–
Repurchase of own shares		–	(1,430)	–	(1,430)
Sale of own shares		–	2,369	–	2,369
Acquisition of associate		(11,419)	–	–	–
Acquisition of subsidiary, net of cash acquired		(97,121)	(17,826)	–	–
Net cash (used in)/generated by investing activities		**(109,670)**	**(17,371)**	**–**	**939**
Financing activities					
Proceeds of issued share capital		–	41,680	–	41,680
Proceeds from additional loans		47,087	6,884	–	–
Proceeds from senior notes (net of fees)		168,333	210,626	–	–
Repayment of interest on senior notes		(17,325)	(10,202)	–	–
Repayment of other interest		(718)	–	–	–
Repayment of bank loan		(42,579)	(106,859)	–	–
Repayment of shareholders' loans		–	(77,350)	–	–
Repayment of non-controlling interest loans		–	(2,650)	–	–
Repayment of loan and loan notes		(19,990)	–	–	–
Bank fees paid		(2,790)	–	–	–
Payment of dividends		(2,961)	–	(2,961)	–
Net cash flow generated by financing activities		**129,057**	**62,129**	**(2,961)**	**41,680**
Net increase in cash and cash equivalents		**(33,044)**	**38,041**	**(62)**	**77**
Cash and cash equivalents at beginning of year		47,520	9,610	77	–
Effect of exchange rates on cash and cash equivalents		66	(131)	–	–
Cash and cash equivalents at end of year		**14,542**	**47,520**	**15**	**77**

Notes to the financial statements

1 General information

Arrow Global Group PLC is a company incorporated in England and Wales and is the ultimate parent company of the Group. The address of the registered office is presented on page 117. The financial statements are presented in pounds sterling as the currency of the primary economic environment in which the Group operates.

The Company's subsidiaries and associates, both direct and indirect, at this date are listed in note 23.

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

The Group's financial statements for the year ended 31 December 2014 have been prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. The accounting policies have been applied consistently in the current and prior periods.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts.

2 Adoption of new and revised standards

The following new standards, amendments to standards and interpretations are mandatory for the first time for the year beginning 1 January 2014:

> IFRS 10	Consolidated Financial Statements
> IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
> IFRS 11	Joint Arrangements
> IFRS 12	Disclosure of Interests in Other Entities
> IAS 27 (revised)	Separate Financial Statements
> IAS 28 (revised)	Investments in Associates and Joint Ventures
> IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
> IAS 19 (amended)	Employee Benefits
> IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements:

> IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets

No new or revised standards and interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

> IFRS 9	Financial Instruments

IFRS 9 will impact the measurement and disclosures for Financial Instruments. The adoption of effective interest rate is thought to be in line with current IFRS 9 guidance, however, additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

3 Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with IFRS. The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore, the Group financial statements comply with EU IAS Regulation.

The 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2014 and comparative period. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with its investee entity and has the ability to affect these returns through its power over the investee entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Also see the accounting policy 'shares held in an employee benefit trust' (EBT).

Going concern

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. The directors have given this matter due consideration through a review of forecast cash flow models and scenarios and current cash availability and have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

The main considerations were as follows:

The Group is highly cash generative receiving weekly cash flows and has a low fixed cost base. As at 31 December 2014, the Group had an available £100 million overdraft facility, drawn by £39 million. The Group also had £15 million cash balance as at 31 December 2014. The directors have reviewed the available headroom of the Group, and confirmed that the Group has sufficient resources to meet future obligations as they fall due.

The principal covenants of the revolving credit facility that the Group currently has in place are loan to value (LTV) ratio of no more than 75% and a super senior loan to value (SSLTV) ratio of no more than 25%, both tested quarterly.

The SSLTV ratio as at 31 December 2014 was 2.7% and the LTV ratio 49.0%. Both covenants were comfortably met throughout the year to 31 December 2014. The directors have reviewed the Group's financial projections covering a minimum period of at least 12 months from the date of signing of these financial statements and the projections show covenant compliance.

The Company had a profit for the year to 31 December 2014 of £4,360,000. With net current assets of £51,218,000, the directors deem this sufficient to cover a minimum period of at least 12 months from the date of signing these financial statements.

The Group is able to generate strong cash flows even in difficult general market conditions. The Group's cash flow projections confirm that the Group will remain well within its facilities for a minimum period of at least 12 months from the data of signing these financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

3 Significant accounting policies (continued)

Goodwill

Goodwill arising on a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 per cent of the voting power of another entity or evidence through a number of aspects such as representation on the board of directors, participation in policy making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Revenue recognition and effective interest rate method (EIR)

Income from purchased loan portfolios

Income from purchased loan portfolios represents the yield from acquired portfolio investments. Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortised cost using the EIR method.

The EIR method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio. The EIR is the rate that exactly discounts 84-months of estimated future cash receipts of the purchased portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset). On acquisition, there is a short period that is required to determine the EIR, due to the complexity of the portfolios acquired.

Unallocated cash is held as a liability in the balance sheet until it is reconciled. Unallocated cash is held for a period of six years, only being released to the consolidated statement of comprehensive income at this point.

Where the Group acquires purchased loan portfolios via forward flow agreements, there is no difference in accounting treatment than described above.

Portfolio write up

Upward revaluations ('write ups') are increases to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments to their estimated cash flows and are recognised in the portfolio write-up line within revenue, with any subsequent reversals to write ups also recorded in this line.

Impairment of purchased loan portfolios

The portfolios are reviewed for indications of impairment at the balance sheet date, such as variances to historical cash curves, in accordance with IAS 39. This is considered on a portfolio basis. Where portfolios exhibit objective evidence of impairment, an adjustment, being the difference between the current carrying value and the net present value of future estimated cash flows, is recorded to the carrying value of the portfolio.

If the forecast portfolio collections are lower than previous forecasts the revenue from any previous write-ups are reversed and this reversal is recognised in revenue recorded in the same line, up to the point that any reversals equal the previously recognised cumulative write-ups. If these reversals exceed any previously recognised cumulative write-ups then an impairment is recognised as a separate statement of comprehensive income line ('write downs').

Revenue on assets under management

In accordance with IAS 18, the Company recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably.

3 Significant accounting policies (continued)

Non-recurring items

Non-recurring items are those which are separately identified by virtue of their size and nature (i.e. outside of the normal underlying operating activities of the Group) to allow a full understanding of the underlying performance of the Group. These are disclosed separately on the face of the statement of comprehensive income. Current year non-recurring items are explained in notes 8 and 10.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 16). Interest income is recognised throughout the year using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the other-comprehensive income.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the year and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

Deferred tax

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

3 Significant accounting policies (continued)

Share based payments transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payments.

The grant date fair value of the share based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model were required, taking into accounts the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payments with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share based payments'.

Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

Property, plant and equipment and other intangibles

Property, plant and equipment and other intangibles, as discussed below, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method on the following basis:

Furniture	> five years
Computer equipment	> three years
Leasehold improvements	> five years
Software licences	> shorter of contractual life and useful economic life
IT platform	> ten years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment and other intangibles is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Acquired licences, such as software licences, are capitalised at cost and amortised over the shorter of contractual life and useful economic life.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Purchased loan portfolios and secured loan notes

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortised cost using the EIR method less any impairment.

Purchased loan portfolios are acquired at a deep discount and as a result the estimated future cash flows reflect the likely credit losses within each portfolio. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the EIR method.

The portfolio asset is analysed between current and non-current in the balance sheet. The current asset is determined using the expected cash flows arising in the next 12 months after the balance sheet date. The residual amount is classified as non-current.

Litigation costs

As part of the Group's litigation strategy to recover customer balances, the Group incurs recoverable upfront legal costs, which are capitalised and amortised in line with their expected recovery profile.

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3 Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the OCI is recognised in the statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities, such as loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS.

Financial liabilities are held at amortised cost using the EIR method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probably forecast transactions and meet the hedge accounting requirements of IAS 39. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the statement of comprehensive income. For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income as part of finance costs. Amounts accumulated in equity are recognised in the statement of comprehensive income when the income or expense on the hedged item is recognised in the statement of comprehensive income.

The Group discontinues hedge accounting when:

> it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
> the derivative expires, or is sold, terminated or exercised; or,
> the underlying hedged item matures or is sold or repaired.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capitalisation of legal transaction fees

Legal transaction fees associated with the purchase of portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 in the manner described in note 25.

Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained on the consolidated statement of changes in equity on page 82.

4 Critical accounting judgments and estimates

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Fair value of acquisition balance sheet and carrying value of goodwill

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

The fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. Calculation of the value in use requires an estimate and timing of future cash flows expected to arise from the reduced CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgments in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

Key sources of assumption and estimation uncertainty in applying accounting policies

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

b) Carrying value and EIR of purchased loan portfolios

A 12-month cash flow forecast is prepared for each account, based on predictions of probability to pay and value of total payments within the 12-month period. These predictions are generated using a bespoke statistical model (the PV model), which utilises customer and account level data, credit agency data and our historic experience with accounts which have similar key attributes. Management also review the model on a portfolio basis to take into account unforeseen external factors, which have impacted historical performance. Where necessary portfolios are calibrated to take into account these known factors. A separate model, using the 'stock and flow' method then takes the 12-month estimate and uses this to form an 84-month forecast of ERCs at a portfolio level. Key factors in this model are the assumptions made on the conversion of accounts from non-paying to paying, and vice-versa either through breakdown of the account or settlement/pay down of the balances due. Campaign overlays are also built into the model which allows the effect of performance improvements resulting from new initiatives to be factored into future cash flows. The ERCs created from the stock and flow model are regularly benchmarked at a portfolio level against actuals, which forms the impairment review.

5 Segmental reporting

The Group represents a single reportable segment. Its operations are all managed from the UK.

Collections information is available for the UK and Portugal operations. This is the only information analysed between the UK and Portugal received on a regular basis by the chief operating decision maker (CODM), and does not constitute sufficient information upon which to base resource allocation decisions, consequently one segment was identified. In line with the business strategy we expect this to be developing in the next 12 months. The CODM is considered to be the board of directors collectively.

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Total revenue	**110,742**	**94,697**
Collection activity costs	(34,150)	(27,994)
Professional fees and services	(1,737)	(1,733)
Recurring other operating expenses	(16,484)	(12,159)
Non-recurring items	(11,991)	(8,600)
Operating profit	**46,380**	**44,211**
Interest income	344	57
Interest costs	(22,158)	(24,169)
Fair value (losses)/gains on interest rate swaps	(443)	894
Profit before tax	**24,123**	**20,993**
Taxation	(5,852)	(5,882)
Profit for the year attributable to equity shareholders	**18,271**	**15,111**

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Purchased loan portfolios	477,513	273,932
Balance sheet		
Total segment assets	582,968	338,524
Total segment liabilities	(458,542)	(227,823)
Segment net assets	**124,426**	**110,701**
Unallocated assets which is represented by deferred tax balances	300	9
Unallocated liabilities which is represented by deferred and current tax balances	(2,852)	(5,537)
Consolidated net assets	**121,874**	**105,173**

See the glossary for the breakdown of adjusted EBITDA.

6 Profit for the year

Profit for the year has been arrived at after (charging)/crediting:	**Note**	**Year ended 31 December 2014 £000**	**Year ended 31 December 2013 £000**
Net foreign exchange (losses)/gains		(975)	23
Operating leases – properties		(413)	(249)
Portfolio write up	**16**	1,533	4,843
Depreciation and amortisation	**14, 15**	(1,090)	(752)
Goodwill impairment	**12**	–	(2,309)
Profit on disposal of plant, property and equipment		143	–
Staff costs (see note 10.b)		(11,117)	(14,118)

7 Finance income

	Year ended 31 December 2014 £000	**Year ended 31 December 2013 £000**
Finance income		
Bank interest	55	57
Loan note interest	289	–
	344	**57**

8 Finance costs

	Year ended 31 December 2014 £000	**Year ended 31 December 2013 £000**
Finance costs		
Interest on minority interest loans	–	30
Interest and similar charges on bank loans	3,168	6,524
Interest on senior secured notes	18,134	15,978
Other interest	856	346
Shareholder interest expense	–	1,291
Total interest costs	**22,158**	**24,169**
Fair value gains/(losses) on interest rate swaps	443	(894)
Total finance costs including non-recurring items	**22,601**	**23,275**
Non-recurring finance costs	(848)	(3,916)
Total finance costs	**21,753**	**19,359**

Non recurring items 2014 related to interest incurred on a historic HMRC VAT settlement and the issuance of €225 million floating rate notes due 2021. See note 28 for further information.

Non-recurring items in 2013 related to accelerated amortisation and settlement fees incurred, when loans and facilities were settled as part of the £220 million sterling senior secured note issue.

9 Auditor's remuneration

The analysis of auditor remuneration is as follows:	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Fees payable for audit services – Company	35	40
Fees payable for audit services – subsidiaries	280	94
Total fees payable for audit services	**315**	**134**
Fees payable for audit-related assurance services – Company	45	–
Total fees payable for audit-related assurance services	**45**	**–**
Fees payable for tax compliance	–	93
Fees payable for tax advisory services	–	605
Total fees payable for taxation services	**–**	**698**
Fees payable for corporate finance services – advisory	–	108
Fees payable for corporate finance services – other	–	631
Total fees payable for corporate finance services	**–**	**739**
Fees payable for other assurance services	267	110
Total fees payable for non-audit services	**267**	**1,547**
Total fees payable	**627**	**1,681**

The 2013 auditor's remuneration for statutory audit services relate solely to amounts paid to Deloitte LLP. The 2014 amounts relate solely to amounts paid to KPMG LLP.

10 Staff costs and other operating expenses

a) Other operating expenses

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Staff costs (10. b)	11,117	14,118
Other staff related costs	1,745	1,142
Premises	889	574
IT	1,095	913
Depreciation and amortisation	1,090	752
Net foreign exchange losses/(gains)	975	(23)
Goodwill impairment	–	2,309
Acquisition of subsidiary	6,026	–
Other operating expenses	5,538	974
Total operating expenses including non-recurring items	**28,475**	**20,759**
Non-recurring items:		
Acquisition of subsidiary, other	(6,026)	–
Goodwill impairment	–	(2,309)
Staff costs	(1,760)	(6,112)
Other	(4,205)	(179)
Total non-recurring items	**(11,991)**	**(8,600)**
Total operating expenses excluding non-recurring items	**16,484**	**12,159**

10 Staff costs and other operating expenses (continued)

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. Due to transformation changes to the Group brought about by the IPO and strategic acquisitions, such as the sterling senior secured notes leading onto the IPO in 2013 and the euro senior secured notes to acquire the Capquest Group in 2014, significant costs have been incurred in the current and comparative period, which the Group believe are not reflective of expected principal Group activity. The Capquest acquisition took place on 28 November 2014 and therefore there is still an element of acquisition costs to be incurred in 2015.

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

In the year to 31 December 2013, goodwill arose upon the acquisition of Arrow Global Accounts Management Limited. As the goodwill was not supportable, this was fully impaired. The remaining non-recurring items in the year were non-recurring restructuring costs associated with the senior secured notes issuance of £1,005,000 and IPO related staff and other costs of £5,286,000, the main item being £4,361,000 of share option charges.

b) Staff costs

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Wages, bonuses and salaries	9,880	13,019
Pension costs	291	227
Social security costs	946	872
	11,117	**14,118**

The total directors' personnel remuneration (including non-executive directors) during the year was £2,016,000 (2013: £3,876,000), including £nil of non-recurring costs (2013: £2,126,000) and included £119,000 in relation to pension costs (2013: £31,000). See the remuneration report for more disclosure of directors' remuneration.

The average monthly number of employees (including executive directors) are analysed below:

	Year ended 31 December 2014	Year ended 31 December 2013
Collections	45	22
Data and analytics	41	34
Finance, pricing and legal	19	16
IT and change	23	19
Management	17	13
Risk	7	3
Support services	5	2
	157	**109**

11 Professional fees and services

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Professional fees and services	**1,737**	**1,733**

Professional fees and services includes costs incurred in relation to business advisors and auditor's fees.

12 Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2014 is higher than the standard rate of corporation tax in the UK at 21.49% (2013: 23.25%). The differences are as follows:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Profit before tax	**24,123**	**20,993**
Tax charge at standard UK corporation tax rate	5,185	4,881
Adjustment in respect of prior years	(651)	33
Expenses not deductible for tax purposes	1,772	922
Differences on share based payments	(463)	(15)
Differences in tax rates	6	(410)
Differences on hedging arrangements	–	85
Differing overseas tax rates	3	386
Tax charge	**5,852**	**5,882**
Effective tax rate relating to continuing operations	**24.3%**	**28.0%**
Standard UK corporation rate for the year	**21.49%**	**23.25%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Higher**	**Higher**

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Tax charge for the year consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit for the year	7,085	5,471
Adjustment in respect of prior years	(543)	78
Total current tax charge	**6,542**	**5,549**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	(631)	788
Adjustment in respect of prior years	(108)	(45)
Differences in tax rates	49	(410)
Total tax charge	**5,852**	**5,882**

Deferred tax

The Group has not recognised a deferred tax asset in respect of £25,728,000 (2013: £249,000) of tax losses carried forward. The increase in unrecognised tax losses is due to the Capquest acquisition. These losses may be available for offset against future non-trading profits and have no expiry date.

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been calculated using a rate of 20% in these accounts.

Non-recurring tax

We have identified non-recurring items in the year amounting to £12,839,000 (2013: £12,516,000), with a £1,503,000 (2013: £2,468,000) associated tax impact.

13 Dividend

A final dividend has been proposed of 3.4 pence (£5,921,000) taking the total dividends for the year to 5.1 pence (£8,882,000), being 30% of profit after tax attributable to shareholder. The proposed final dividend is subject to approval at the annual general meeting and has not yet been included as a liability in these financial statements. The board continues to pursue a progressive dividend policy targeting a payout ratio of between 25 and 35 per cent of annual underlying net income as set out in the IPO prospectus. However, rather than the annual dividend being split between the interim and final dividend in the proportion 1/3 to 2/3 as previously anticipated, in the future, the interim dividend (from H1 2015 onwards) is expected to be declared at 50% of the prior year's final dividend with the subsequent final dividend being proposed based on the underlying net income for the year and in accordance with the payout ratio above.

14 Intangible assets

Cost	IT platform £000	Software licences £000	Goodwill £000	Total £000
At 1 January 2014	–	2,793	4,277	7,070
Goodwill on acquisition of subsidiary	–	–	45,655	45,655
Assets acquired on acquisition of a subsidiary	9,422	869	–	10,291
Additions	273	202	–	475
Disposals	(56)	(188)	–	(244)
At 31 December 2014	**9,639**	**3,676**	**49,932**	**63,247**
Amortisation and impairment				
At 1 January 2014	–	1,317	2,309	3,626
Assets acquired on acquisition of a subsidiary	27	316	–	343
Amortisation charge for the year	–	806	–	806
Disposals	–	(194)	–	(194)
At 31 December 2014	**27**	**2,245**	**2,309**	**4,581**
Net book value				
At 31 December 2014	**9,612**	**1,431**	**47,623**	**58,666**
At 31 December 2013	–	1,476	1,968	3,444

An impairment review was carried out at 31 December 2014 that resulted in the no impairment to goodwill. The goodwill was assessed to be appropriately stated.

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

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ('WACC') of 7.45%.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity based on models and growth rates. The forecasts assume growth rates in collection activity which in turn drive the forecast collections and cost figures. As at 31 December 2014 the five-year forecast assumed growth of 5% per annum, which is in keeping with the directors' prudent expectations of future growth of the CGUs.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. Based on the value in use a fall in the forecast cash flows of circa 20% would result in an impairment at 31 December 2014. For the Arrow Group CGU and 40% for the Arrow Global Receivable Management Limited CGU.

15 Property, plant and equipment

Cost	Leasehold improvements £000	Computer equipment £000	Furniture £000	Total property, plant and equipment £000
At 1 January 2014	346	342	287	975
Assets acquired on acquisition of a subsidiary	1,593	1,550	433	3,576
Additions	153	73	53	279
Disposals	(47)	(160)	(59)	(266)
At 31 December 2014	**2,045**	**1,805**	**714**	**4,564**
Accumulated depreciation				
At 1 January 2014	292	296	128	716
Assets acquired on acquisition of a subsidiary	220	503	109	832
Disposal	(25)	(100)	(24)	(149)
Charge for the year	162	53	69	284
At 31 December 2014	**649**	**752**	**282**	**1,683**
Carrying amount				
At 31 December 2014	**1,396**	**1,053**	**432**	**2,881**
At 31 December 2013	54	46	159	259

16 Financial assets

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Non current:		
Purchased loan portfolios	377,397	208,042
Portfolio write up	503	3,745
	377,900	**211,787**
Loan notes	1,378	1,668
	379,278	**213,455**
Current:		
Purchased loan portfolios	99,480	61,047
Portfolio write up	133	1,098
	99,613	62,145
Total	**478,891**	**275,600**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2014, the carrying amount of the purchased loan portfolio asset was £477,513,000 (2013: £273,932,000).

16 Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
As at the year brought forward	273,932	208,171
Portfolios acquired during the year*	143,220	84,308
Portfolios acquired through acquisition of a subsidiary	104,038	18,301
Collections in the year	(148,547)	(127,840)
Income from purchased loan portfolios	107,348	87,330
Exchange gain/(loss) on purchased loan portfolios	(3,939)	161
Amortisation of legal acquisition fees on portfolios	–	–
Disposal of purchased loan portfolios	825	(1,342)
Portfolio write up	636	4,843
As at the year end	**477,513**	**273,932**

*Inclusive of capitalised portfolio expenditure of £4,882,000 (2013: £1,759,000).

17 Other receivables and prepayments

	Note	Group Year ended 31 December 2014 £000	Group Year ended 31 December 2013 £000	Company Year ended 31 December 2014 £000	Company Year ended 31 December 2013 £000
Prepayments		14,049	9,033	30	–
Due from subsidiary undertakings	**22**	–	–	53,495	49,456
Other receivables		2,515	2,116	3	–
Current tax asset		–	–	–	–
Deposits		5	45	–	–
		16,569	**11,194**	**53,528**	**49,456**

The directors consider that the carrying amounts approximate to their fair value as balances are readily converted to cash.

18 Trade and other payables

	Note	Group Year ended 31 December 2014 £000	Group Year ended 31 December 2013 £000	Company Year ended 31 December 2014 £000	Company Year ended 31 December 2013 £000
Trade payables		6,873	4,375	890	–
Deferred consideration		11,928	2,979	–	–
Taxation and social security		324	–	–	–
Due to subsidiary undertakings	**22**	–	–	1,367	1,329
Other liabilities and accruals		13,933	2,774	–	520
		33,058	**10,128**	**2,257**	**1,849**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

18 Trade and other payables (continued)

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

19 Deferred tax liability

	Group Year ended 31 December 2014 £000	Group Year ended 31 December 2013 £000
Fair value adjustment on acquisition of subsidiaries*	2,383	1,841
Share schemes**	262	598
Other	207	207
	2,852	**2,646**

*A deferred tax liability of £743,000 was recognised in the year on acquisition of Capquest and a deferred tax liability of £2,309,000 was recognised in 2013 on acquisition of Arrow Global Accounts Management Limited. The liabilities are being unwound over ten years.

**An election under section 4gr31 ITEPA 2003 was in relation to share options on IPO, to take a corporate tax deduction on the total shares options immediately, creating a deferred tax liability.

20 Share capital

Issued and fully paid – 31 December 2014 and 2013	£000
174,439,026 ordinary shares of 1p each	1,744
	1,744

Total consideration for the shares was £349,180,000, giving rise to a share premium of £347,436,000. £41,680,000 was raised as part of the IPO, net of £8,420,000 of IPO costs, which were netted against the share premium account in accordance with the Companies Act 2006, section 610. The Company's ordinary shares carry the right to receive dividends and distributions paid by the Company.

The shareholders have the right to receive notice of and to attend and vote at all general meetings of the Company.

21 Lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group Year ended 31 December 2014 £000	Group Year ended 31 December 2013 £000
Less than 1 year	1,063	105
1-5 years	2,098	198
5+ years	–	655
	3,161	**958**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Lease commitments have increased with the acquisition of the Capquest group.

22 Related party transactions

Group

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

	Key management personnel £000	Total £000
As at 31 December 2014:		
Trade	3	3
	3	**3**
As at 31 December 2013:		
Trade	2	2
	2	**2**

Remuneration for directors has been disclosed in note 10 along with the statement of comprehensive income charges in the year and in the remuneration report. The P&L charges for other balances are disclosed in note 6.

Summary of transactions

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

In January 2013, £1,388,027 in relation to a loan note instrument was repaid in full to Lewylang LP, a party related to Zachary Lewy. Also, remaining balances on loans were repaid on 29 January 2013 as part of the refinancing and issuance of senior secured notes described in note 28.

On 6 September 2013, Shawbrook Bank Limited (which is an investment of RBS Special Opportunities Fund) committed £10 million as lender under the revolving credit facility. Shawbrook Bank Limited was paid customary fees by the Group in connection with this commitment (on the same basis as the other lenders under the revolving credit facility). RBS Special Opportunity Fund sold its remaining shares in Arrow Global Group PLC in March 2014, Shawbrook Bank Limited is therefore no longer considered to be a related party of the Group.

Company

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

Company	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Arrow Global Finance PLC £000s	Arrow Global One Limited £000s	Total £000s
As at 31 December 2014					
Due from subsidiary undertakings	–	4,990	655	47,850	53,495
Due to subsidiary undertakings	(1,367)	–	–	–	(1,367)
	(1,367)	**4,990**	**655**	**47,850**	**52,128**

	Arrow Global Group Holdings Limited £000s	Arrow Global Limited £000s	Total £000s
As at 31 December 2013			
Due from subsidiary undertakings	–	49,456	49,456
Due to subsidiary undertakings	(1,329)	–	(1,329)
	(1,329)	**49,456**	**48,127**

On 27 August 2014 the Company converted £41,680,000 held as intercompany with Arrow Global One Limited to subordinated shareholder funding. Apart from the loan with Arrow Global One Limited, the remaining balances relate to intercompany loans that are repayable on demand and are therefore held as current liabilities or assets. No other transactions occurred between the related parties, excluding those disclosed above.

23 Investments in subsidiaries and associates

Details of the Company's subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global One Limited (AGOL)	UK – England and Wales	100	Trading	AGGP
Arrow Global Guernsey Holdings Limited	Guernsey	100	Trading	AGOL
Arrow Global Investment (Holdings) Limited (AGIHL)	UK – England and Wales	100	Trading	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	UK – England and Wales	100	Trading	AGIHL
Arrow Global Finance PLC	UK – England and Wales	100	Trading	AGIHL
Arrow Global Europe Limited	UK – England and Wales	100	Trading	AGIHL
Arrow Global Limited (AGL)	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Receivables Management Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Management Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Portugal Limited (AGPL)	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Luna Limited	UK – England and Wales	100	Trading	AG(H)L
Arrow Global Portugal Investments Limited	UK – England and Wales	100	Trading	AGL
Arrow Global Accounts Management Limited	UK – England and Wales	100	Trading	AGL
Arrow Global Guernsey Limited	Guernsey	100	Non-Trading	AGIHL
Arrow Global Debt Limited (AGDL)	Guernsey	100	Dormant	AGGHL
Arrow Global Massey Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Legh Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Egerton Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Guernsey Limited	UK – England and Wales	100	Dormant	AG(H)L
Arrow Global Guernsey Management Limited	Guernsey	100	Dormant	AGDL
Strzala Sp. z o.o.	Poland	100	Dormant	AG(H)L/AGL
Quest TopCo Limited (QTL)	UK – England and Wales	100	Trading	AGIHL
Quest Bidco Limited (QBL)	UK – England and Wales	100	Trading	QTL
Quest Newco Limited (QNL)	UK – England and Wales	100	Trading	QBL
Capquest Group Limited (CGL)	UK – England and Wales	100	Trading	QNL
Capquest Investments Limited	UK – England and Wales	100	Trading	CGL
Capquest Debt Recovery Limited (CDRL)	UK – England and Wales	100	Trading	CGL
Capquest Mortgage Servicing Limited	UK – England and Wales	100	Trading	CGL
Capquest Asset Management Limited	UK – England and Wales	100	Trading	CGL
Capquest Debt Recovery Services Limited	UK – England and Wales	100	Dormant	CGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	100	Trading	CDRL
Capquest Investments 2 Limited	UK – England and Wales	100	Dormant	CGL
Capquest Limited	UK – England and Wales	100	Dormant	CGL
Capquest UK Limited	UK – England and Wales	100	Dormant	CGL
Care Debt Management Limited	UK – England and Wales	100	Dormant	CGL
Data Verification Services Limited	UK – England and Wales	100	Dormant	CGL

All subsidiaries are included in the Group consolidation.

Subsidiaries	Arrow Global One Limited £000	Total £000
At 31 December 2013 & 31 December 2014	**307,500**	**307,500**

The investments in subsidiaries are all stated at cost.

23 Investments in subsidiary and associates (continued)

Details of the Company's associates at 31 December 2014 are as follows:

Name	Place of incorporation (or registration) and operation	Economic interest (%)	Current status	Parent company
Promontoria MCS Holding SAS	France	15%	Trading	AGL

Associates	2014 £000	2013 £000
Arrow Global Limited	**11,419**	**–**

The Group acquired an indirect 15% economic interest in Promontoria MCS Holding SAS through a participation agreement on 15 December 2014 for £11,419,000. The terms of the participation agreement meant that the Group demonstrated significant influence over the MCS group.

Promontoria MCS Holding SAS is a holding company of the MCS group, a specialist acquirer and manager of retail banking assets, which is seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The associate is accounted for using the equity method.

24 Risks arising from financial instruments

Risk Management

Treasury related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury committee. The treasury committee, which is chaired by the chief financial officer, is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risk is managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swap, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options. No written options were entered into during 2014 (2013: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates, diversification of debt funding sources and no over-reliance on a single or small group of lenders. At 31 December 2014, the Group's senior secured notes and revolving credit facility had an average period to maturity of 5.3 years (2013: 4.6 years). Total undrawn facilities as at 31 December 2014 were £61,001,000 (2013: £55,000,000).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group has a low fixed cost base, is highly cash generative with weekly cash receipts and portfolio purchases are discretionary, which helps to mitigate liquidity risk.

24 Risks arising from financial instruments (continued)

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group As at 31 December 2014	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	33,058	–	–	–	33,058
Interest bearing					
£220 million secured senior note (7.875%)	17,325	17,325	51,975	227,123	313,748
€225 million secured senior note (5.25% plus EURIBOR)	9,395	9,395	28,185	194,860	241,835
Revolving credit facility	2,414	2,414	4,828	–	9,656
Total	**62,192**	**29,134**	**84,988**	**421,983**	**598,297**

Group As at 31 December 2013	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	10,128	–	–	–	10,128
Interest bearing					
£220 million secured senior note (7.875%)	17,325	17,325	51,975	244,448	331,073
Revolving credit facility	770	770	1,540	–	3,080
Total	**28,223**	**18,095**	**53,515**	**244,448**	**344,281**

Company As at 31 December 2014	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	**2,257**	**–**	**–**	**–**	**2,257**

Company As at 31 December 2013	within 1 year £000	1-2 years £000	2-5 years £000	5 years and over £000	Total £000
Amounts due to:					
Non Interest bearing					
Trade and other payables	**1,849**	**–**	**–**	**–**	**1,849**

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the balance sheet date.

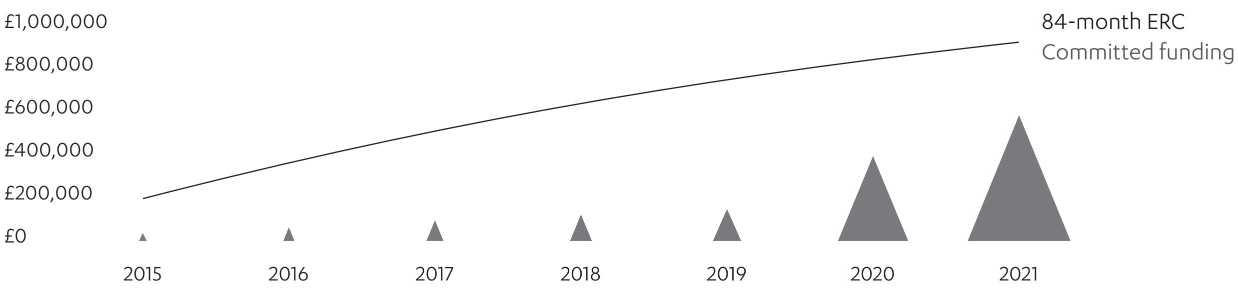
24 Risks arising from financial instruments (continued)

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities which are all designated as cash flow hedges:

	2014		2013	
	Outflow £000	**Inflow £000**	**Outflow £000**	**Inflow £000**
Not later than one month	62,780	62,315	–	–
Later than one month and not later than six months	78,897	78,185	4,393	4,464
Later than six months and not later than one year	193	133	–	–
Later than one year and not later than two years	387	281	–	–
Later than two years and not later than five years	361	340	–	–
	142,618	**141,254**	**4,393**	**4,464**

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the balance sheet date.

A maturity analysis of the Group's current 84-month ERC and comparison to borrowing facilities as at 31 December 2014 is presented below on a cumulative basis:



This demonstrates the headroom on the Group's committed funding facility repayments in comparison to the current purchased loan portfolio's estimated collections over a 84-month period.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk considered further below.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates in each of the countries in which it operates and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed rate funding (predominantly longer-term bond funding), forward currency contracts used for non-functional currency funding, bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	Year ended 31 December 2014 £000	**Year ended 31 December 2013 £000**
Increase in fair value of derivatives taken to equity	2,939	–
Reduction in profit before taxation	195	1
	3,134	**1**

24 Risks arising from financial instruments (continued)

This sensitivity analysis is based on the following assumptions:

> the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments
> where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
> changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk; cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in euro by funding portfolio assets with euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in in euro but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the euro will have an impact on the consolidated result for the period.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than sterling than those at the balance sheet date and all other variables were held constant, the Group's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	**Year ended 31 December 2014 £000**	**Year ended 31 December 2013 £000**
Currency		
Euro (EUR)	2,229	(395)
US Dollar (USD)	(1)	2
Polish Zloty (PLN)	(9)	(7)
	2,219	**(400)**

Net profit	**Year ended 31 December 2014 £000**	**Year ended 31 December 2013 £000**
Currency		
Euro (EUR)	613	(1,445)
US Dollar (USD)	2	(1)
Polish Zloty (PLN)	–	1
	615	**(1,445)**

24 Risks arising from financial instruments (continued)

If foreign exchange rates had been 10% stronger than sterling than those at the balance sheet date and all other variables were held constant, the Group's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Currency		
Euro (EUR)	(2,725)	483
US Dollar (USD)	1	(2)
Polish Zloty (PLN)	–	8
	(2,724)	**489**

Net profit	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Currency		
Euro (EUR)	(750)	1,766
US Dollar (USD)	(2)	1
Polish Zloty (PLN)	–	(2)
	(752)	**1,765**

10% is considered to be a reasonable expectation of possible fluctuations in rates. The above also assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Counterparty risks

The Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments.

The Group only deposits cash and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of amounts of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to counterparty risk is as follows:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Cash and cash equivalents	14,542	47,520
Derivative financial assets	–	507
	14,542	**48,027**

The table represents a worst case scenario of the counterparty risk that the Group is exposed to.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The Group has exposure to credit risk, liquidity risk and market risk that arises throughout the normal course of the Group's business.

24 Risks arising from financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of customer credit risk is limited due to the high number of individual customers and the relatively low value of each of the individual's debts. At 31 December 2014 the Group had 8.3 million customer accounts, with an average balance of £1,389.

Credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The Group manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are portfolio assets, loan notes and derivative assets.

The maximum credit risk exposure in relation to the financial assets is disclosed below:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Purchased loan portfolio	477,513	273,932
Cash and cash equivalents	14,542	47,520
Loan notes	1,378	1,668
Derivative asset	–	507
Other receivables	16,569	11,194
	510,002	**334,821**

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. Most portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types. A pricing gateway process is in place which is includes at least two members of the executive board as well as other key members from all areas of the business.

This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

All purchased loan portfolios are measured at amortised cost using the EIR method. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired.

All loan notes are measured at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired.

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

Management reviews the capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at the 31 December 2014 was:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Ordinary share capital and premium	349,180	349,180
Secured senior notes (net of transaction fees of £17,506,000, December 2013: £8,080,000)	378,564	211,920
	727,744	**561,100**

25 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.

> Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

> Level 2: inputs other than quoted market prices within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

> Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, using prices from observable current market transactions and dealer quotes for similar instruments and unobservable inputs such as historic performance data and the Proprietary Collections Bureau output. The purchased loan portfolios fair value is calculated using our 84-month ERC through our own in-house models. Derivative financial instruments are initially recognised, and subsequently measured, at fair value. The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings are considered to be reported at fair value as these were arm's length transactions at prevailing market rates. The Group has not identified a significant change in the availability of such market rates.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

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. All of the Group's financial instruments fall into hierarchy level 2.

Level 2	31 December 2014 £000	31 December 2013 £000
Assets		
Foreign currency contracts	(1,301)	64
Interest rate swaps	(571)	443
Total (liabilities)/assets	**(1,872)**	**507**

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

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

The Company has not entered into any derivative financial instruments.

25 Financial instruments (continued)

Financial instruments not measured at fair value – fair value hierarchy

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

Level 3	31 December 2014 £000	31 December 2013 £000
Assets		
31 December 2014:		
Purchased loan portfolios	477,513	273,932
Total assets	**477,513**	**273,932**

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

The balance sheet value of the Group's purchased loan portfolios is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

Estimates of cash flows that determine the EIR are based on the Group's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge off.

Management consider that the valuing of the purchased loan portfolios at amortised cost is comparable to the fair value.

The Group has an established control framework with respect to the measurement of purchased loan portfolio values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a quarterly basis, reviews actual against forecast gross cash on cash money multiples, signs off the latest ERC forecast and assesses the carrying value of the portfolio assets and reviews revenue recognition.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios can be seen in note 16.

Cash flow hedges

The Group uses foreign currency contracts ('cash flow hedges') to hedge foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date and interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur during the period to November 2017. The effect on the statement of comprehensive income will also be within these periods. An amount of £859,000 has been charges to equity for the Group in the period in respect of cash flow hedges (2013: £nil). No charge has been made to the Company's equity.

Interest rate swaps

The Group has interest rate swaps in place for a notional amount of £176,070,000 (2013: £66,667,000). In 2014, these interest rate swaps cover current borrowings relating to the floating rate euro notes.

Interest rate swaps in place at the balance sheet date are designated, and are effective under IAS39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A credit of £443,000 (2013: £894,000 charge) has been made to the statement of comprehensive income in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps.

The weighted average interest rate and period to maturity of the Group interest rate swaps were as follows:

Interest rate hedges at December	Weighted average interest rate 2014	Maturity date	Fair Value 2014 £000	Weighted average interest rate 2013	Maturity date	Fair Value 2013 £000
Sterling	–	–	–	1.15%	10 Oct 2014/ 10 Feb 2018	443
Euro	0.22%	Nov 2017	(572)	–	–	–

The Company did not hold any interest rate swaps at 31 December 2014 (31 December 2013: £nil).

25 Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts and exposure to currency rate fluctuations.

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2014 is £143,145,000 (2013: £6,145,000). These comprise:

> foreign currency contracts to sell sterling for a total notional of £141,580,000 (2013: £nil). These contracts have maturity dates to June 2015. These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity; and

> foreign currency contracts to sell euro for a total notional of £1,565,000 (2013: £6,145,000). These contracts have maturity dates to May 2015. These contracts are not designated as effective cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been taken to the statement of comprehensive income. As at 31 December 2014 the aggregate amount of net gain/loss under forward foreign exchange contracts that have been recognised in the consolidated statement of comprehensive income relating to the exposure on these anticipated future transactions is £64,000 gain (2013: £79,000 loss).

26 Financial assets and financial liabilities

Financial assets	Year ended 31 December 2014 £000s	Year ended 31 December 2013 £000s
Purchased loan portfolios	477,513	273,932
Derivative assets	–	507
Loan notes	1,378	1,668
Cash and cash equivalents	14,542	47,520
Other receivables	16,569	11,194
	510,002	**334,821**

Financial liabilities	Year ended 31 December 2014 £000s	Year ended 31 December 2013 £000s
Senior secured notes (excluding fees)	396,070	220,000
Revolving credit facility (excluding fees)	38,999	–
Derivative liabilities	1,872	–
Trade and other payables	33,058	10,128
Current tax liabilities	2,355	2,894
	472,354	**233,022**

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

	Fair value Year ended 31 December 2014 £000	Book value Year ended 31 December 2014 £000	Fair value Year ended 31 December 2013 £000	Book value Year ended 31 December 2013 £000
Purchased loan portfolios	477,513	477,513	273,932	273,932
Derivative assets	–	–	507	507
Loan notes	1,378	1,378	1,668	1,668
Cash and cash equivalents	14,542	14,542	47,520	47,520
Other receivables	16,569	16,569	11,194	11,194
	510,002	**510,002**	**334,821**	**334,821**

26 Financial assets and financial liabilities (continued)

	Fair value Year ended 31 December 2014 £000	Book value Year ended 31 December 2014 £000	Fair value Year ended 31 December 2013 £000	Book value Year ended 31 December 2013 £000
Senior secured notes (excluding fees)	400,200	396,070	236,170	220,000
Revolving credit facility (excluding fees)	38,999	38,999	–	–
Derivative liabilities	1,872	1,872	–	–
Trade and other payables	33,058	33,058	10,128	10,128
Current tax liabilities	2,252	2,252	2,894	2,894
	476,381	**472,251**	**249,192**	**233,022**

The carrying value of the bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting is therefore negligible.

The fair value of the bonds has been calculated with reference to their market value.

Derivative financial instruments are held at fair value, which is equal to the expected future cash flows arising as a results of the derivative transaction.

For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

27 Share based payments – group and company

Share incentive plan scheme (SIP)

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vest at the end of three years, with employees required to stay in employment to receive the shares.

In April 2014, the Group offered to all employees the opportunity to participate in the above 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.

Upon listing in October 2013, the Group provided eligible employees with a one off award of free shares worth up to £3,000, with a grant price per share of £2.425, as part of the Arrow Global Group SIP. The value of SIP shares awarded was dependent on a linear scale of length of service. The free shares vest at the end of three years, with employees required to stay in employment to receive the shares.

Initial share option plan (ISOP)

On 7 October 2013, and 21 October 2013, 3,566,000 ISOP options were granted to employees of the Group. These ISOP options were exercisable conditional upon, and with effect from IPO for those granted on 7 October 2013 and from the grant date for those granted on 21 October 2013. 1,934,000 vested immediately with the remaining to vest in two years from the date they take effect, with employees required to stay in employment to receive the shares.

Long-term incentive plan (LTIP)

On 11 March 2014, nil cost share options 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.

For each eligible employee, 75% of the LTIP awards are subject to EPS growth criteria, and vests as follows:

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

27 Share based payments – group and company (continued)

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

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

Further nil cost share option LTIP awards were made on 30 May 2014 and 8 December 2014, both of which vest at the same time as the 11 March 2014 LTIP awards and have the same criteria for vesting. An LTIP conditional award was made on 30 May 2014. This award vests at the end of two years subject to continuity of employment.

Grant information

The terms and conditions of the grant are as follows:

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – ISOP	Equity	3,391,228	2 years	1,851,335 vested immediately* 1,539,893 – 7 October 2015
Equity settled award – ISOP	Equity	175,000	2 years	82,665 vested immediately* 92,335 – 20 October 2015
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – LTIP	Equity	1,478,751	2.3 – 3 years	11 March 2017
Equity settled award – LTIP	Equity	88,202	2 years	30 May 2016
Equity settled award – SIP	Equity	16,676	3 years rolling	30 May 2017

*The options which vested immediately in 2013 were used to cover taxation and other withholdings, deducted at source.

The following table shows the weighted average exercise prices (WAEP) and number of options movements during the year.

	2014 WAEP	2014 Number of options	2013 WAEP	2013 Number of options
Outstanding at the beginning of the year	£nil	1,713,526	–	–
Granted during the year	£nil	1,657,205	£nil	3,647,526
Forfeited during the year	£nil	(272,285)	–	–
Exercised during the year	£nil	(48,752)	–	(1,934,000)
Expired during the year	–	–	–	–
Outstanding at 31 December	**£nil**	**3,049,694**	**£nil**	**1,713,526**
Exercisable at 31 December	**–**	**–**	**–**	**–**

The weighted average share price at the date of exercise of share options exercised during the year was £nil (2013: £2.06).

The share options outstanding at 31 December 2014 have a weighted average contractual life of 2.2 years (2013: 1.8 years).

The weighted average fair value of options granted during the year was £2.21 (2013: £2.07). The majority of options granted to date are nil cost options (2013: 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.

27 Share based payments – group and company (continued)

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

	2014	2013
SIP		
Expected life of options (years)	3	3
Share prices at date of grant	£2.29	£2.05
ISOP		
Expected life of options (years)	–	2
Share prices at date of grant	–	£2.05 - £2.24
LTIP		
Expected life of options (years)	3	–
Share prices at date of grant	£2.36 - £2.46	–
Expected share price volatility (%)	27.10%	–
Risk free interest rate (%)	0.47%	–

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

	2014 £000	2013 £000
Equity settled share based payment expense recognised immediately	–	3,979
Equity settled share based payment expense spread across vesting period	2,328	382
Total equity settled share based payment expense recognised in the statement of comprehensive income	**2,328**	**4,361**

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

28 Borrowings and facilities

External borrowings comprise the £220 million fixed rate senior secured notes due 2020, the €225 million floating rate senior secured notes due 2021 and the £100 million revolving credit facility.

Secured borrowing at amortised cost	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Senior secured notes (net of transaction fees of £17,506,000, 2013: £8,080,000)	378,564	211,920
Revolving credit facility (net of transaction fees of £3,595,000, 2013: £nil)	35,404	–
Senior secured notes interest	7,289	5,775
	421,257	**217,695**
Total borrowings:		
Amount due for settlement within 12 months	**42,693**	**5,775**
Amount due for settlement after 12 months	**378,564**	**211,920**

Senior secured notes

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

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

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

28 Borrowings and facilities (continued)

Revolving credit facility

On 16 September 2014, the Group amended its revolving credit facility with The Royal Bank of Scotland PLC acting as security agent for a syndicate of participating financial institutions. The commitments under the facility were increased from £55 million to £82.5 million and the facility was extended to January 2019. In addition the margin on the facility was reduced by 0.5% to 3.75% per annum over the relevant reference rate, subject to a margin ratchet based on the loan-to-value ratio at each quarter end. The commitments under the revolving credit facility were further increased to £100 million on completion of the Capquest group acquisition on 28 November 2014.

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

29 Earnings per share (EPS)

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Basic/diluted EPS		
Underlying profit for the year attributable to equity shareholders	29,607	25,159
Profit for the year attributable to equity shareholders including non-recurring items	18,271	15,111
Number of ordinary shares	**174,439**	**154,427**
Underlying basic and diluted earnings per share (£)	**0.17**	**0.16**
Basic and diluted earnings per share including non-recurring items (£)	**0.10**	**0.10**

Adjusted earnings per share	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Underlying profit for the year attributable to equity shareholders	29,607	25,159
Profit for the year attributable to equity shareholders including non-recurring items	18,271	15,111
Add back: shareholder interest expense	–	1,291
Underlying	**29,607**	**26,450**
Including non-recurring items	**18,271**	**16,402**
Number of ordinary shares	**174,439**	**154,427**
Underlying adjusted earnings per share (£)	**0.17**	**0.17**
Adjusted earnings per share including non-recurring items (£)	**0.10**	**0.11**

Due to no shareholder interest being applicable in the 2014, the basis and diluted EPS and adjusted EPS are the same.

30 Acquisition of subsidiary undertaking

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

Goodwill of £45,655,000 was created as part of this acquisition. The primary reasons for the acquisition, which make up the goodwill, were to strengthen market position, reinforce the business model, diversify origination sources, enhance data capabilities, achieve strong synergies and the deal was considered financially attractive for shareholders. Synergies arise from overhead cost savings through removal of overlapping and duplicated activities, operating cost savings through better management of collection resources and greater customer insight from collections operations expected. Included in goodwill are certain intangible assets including the anticipated impact of the primary reasons for the acquisition above that cannot be individually separated and reliably measured due to their nature.

In the one month from acquisition to 31 December 2014, the Capquest group contributed revenue of £2,514,000 and operating profit of £738,000 to the consolidated results for the year. If the acquisition had occurred on the first day of 1 January 2014, Group total revenue would have been an estimated £137,122,000 and operating profit would have been an estimated £41,900,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2014.

30 Acquisition of subsidiary undertaking (continued)

Effect of the acquisition

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

Acquisitions	Book value £000	Fair value adjustment £000	Total £000
Purchased loan portfolios	100,238	3,800	104,038
Goodwill	24,732	(24,732)	–
Intangible assets	9,570	–	9,570
Property, plant and equipment	2,743	(131)	2,612
Cash and cash equivalents	7,286	–	7,286
Other receivables	1,670	(237)	1,433
Trade and other payables	(8,218)	(2,369)	(10,587)
Loans and unsercured loan notes	(54,690)	–	(54,690)
Deferred tax liability	–	(743)	(743)
	83,331	**(24,412)**	**58,919**
Goodwill on acquisition			45,655
			104,574
Consideration:			
Cash			102,974
Deferred consideration			1,600
			104,574

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

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

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

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

A VAT provision was included of £2,395,000 after post acquisition discussions with HRMC, which is still on-going.

The fair value adjustments created a deferred tax liability of £213,000. The Company previously adjusted its numbers on 1 April 2012 from UK GAAP to EU IFRS and a deferred tax liability arising on the difference to the fair value of the portfolio assets at this point was not recorded, this amounted to £1,088,000 at acquisition and has been included in the fair value adjustments above. Also, a deferred tax asset of £558,000 in relation to losses not previously recognised has been included.

Acquisition expenses

The Group incurred acquisition expenses of £5,402,000 in relation to the acquisition, which has been charged to the statement of comprehensive income and included within other operating expenses.

Measurement period

Whilst the Group believes the acquisition accounting fair value adjustments to be complete, IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were not in existence at the acquisition date. If any additional material changes are required within this measurement period, these will be reflected in the 2015 half-year results of the Group.

31 Notes to the cash flow statement

Cash flows from operating activities	Group year ended 31 December 2014 £000	Group year ended 31 December 2013 £000	Company year ended 31 December 2014 £000	Company year ended 31 December 2013 £000
Adjusted for:				
Profit before tax	24,123	20,993	4,596	705
Collections in the year*	148,547	130,314	–	–
Income from purchased loan portfolios*	(106,451)	(87,330)	–	–
Portfolio write up	(1,533)	(4,843)	–	–
Profit on disposal of purchased loan portfolios	(825)	(1,132)	–	–
Gain on disposal of property, plant, equipment and intangibles	143	–	–	–
Amortisation of legal acquisition fees on portfolios and financing costs	1,501	4,554	–	–
Depreciation and amortisation	1,090	752	–	–
Goodwill impairment (non-recurring non cash item)	–	2,309	–	–
Increase in rolled up interest on shareholders' loans	–	1,291	–	–
Increase in rolled up interest on non-controlling interest loans	–	30	–	–
Interest payable	20,313	15,978	–	–
Foreign exchange losses/(gains)	894	(23)	–	–
Loss/(gain) on fair values on derivatives	457	(815)	–	–
Equity settled share-based payment expenses	2,328	4,361	2,328	4,361
Cash from secured loan notes from third party	–	100	–	–
Operating cash flows before movement in working capital	**90,587**	**86,539**	**6,924**	**5,066**
Decrease/(increase) in other receivables	5,006	(4,701)	(34)	–
Increase in amounts due from subsidiary undertakings	–	–	(4,001)	(48,128)
Increase/(decrease) in trade and other payables	1,646	1,820	371	520
Cash generated by/(used in) operations	**97,239**	**83,658**	**3,260**	**(42,542)**
Income taxes and overseas taxation paid	(7,039)	(4,269)	(361)	–
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**90,200**	**79,389**	**2,899**	**(42,542)**
Purchases of purchased loan portfolios	(142,631)	(84,308)	–	–
Purchases of loan notes	–	(1,798)	–	–
Net cash used in operating activities	**(52,431)**	**(6,717)**	**2,899**	**(42,542)**

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW GLOBAL FINANCE PLC

We have audited the financial statements of Arrow Global Finance PLC for the year ended 31 December 2016 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A Simpson

Alexander Simpson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One St Peter's Square
Manchester
M2 3AE
16 March 2017

Statement of comprehensive income for the year to 31 December 2016

	Notes	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Total operating expenses		**(167)**	**(50)**
Operating loss		**(167)**	**(50)**
Foreign exchange gains	*4*	433	28
Finance income	*5*	54,365	31,977
Finance costs	6	(52,882)	(31,622)
Total finance costs		**(52,882)**	**(31,622)**
Profit before tax		**1,749**	**333**
Taxation on ordinary activities	*9*	(304)	(67)
Profit for the year and total comprehensive income attributable to equity shareholder		**1,445**	**266**

The notes on pages 11 to 18 form part of these financial statements.

Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016 £000	31 December 2015 £000
Assets			
Current assets			
Cash and cash equivalents		1	30
Intercompany receivables	11	689,364	458,561
Corporation tax asset		-	113
Total current assets and total assets		**689,365**	**458,704**
Equity			
Share capital	10	50	50
Retained earnings		2,452	1,007
Total equity attributable to shareholder		2,502	1,057
Liabilities			
Non-current liabilities			
Senior secured notes	12	681,158	449,610
Current liabilities			
Senior secured notes	12	5,430	6,832
Trade and other payables		115	83
Intercompany payables	11	-	1,122
Corporation tax liability		160	-
Total current liabilities		**5,705**	**8,037**
Total liabilities		**686,863**	**457,647**
Total equity and liabilities		**689,365**	**458,704**

The notes on pages 11 to 18 form part of these financial statements.

Approved by the board of directors on 16 March 2017, signed and authorised for issue on its behalf by

Rob Memmott

Director ....

Registered in England and Wales No: 08361735

Statement of changes in equity for the year to 31 December 2016

	Share capital	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2015	**50**	**741**	**791**
Profit for the year	-	266	266
Total comprehensive income for the year	**-**	**266**	**266**
Balance at 31 December 2015	**50**	**1,007**	**1,057**
Profit for the year	-	1,445	1,445
Total comprehensive income for the year	**-**	**1,445**	**1,445**
Balance at 31 December 2016	**50**	**2,452**	**2,502**

The notes on pages 11 to 18 form part of these financial statements.

Statement of cash flows for the year to 31 December 2016

	31 December 2016 £000	31 December 2015 £000
Cash flows from operating activities		
Profit before tax	1,749	333
Adjusted for:		
Foreign exchange gains	(433)	(28)
Increase in net amounts due from subsidiary undertakings	(122,887)	(50,720)
Interest receivable on intercompany balances	(54,365)	(31,977)
Interest payable	52,882	31,622
Increase/(decrease) in trade and other payables	45	(3,850)
Income taxes (paid)/received	(31)	64
Net cash used in operating activities	**(124,789)**	**(54,889)**
Cash flows from financing activities		
Proceeds from senior secured notes (net of fees)	169,712	81,560
Early repayment of bond	(8,664)	-
Repayment of interest on senior secured notes	(36,915)	(27,365)
(Decrease)/increase in amounts payable to subsidiary undertakings	(1,122)	391
Net cash used in financing activities	**123,011**	**54,586**
Net (decrease)/increase in cash and cash equivalents	(29)	30
Cash and cash equivalents at beginning of year	30	-
Cash and cash equivalents at end of year	**1**	**30**

The notes on pages 11 to 18 form part of these financial statements.

Notes to the Financial Statements

1. General information

Arrow Global Finance PLC is a company incorporated in England and Wales. The Company incorporated as a public limited company on 15 January 2013. The address of the registered office is listed on page 1. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Adoption of new and revised standards

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

IFRS 11 (amendments) Accounting for acquisitions of interests in joint operations

IAS 16 and IAS 38 (amendments) Clarification of acceptable methods of depreciation and amortisation

IAS 27 (amendments) Equity method in separate financial statements

Annual improvements to IFRSs 2012-2014 cycle

IAS 1 (amendments) Disclosure initiative

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements and have not been early adopted:

IFRS 9 Financial Instruments

New reporting requirements under IFRS 9 introduce forward looking credit loss models which will lead to changes in timing of impairment recognition. We continue to assess the impact of IFRS 9 and have implemented a project plan to ensure compliance with the new standard ahead of its proposed implementation date of 1 January 2018.

Other standards

The following new and revised Standards and Interpretations have been issued but are not yet endorsed or effective for these financial statements and have not been early adopted:

IAS 7 (amendments) Disclosure initiative

IAS 12 (amendments) Recognition of deferred tax assets for unrealised losses

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with IFRS adopted by the European Union and also, the Company financial statements comply with EU IAS Regulation.

The financial statements of the Company have been prepared under the historical cost convention.

Going concern

The directors are required to make an assessment of the Company's ability to continue to trade as a going concern for the foreseeable future. The directors have given this matter due consideration through a review of forecast cash flow models and scenarios and current cash availability and have concluded that it is appropriate to prepare the Company financial statements on a going concern basis.

The principal accounting policies adopted are set out below.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the year and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

Notes to the Financial Statements *(continued)*

Taxation (continued)

Deferred tax policy

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred taxation is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

Operating expenses

Operating expenses relate to professional and other fees. All operating costs are accounted for on an accruals basis.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the OCI is recognised in the statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Foreign currency translation

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Company financial statements, the results and financial position are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the Company's financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated

Notes to the Financial Statements *(continued)*

Foreign currency translation (continued)

in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised the in the statement of comprehensive income in the year in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Interest payable and receivable

Interest is charged on intercompany transactions and accrues daily based on interest charged on the senior secured notes, the fee amortisation associated on the senior secured notes plus a margin.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities, such as loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS.

Financial liabilities are held at amortised cost using the EIR method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument.

The Company derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

4. Foreign exchange gains

Foreign exchange gains of £433,000 were recognised within the year (2015: £28,000).

5. Finance income

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	**£000**
Interest on intercompany loans	41,100	31,977
Recharge of bond related refinancing costs (see note 11)	13,265	-
	54,365	**31,977**

6. Finance costs

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	**£000**
Senior secured note interest and similar charges	39,617	29,866
Bond related refinancing costs	13,265	-
Interest on intercompany loans	-	1,756
	52,882	**31,622**

Notes to the Financial Statements *(continued)*

7. Staff numbers and cost

The Company has no employees. Directors' remuneration is borne by Arrow Global Limited and is not recharged as it is not practicable to allocate directors' remuneration between Group companies.

8. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year ended 31 December 2016 £000	**Year ended 31 December 2015 £000**
Fees payable for audit services in respect of the Company	5	5

No non-audit services were provided to the Company by the external auditor in the year.

9. Tax

The effective tax rate for the year ended 31 December 2016 can be reconciled to the standard rate of corporation tax in the UK at 20.00% (2015: 20.25%) as follows:

	Year ended 31 December 2016 £000	**Year ended 31 December 2015 £000**
Profit before tax	1,749	333
Tax charge at standard UK corporation tax rate of 20.00% (2015: 20.25%)	350	67
Adjustments in respect of prior years	(46)	-
Tax charge	304	67
Effective tax rate	17.38%	20.25%

Tax charge for the year consists of:	**Year Ended 31 December 2016 £000**	**Year Ended 31 December 2015 £000**
Current tax charge:		
Current tax based on profit for the year	350	67
Adjustment in respect of previous years	(46)	-
Total current tax charge	**304**	**67**

10. Share capital

	31 December 2016 £	**31 December 2015 £**
50,000 ordinary shares of £1 each, allotted, called up and fully paid	50,000	50,000

The Company has one class of ordinary shares which carry no right to fixed income.

Notes to the Financial Statements *(continued)*

11. Related party transactions

As at 31 December 2016:

	Arrow Global Guernsey Holdings Limited £000	Arrow Global Group PLC £000	Arrow Global Investments Holdings Limited £000	Arrow Global Limited £000	Total £000
Amounts due from related parties	-	-	486,248	203,116	689,364
Amounts due to related parties	-	-	-	-	-
Total	-	-	486,248	203,116	689,364

As at 31 December 2015:

	Arrow Global Guernsey Holdings Limited £000	Arrow Global Group PLC £000	Arrow Global Investments Holdings Limited £000	Arrow Global Limited £000	Total £000
Amounts due from related parties	-	-	250,112	208,449	458,561
Amounts due to related parties	(100)	(1,022)	-	-	(1,122)
Total	(100)	(1,022)	250,112	208,449	457,439

The amounts in the tables above relate to intercompany financing activity and are repayable on demand.

The Company had the following reportable transactions:

For the year ended 31 December 2016:

	Arrow Global Limited £000	Arrow Global Investment Holdings Limited £000	Total 2016 £000
Intercompany interest	16,959	24,141	41,100
Recharge of bond related refinancing costs (see note 12)	13,265	-	13,265
	30,224	24,141	54,365

For the year ended 31 December 2015:

	Arrow Global Limited £000	Arrow Global Investment Holdings Limited £000	Total 2015 £000
Intercompany interest	19,728	12,249	31,977

Notes to the Financial Statements *(continued)*

12. Borrowings

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Secured borrowings at amortised cost		
Senior secured notes (net of transaction fees of £20,562,000, 2015: £17,222,000)	681,158	449,610
Senior secured notes interest	5,430	6,832
	686,588	456,442
Total borrowings		
Amounts due for settlement within 12 months	5,430	6,832
Amounts due for settlement after 12 months	681,158	449,610

On 1 September 2016, the Group issued £220 million senior secured notes at a fixed rate of 5.125% due 2024 (the '2024 Sterling Senior Notes'). Interest is paid bi-annually. The 2024 Sterling Senior Notes can be redeemed in full or in part on or after 15 September 2019 at the Group's option. Prior to 15 September 2019, the Group may redeem, at its option, some or all of the 2024 Sterling Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

On 1 September 2016, upon issuance of the 2024 Sterling Senior Notes, the Group redeemed the £220 million senior secured notes due 2020 (the '2020 Sterling Senior Notes') which were issued in January 2013. Upon redemption of the 2020 Sterling Senior Notes, the company incurred non-recurring costs of £13.3 million which were recharged to Arrow Global Limited. Finance costs include a non-recurring cost of £13.3 million relating to refinancing activity during the period. This comprised of the early redemption of the £220 million notes due 2020, of which £8.7 million was a cash cost related to the call premium and £4.6 million a non-cash cost related to the write-off of previous transaction fees.

On 14 April 2016, the Group issued €230 million senior secured notes due 2023, at a floating rate of 4.75% over three-month EURIBOR (the '2023 Euro Senior Notes'). Interest is paid quarterly in arrears. The 2023 Euro Senior Notes can be redeemed in full or in part on or after 1 May 2019 at the Group's option. Prior to 1 May 2019, the Group may redeem, at its option, some or all of the 2023 Euro Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

On 4 November 2014, the Group issued €225 million floating rate senior secured notes ("the Euro Senior Notes") at a margin of 5.25% over three-month EURIBOR. Interest is paid quarterly in arrears. The Euro Senior Notes can be redeemed in full or in part on or after 1 November 2017 at the Group's option. Prior to 1 November 2017, the Group may redeem, at its option, some or all of the Euro Senior notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, including an applicable make-whole premium.

On 28 September 2015, the Group issued a further €110 million tranche of the Euro Senior Notes taking the total notional outstanding of the Euro senior notes to €335 million.

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

The Euro Senior Notes and Sterling Senior Notes are secured by substantially all of the assets of the Arrow Group. Proceeds received by the Company from the Sterling Senior Notes and Euro Senior Notes are on lent under intragroup loan agreements to other Group entities on an arm's length basis.

Notes to the Financial Statements *(continued)*

13. Risks arising from financial instruments

The key risks and uncertainties faced by the Company are managed within an established risk management framework, and is based upon sound economic objectives and corporate practices. The Company has entered into loan agreements with other Group companies, lending the funds raised from the Notes described in Note 12 the loan agreements have been structured so that the economic terms match the economic terms of the Notes. The Company's day to day working capital is funded by these intergroup loans. The key risks identified for the Company are discussed below.

Fair values

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.

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

	Fair value Year ended 31 December 2016	Book value Year ended 31 December 2016	Fair value Year ended 31 December 2015	Book value Year ended 31 December 2015
	£000s	£000s	£000s	£000s
Intercompany receivables	689,364	689,364	458,561	458,561
Cash and cash equivalents	1	1	30	30
Tax asset	-	-	113	113
	689,365	**689,365**	**458,704**	**458,704**
Senior secured notes (excluding fees)	724,065	701,720	481,565	466,832
Trade and other payables	115	115	83	83
Intercompany payables	-	-	1,122	1,122
Tax liability	160	160		
	724,340	**701,995**	**482,770**	**468,037**

Financial risk

The Company's financial risk management strategy is based upon sound economic objectives and corporate practices. The main financial risk concerns the availability of funds to meet obligations, relating to the Notes detailed in Note 12, as they fall due (liquidity risk). As described above the intergroup loan agreements have been structured so that the economic terms match the economic terms of the above Notes. Liquidity risk and credit risk is therefore managed through the Group companies who have balances with the company. This risk is managed by the Group through tight cash management, maintenance of a flexible cost base and the establishment of borrowing facilities.

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk principally comprises interest rate and foreign currency risk. Given the terms of the loan agreements entered into with Group companies both interest rate risk and foreign currency risk are mitigated by the matching of economic terms between the Bonds and Group loan agreements.

Notes to the Financial Statements *(continued)*

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by contractual repayments of the principal amount and any interest at the statement of financial position sheet date:

	31 December 2016	31 December 2015
Amounts owed, due within one year:	**£000**	**£000**
Trade payable	115	83
Corporation tax liability	160	-
Senior secured notes	34,999	30,005
Amounts owed, due 1-5 years:		
Senior secured notes	423,295	120,020
Amounts owed, due in more than 5 years:		
Senior secured notes	459,183	467,196
	917,752	**617,304**

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position sheet date.

The senior secured notes are interest bearing; trade payables are non-interest bearing.

14. Parent undertaking

The immediate parent company is Arrow Global Investments Holdings Limited and the ultimate parent company is Arrow Global Group PLC both of which are incorporated in England and Wales. Registered address Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW.

The largest and smallest groups in which the results of the Company are consolidated is that headed by Arrow Global Group PLC. The consolidated financial statements of this group are publically available from the Group's website www.arrowglobalir.net.

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You should rely on the information contained in this Offering Memorandum. Neither the Issuer nor the Initial Purchasers have authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor the Initial Purchasers are making an offer of the Notes in any jurisdiction where such offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date of this Offering Memorandum.

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Arrow Global Finance plc

€360,000,000 Senior Secured Floating Rate Notes due 2025

Issue price for the Notes: %

Physical Bookrunners and Global Coordinators

J.P. Morgan
Goldman Sachs International
HSBC
DNB Markets

Joint Bookrunners

ABN AMRO
Lloyds Bank
Morgan Stanley
NatWest Markets

, 2017

PRELIMINARY OFFERING MEMORANDUM